

Procedure 20315A: Late Payment Penalties

A. Late Payments Penalties to Public Utility Companies

The State Corporation Commission (SCC) governs payments to public utilities. According to the SCC Rules, the university must pay late payment penalties that public utilities assess. Late payment penalties assessed by utility companies are the most common type of late payment penalty the university incurs.

Late payment penalties to public utilities must be coded to account 12971 Late Payment Penalties–Utilities.

The university's policy prohibiting late payment penalties less than \$1.00 does not apply to those assessed by public utilities.

The department does not have to obtain approval prior to entering the requisition in HokieMart.

B. Late Payment Penalties under the Prompt Payment Act (Non-Utilities)

The Prompt Payment Act governs all university payments except payments to public utilities. Per the Prompt Payment Act, the university only pays late payment penalties if a late payment was (1) at least seven days late and (2) the university is at fault. Additionally, the penalty amount must be at least \$1.00.

Late payment penalties must be coded to account 12970 Late Payment Penalties–Services or 13970 Late Payment Penalties–Supplies.

A calculation, using a formula established in the *Code of Virginia* Section 58.1-1812, is required to determine the maximum allowed penalty. Accounts Payable will document the calculation and pay the maximum allowed fee amount. If the university has a contract with the vendor, the contract will govern the treatment of late payments.

The department does not have to obtain approval prior to entering the requisition in HokieMart.

Related Documents

Cardinal Topic No. 20315 Prompt Payment.

(https://www.doa.virginia.gov/reference/CAPP/CAPP_Topics_Cardinal/20315.pdf).

Code of Virginia, §§ 2.2-4347 through 4356, "Virginia Public Procurement Act."

(<https://law.lis.virginia.gov/vacode/title2.2/chapter43/>).

Code of Virginia, § 58.1-1812, "Assessment of omitted taxes by the Department of Taxation."

(<https://law.lis.virginia.gov/vacode/title58.1/chapter18/section58.1-1812/>).

Federal (a)(2) Underpayment Rate. (<https://www.dol.gov/agencies/ebsa/employers-and-advisers/plan-administration-and-compliance/correction-programs/vfcp/table-of-underpayment-rates>).

Policy No. 3260 Prompt Payment. (<https://policies.vt.edu/assets/3260.pdf>).

Prime Interest Rate. (<https://www.wsj.com/market-data/bonds/moneyrates>).