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BILL PAYMENTS

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Executive Summary

This chapter outlines the Commonwealth's Bill Paying Policy and general payment policies that apply to the expenditures of the Commonwealth. Under state finance law, G.L. c 7A s 5, the Office of the Comptroller (CTR) is required to establish a vendor payment schedule. Fiscal managers are required to adhere to state finance law and the guidance outlined in this policy. CTR strives to provide the tools and information to support and streamline efforts to meet these requirements. MMARS is configured to apply best practices for Commonwealth timely bill paying. If each Department reviews, confirms and approves invoices when received and enters that information in MMARS for payment within 9 days (or earlier) of that receipt, applicable discounts will be taken and all payments will be scheduled appropriately with no further action needed.

Considerations

Department payment activity is subject to quality assurance reviews. A criterion of the quality assurance review includes review of the quarterly bill-paying and prompt payment discount statistics for each Department and assuring that Departments are paying their bills consistent with this policy. MMARS is the official financial record of the Commonwealth. All supporting documentation must reflect the information provided in each transaction. The objective of the Commonwealth is to pay all bills on or before the statutory requirement. In addition to the policies in this Chapter, Departments are also responsible for the policies in [Contracts - State Finance Law and General Requirements](#), Contracts Policies, the [Vendor/Customer File and W-9s Policy](#), the Payment Policies any other related policies issued by CTR.

Policy

The Comptroller has broad authority to prescribe accounting rules and instructions for all state Departments and the appropriate use of the state accounting system. Pursuant to [G.L. c. 7A, § 7](#), [G.L. c. 7A, § 8](#), [G.L. c. 7A, § 9](#) and [G.L. c. 29, § 31](#), the Comptroller is required to implement a state accounting system (including a centralized payroll system) and issue instructions for the accounting practices to be used by all Departments for supplies, materials, assets, liabilities, equity, debt, encumbrances, expenditures, revenues, expenses and obligations of all Commonwealth funds and accounts, including payroll, unless specifically exempted by general or special law. The Comptroller has full authority to prescribe, regulate and make changes in the method of keeping and rendering accounts and is authorized to direct state Departments to implement changes in their systems to meet these statewide standards.

The Commonwealth's policy is to pay its bills through Electronic Funds Transfer (EFT) while maximizing the use of prompt payment discounts. When no discount is offered and there are no contractual terms requiring earlier payment, payment should be made no earlier than required by the applicable statute (see [Late Penalty Interest](#)). Unless there is financial benefit to the Commonwealth, such as a vendor discount or a contractual payment due date, compliance with the bill payment policy should not be considered successful if routine payments are issued in less than the statutory requirement. Interest is earned on Commonwealth funds; therefore, if payments are released early with no reciprocal benefit, the Commonwealth loses valuable investment income.

Electronic Fund Transfer (EFT)

Electronic Funds Transfer (EFT) is the expected form of issuing Commonwealth payments to our vendors. The Commonwealth's policy is to pay its bills through Electronic Funds Transfer (EFT) while maximizing the use of prompt payment discounts (PPD). (See [Prompt Payment Discount Policy](#).) EFT is a benefit to both vendors and the Commonwealth because it ensures fast, safe and reliable payment directly to the vendor's account and saves both parties the cost of processing checks.

For statewide contracts, vendors are required to receive payment via EFT. EFT will be required for all contracts. (See [Electronic Funds Transfer \(EFT\) form](#)). It is important to process EFT requests in a timely manner. Payments issued prior to EFT activation will be checks which are costly to process for both a Contractor and the Commonwealth. Payments are issued each business day. EFT's processed by the Commonwealth are credited to the vendor's bank account the business day following Treasury's receipt of the disbursement file.

The Commonwealth's policy for the determination of a **payment due date** is as follows:

- **A specific payment date:** The payment date is a contractual, state plan or similar payment. The payment date should be entered in both the **Vendor Invoice Date field** and the **Scheduled Payment Date field** of the payment request transaction.
- In the absence of a specified payment date, the default payment date will be on or before the statutory requirement calculated from the later of:
 - a) The date services were rendered or goods received, or
 - b) The date of receipt of an invoice.

There are four key elements to ensuring Bill Paying Policy compliance:

1. **Date Stamp Invoices.** Invoices should be date stamped as soon as they arrive on Commonwealth property. Departments are responsible for ensuring that invoices are properly tracked and timely processed in order to avoid late payment penalties. To ensure a proper record for invoices, the Department must implement sufficient internal controls at all locations receiving invoices utilizing the following steps:
 - a. All invoices are date-stamped as soon as the invoice arrives on Commonwealth property in whatever medium the invoice arrives.
 - b. If a Department does central payment processing and receives invoices at regional locations, the invoice must be date-stamped as soon as it arrives at the regional location. Regional locations should also have their own date stamps because an invoice can arrive at regional locations and each location is considered Commonwealth property. Regional locations should be fully aware of this policy and have a plan to

handle such documents. The date an invoice is received at a regional location is considered the "date received" and starts the payment clock running even if payments are processed centrally or at another location.

- c. **Electronic Invoices.** The date-stamp requirements apply even if an invoice is received electronically. If the invoice is submitted in an electronic form (fax, email), the invoice must be recorded as received as of the confirmation of fax or confirmation of email. Email invoices must be printed to include the date the email was received. If the email program does not include the date as part of the printed document, the recipient is responsible for adding the date of receipt to the printed copy. Departments must ensure that electronically received invoices are monitored so that invoices are printed daily and not back-logged when staff are on leave. Therefore, it is recommended that electronic invoices not be submitted to a single individual's email address. If the Department chooses to receive electronic invoices, the Department should establish a central email address that will be monitored daily by fiscal staff to ensure proper date-stamping and processing.
2. **Manage the invoices review/approval process** including but not limited to receipt of invoice, review, approval of expense, financial approval, and entry of payment into MMARS.
3. **Return Invoices that are not acceptable** (within 15 days, 30 days for Medicaid providers). The Department has fifteen (15) days (30 days for Medicaid providers) from the receipt of an invoice to notify the vendor with written reason(s) why an invoice has been rejected and to identify requirements to cure the deficiency. If the invoice is incorrect or cannot for good reason be accepted, it should not be held by the Department and negotiated. It should be returned to the vendor immediately. The payment day count will begin again from the beginning when the Department receives a corrected invoice.
4. **Review payment data** via the Commonwealth Information Warehouse (CIW).

Each Department must review its current steps to process payments. This may result in the identification of steps duplicated unnecessarily, in different levels of the Department, sometimes resulting in significant payment delays. An evaluation of the value added at each of these redundant points could result in a streamlined process and reduce the processing time. A risk assessment of dollar threshold or program specific concerns may result in only certain payments requiring additional review.

See related Accounts Payable Job Aids on the CTR Intranet for additional details and requirements for invoice payment processing.

Prompt Pay Vendor Discounts (PPD)

Payments are processed within a 45 day payment cycle through EFT in accordance with the Prompt Payment Discount policy for investment and cash flow purposes. Departments may NOT negotiate accelerated payments and Payees are NOT entitled to accelerated payments UNLESS a prompt payment discount (PPD) is provided to support the Commonwealth's loss of investment earnings for this earlier payment, or unless a payments is legally mandated to be made in less than 45 days (e.g., construction contracts, Ready Payments under [G.L. c. 29, s. 23A](#)). See [Prompt Pay Discounts Policy](#).

PPD are identified as a percentage discount which will be automatically deducted when an accelerated payment is made. Reduced contract rates may not be negotiated to replace a PPD. If PPD fields are left blank on the Standard Contract Form or Prompt Payment Discount Form please identify the exemption:

(1) statutory/legal/Ready Payments (2) federal grant/trust or (3) initial state grant or entitlement payments for start up costs.

Departments are required to have Contractors complete the PPD section of the Standard Contract Form or identify a legitimate hardship.

- Requiring a PPD to be identified as part of a procurement or contract does not mean that an automatic discount will be taken or that the Contractor is required to make a price reduction. The discount on the total payment will apply **ONLY** if the Contractor requests “accelerated” payments in LESS than the standard payment cycle (currently 45 days).
- Contractors that do not want to offer a PPD agree that all payments will be made in the normal course of business using the standard payment cycle and may not later request an accelerated payment unless a PPD is offered.

Exceptions for PPD or hardship

All Commonwealth contract payments will be processed in the standard payment cycle of 45 days from the date of an invoice receipt unless there is another legally mandated payment cycle such as:

- [G.L. c. 30, § 39G](#) – payments on horizontal construction and maintenance projects (roads, bridges, etc.), within 30 days.
- [G.L. c. 30, § 39K](#) – payments on vertical construction and maintenance projects (buildings), within 30 days for periodic payments.
- [G.L. c. 79, § 37](#) - payments under certain conditions on Eminent Domain within 30 days.
- Certain credit card payments that require payment within 21-25 calendar days.
- Ready Payments for human and social services under [G.L. c. 29, s. 23A](#).
- Other statutory or regulatory payment cycles of less than 45 days.

Federal and state grant awards are not exempted from the PPD policy will be paid under the standard payment cycle. Delay in getting contracts executed, financial hardship, or demands for prompt payments are not sufficient legal reasons for automatically accelerating **ALL** payments under a Contract. The first grant or contract installment or payment may be accelerated for the **first** invoice or initial grant installment, but subsequent periodic installments or invoice payments must be scheduled to support the Payee cash flow needs and the standard 45 day EFT payment cycle in accordance with the [Commonwealth’s Bill Payment Policy](#) unless a PPD is provided or an earlier payment date is legally mandated.

NOTE: For any contract with an annual single payment, the standard payment cycle must be used unless a PPD is provided and this payment may NOT be scheduled to be accelerated in less than the standard payment cycle.

Any accelerated payment that does not provide for a PPD must have a legal justification in the Contract file for audit purposes justifying the requirement for an accelerated payment and why the standard payment cycle could not be followed for all payments.

Even if a Department has not included the Prompt Payment Discount (PPD) as part of the RFR process, or for contracts when a procurement is not required, the Department should require a Contractor to complete Prompt Payment Discounts during the contract execution, renewal or amendment process to ensure that Prompt Payment Discounts are available to both the Contractor and the Department to the maximum extent possible.

MMARS provides Departments with the means to monitor their bill-paying practices and take full advantage of discount opportunities. The system also maintains discount history and can identify missed discount opportunities. Please review your existing policies and procedures related to vendor discounts and look for ways to leverage the MMARS functionality. The Commonwealth's policy of consistent bill paying via [Electronic Funds Transfer](#) (EFT) should give Departments leverage in negotiating discounts. MMARS gives Departments the ability to enter discount-pricing percentages that will automatically calculate discounted payment amounts. Vendor discount information can be entered at three levels:

- vendor level, entered on the VCUST table, which will result in an "across the board" discount;
- encumbrance level: (Statewide Contracts managed by OSD. Departments manage Department encumbrances.)
- payment level - if noted on a vendor's invoice, it should be entered on the individual payment (PRC).

Discount precedence applies when discount information is entered in more than one level. A discount at the *vendor level* applies if no other discount is indicated. A discount at the *encumbrance level* supersedes a vendor level discount, and a discount at the *payment request* (PRC or GAX) *level* supersedes any other discount information. For more information on Prompt Pay Discount, please refer to the [Prompt Payment Discount Policy](#) and the [AP Applying Discounts job aid](#) for how to set this up in MMARS.

When entering a payment, the **Scheduled Payment Date** field should be left blank to allow the system to generate the standard cycle payment date, and an earlier date may not be entered unless a Prompt Payment Discount has been provide in turn for an accelerated payment.

Required Coding for Payments

Communication is an important aspect of good business relationships and to be effective, must be 2-way. Vendors expect to be able to easily identify and apply the payments the Commonwealth issues. The efficiency of MMARS to consolidate multiple payments from different Departments to the vendor can cost the vendor valuable time and resources if allocation of the payment is not defined in accordance with the vendor's standards.

The **Vendor Invoice Number** and **Vendor Invoice Line Number** are required fields on MMARS payment request transactions and are used as the primary identifier by vendors to account for their payments. **Together, these numbers should be unique in MMARS for each payment to a specific vendor.** Re-use of a Vendor Invoice Number/Line Number will result in questionable audit trail and a system-generated, Department overridable error on the document, designed to create user awareness but not to impede business.

Vendor's Invoice Number Field. This field is a required field that should be used to communicate the vendor's invoice number, account number or equivalent information to the vendor for each invoice. The **Vendor Invoice Number** has the industry standard field length of 30 characters. MMARS requires that this number be unique across Departments for the vendor. While appending a date to the number usually provides uniqueness, a Commonwealth-wide vendor account number may also require a Department designation. The format should be agreed to with the vendor at procurement.

The **Vendor Invoice Number** is carried forward to the remittance advice for both EFT and check payments. Providing vendors with their invoice numbers, account numbers or vendor-defined equivalent will greatly increase their ability to track invoices sent to the Commonwealth, as well as to apply the payment in their accounting system. The field length (30 characters) provided in MMARS should accommodate vendors using large account numbers for monthly billing.

The **Vendor Invoice Number** is not limited to vendor invoices. It can also be a valuable identifier to the payee when no invoice is involved, such as a grant payment. This can be useful to city or town treasurers who rely on the EFT remittance to identify all types of payments from school lunch grants to Council on Aging payments. The construction of the **Vendor Invoice Number** can be an account number or vendor-defined equivalent that you and the vendor agree on for communication. When this is a grant or contractual payment, the due date should be entered in both the **Vendor Invoice Date field** and the **Scheduled Payment Date field**.

Vendor Invoice Number Line Field. This field is also a required field and must be unique to the invoice and reference the relevant line for payment. *In case there is no vendor invoice line number, enter 1.*

MMARS Document Dates

- **Vendor Invoice Date (Required field – Invoice Receipt date)** - The **Vendor Invoice Date** is a required field on all MMARS payment request transactions and should always be the date the invoice was received on Commonwealth property and date-stamped by the Commonwealth).
- **Tracking Date (Field Not Required – Invoice date)** - There is also a **Tracking Date field** and, if used, should be entered with the actual date printed on the invoice from the vendor. This may provide useful information if vendor clarification is necessary.
- **Scheduled Payment Date field** - The **Scheduled Payment Date field** on the Payment Request will be calculated and systemically entered based on the bill payment policy of the Commonwealth.

Do Not Use Personal Information As MMARS "Identifiers" Or in "Comment" Fields

It is important to provide vendors with remittance information that will facilitate proper payment application to their receivables. When negotiating a Contract, Departments should establish a mutually agreeable data structure to communicate goods delivered or services rendered. Data entered into

MMARS transaction fields is a matter of public record, and MMARS Doc IDs (encumbrances, payments, etc.), vendor invoice numbers, board award fields, contract numbers, check descriptions, and any comment fields MUST NOT contain personal information (such as non-vendor individual or client names, SSN numbers, bank account numbers, date of birth, addresses etc.) or other information that could jeopardize privacy or facilitate identity theft. MMARS Doc IDs and key comment fields may be printed on checks, sent electronically as part of remittance advice, and will appear on VendorWeb (and may be viewed related to public records requests), therefore care must be taken that individual personal information is not used. See [G.L. c. 93H](#) and [c. 66A](#) and [Executive Order 504](#). As part of internal controls for payments Departments must ensure that no data entered into any transaction includes personal information and must develop naming and number conventions that do not use these items as identifiers.

When is an invoice considered legally paid by the Commonwealth?

An invoice/obligation is considered paid when the **payment is issued** by the Commonwealth via: EFT (Electronic Funds Transfer) when the issuance file is transmitted to the bank (Payment Issue Date) or Checks when the check is sent to the post office (Payment Issue Date). In both cases, the payment is considered paid as of the **payment issue date** which is recorded in MMARS. Departments can use the Job Aid "[Tracking a Payment through Disbursement](#)" to identify when a payment has been disbursed.

Bill Payment Statistics

The Commonwealth Information Warehouse has developed standard bill paying queries that may be run on a user-defined frequency (i.e. monthly, quarterly). The reporting criteria continue to provide the same standards used for the Comptroller's report of quarterly bill paying across the Commonwealth. =

Other Payment Policies

- **Payments under Statewide Contracts** Executive Departments are required to use Statewide Contracts. Any Department that uses a Statewide Contract must reference the appropriate Master Agreement (MA) on MMARS for that Statewide Contract to properly record payments under the Statewide Contract. Review Job Aids on the CTR Intranet for "[Find Statewide Contract, Reference a Statewide Contract and Departmental Master Agreement](#)". To locate Statewide Contracts, see the job aid "[How to Determine if Vendors or Commodities are on a Statewide MA](#)."
- **Board Award Field** - The completion of the Board Award field in the header/reference section of the CT, PC and RPO transactions is required by joint Comptroller and OSD policy. This applies to all Contracts. Departments must enter the Request for Response (RFR) number in the Board Award field or, if applicable, one of the procurement exceptions as follows. (This field must not be left blank.)

INP	for Incidental Purchase
LEG Exempt	for Legislative Exemption
Emergency	for Emergency Contract
Collective	for Collective Purchase, or
Interim	for Interim Contract

In the absence of an RFR number or procurement exception, a Department-assigned contract tracking number or descriptive text should be entered in the field. The field is 15 characters in length. If the RFR number is more than 15 characters, it may be truncated.

- **Advances** – Advances are authorized by M.G.L c. 29, §23 in accordance with rules issued by CTR. Please refer to the [DYNACASH Advance Management](#) for additional information.
- **Grant Payments** – payments under state grants and federal subgrants present unique payment circumstances. Grant payments are subject to the EFT requirement for any grant payments as well as the standard payment cycle of 45 days from an invoice or the start of the grant or periodic payment date. Financial hardship is not a sufficient justification for accelerated payments for **all** payments under a grant. Initial grant or contract payments may be accelerated for the **first** invoice or initial grant installment, but subsequent periodic installments or invoice payments should be scheduled to support the Payee cash flow needs and the standard 45 day EFT payment cycle. Please refer to the policy on [Contracts – State Grants and Federal Subgrants](#) for additional details on grant payments and disbursements.
- **Payments to Employees** - All employee-related payments and reimbursements for both regular and contract employees are processed through the state payroll systems, HR/CMS and e*mpac. Regular and Contract employees may not be paid through MMARS unless they are hired to perform work unrelated to their employment and this secondary contract work is made in compliance with the [State Ethics Commission](#) guidelines and disclosures.
- **Payment Waives Claim of Voidable Contract** - Acceptance of any payment by a vendor shall waive any claim that a contract, including a Commonwealth Terms and Conditions or Standard Contract Form, is void or voidable because it was not executed by an authorized signatory of the Contractor. (Note: Similarly for contract purposes, signature by an authorized signatory on the [Standard Contract Form](#) incorporates by reference the relevant [Commonwealth Terms and Conditions](#) and waives any claim that the Commonwealth Terms and Conditions are void or voidable because it was not signed by an authorized signatory of the Contractor.)
- **Intercept.** Vendor payments are considered paid to the vendor when the payment has been processed through MMARS and issued by the Commonwealth. Once issued, payments are subject to intercept processing and intercept fees as prescribed by the intercept policies. Please refer to the Non-Tax Revenue Policies for additional information. All payments processed through MMARS are subject to intercept unless specifically exempted by the Comptroller. MMARS processes an intercept file to identify any payments that must be intercepted for outstanding debts to the Commonwealth. Vendors are notified when funds have been intercepted and may not penalize any Department for non-payment due to the intercept of funds.
- **Intercept Pre-Match for NEW VCCs.** All payments are subject to intercept for debts owed to other Commonwealth Departments. The Department of Revenue (DOR) child support or tax intercepts are pre- matched on Fridays against the CIW (Commonwealth Information Warehouse) to identify Vendor Codes that have outstanding debts. VCCs that are PEND approved and in the CIW by Friday will make this match and any payments entered as of the

following Monday will be intercepted, which supports the collection of Commonwealth debts. By submitting VCCs in a timely fashion, the new Vendor Code is in place long before the first payment is due and is picked up on the DOR pre-match in time to include on any upcoming debt matching file for MMARS payments.

- **Late Penalty Interest.** Timely bill paying is an important aspect of the Commonwealth and vendor partnership. Due to the good work of Departments, the Commonwealth has greatly reduced the amount of late penalty interest paid. The policy of the Commonwealth is to pay all valid, approved invoices no earlier than required by the applicable statute and to take advantage of discounts offered and available. Meeting this goal is a valuable tool for future contract negotiations. It maximizes Department and Commonwealth resources. Contractors may request interest if payments are not made in accordance with the CTR Late Penalty Interest Regulations [815 CMR 4.00](#). [G.L. c. 7A, § 5A](#). Commercial Contractors may invoice for interest if they were not paid within 45 days. [G.L. c. 29, § 20C](#) and [G.L. c. 29, § 29C](#). Departments paying bills late are subject to late penalty interest in accordance with 815 CMR 4.00. CTR will certify the interest rate paid to vendors in compliance 815 CMR 4.00, Late Penalty Interest. Departments must reject deficient or incorrect (unacceptable) invoices within 15 days of receipt and give notice of defect to Contractor. Late penalty interest must be paid from the same funds used for the expenditure, which was paid late.
 - [G.L. c. 30, § 39G](#) - Provides for late penalty interest on horizontal construction and maintenance projects (roads, bridges, etc.), after 30 days.
 - [G.L. c. 30, § 39K](#) - Provides for late penalty interest on vertical construction and maintenance projects (buildings), after 30 days for periodic payments and after 65 days for final payments.
 - [G.L. c. 79, § 37](#) - Provides for interest payments under certain conditions on Eminent Domain Taking after 30 days.
 - [G.L. c. 164, § 94D](#) - Provides for late penalty interest for utilities, which are not paid within 55 days from the date of the bill.

Department internal payment procedures should be reviewed and updated to reflect this policy.

- **Retainage** – Retainage is negotiated as part of a contract which is entered into MMARS with the contract encumbrance and will set aside an amount or percentage from each payment which is issued to the Contractor to leverage complete and satisfactory performance. For additional details please See Contracts Policy – [Retainage](#).
- **Payment for “Result-Based” Performance.** If compensation is not performance-based (e.g., fee-for-service or delivery of goods) but is result-based, which means that no obligation is incurred by the Department until a deliverable or product is “delivered” to the Department (even if the Contractor was working on the deliverable prior to the contract effective start date), delivery must be made within the dates of performance of the contract (i.e., after the contract effective date and prior to the termination date) and the deliverable must be accepted as satisfactory (based upon the terms of the contract) to qualify for payment.
- **Expenditure of Capital Funds (arbitrage).** Special care must be made when expending capital funds to avoid arbitrage. Capital funds must be disbursed on a “cost-reimbursement” basis and may not be transferred and held by a grantee or Contractor in anticipation of expenditure, even

under an authorized capital grant. Grant funds may only be temporarily held by a grantee if the funds will be expended by a grantee within 60 days for obligations already incurred and the funds must be retained in a non-interest bearing account. Departments should establish a payment schedule based upon when obligations will be incurred and payment is necessary.

- **No Pre-Payments.** Absent specific legislative authorization, no payments may be made in advance of receipt and acceptance of goods and services or other performance (cost reimbursement) unless payment is for an authorized obligation incurred by the Contractor.
- **Payment for Obligations Incurred.** Payment based upon an “obligation incurred” is limited solely to circumstances in which the Commonwealth has incurred an obligation because a Contractor has provided possession or committed (reserved) access to goods or services on behalf of the Department for a period of time, such as rentals, leases, TELPs, on-call service or maintenance, subscriptions and hotel reservations. Payments are due at the beginning of the “access” or reservation of the service or good and should cover periods of 3 months or less. For maintenance contracts, Departments pay for the on-call or “availability” of maintenance. Payments may be made at the beginning of the month or quarter that the services are to be made available or reserved for the Department’s use. Similarly, for space or equipment rentals or leases, the Department may pay at the beginning of the month or quarter that the Department obtains exclusive “possession” of the space or equipment. Other than the circumstances above, a payment obligation is not incurred until a good or service is received and accepted by a Department. A contract document, purchase order of goods or request for services does not create a payment obligation until performance is received and accepted. Orders that are made, but not delivered prior to June 30th (the end of the fiscal year), create no payment obligation for the current fiscal year and create no payment obligation in the subsequent fiscal year unless accepted by the Department, subject to appropriation.
- **TELPs (Tax Exempt Lease Purchases)** are used to finance the purchase of equipment or other capital items over time. TELPs are structured similar to a loan or a mortgage because the Department is reimbursing the TELP financier for the funds loaned and paid directly to a vendor for purchase of equipment or other durable goods in the Department’s possession. Therefore, the Department is obligated to make payments until the TELP financier is reimbursed for the amounts already paid, plus interest, subject to appropriation. TELPs are considered current fiscal year operational expenses and are not considered “debts” or a “pledge of credit” of the Commonwealth, even though TELPs have a multi-fiscal year payment schedule. TELPs are mandatory payments and can not be reduced or terminated due to reduced allotments under a declaration under [G.L. c. 29, § 9C](#) and a Department is required to reduce all other obligations, including personnel, to ensure that the TELP re-payments are made on time. TELP late payments must be scheduled as a Recurring Payment in order to ensure that the payments are timely made. See the [Amendments, Suspensions and Termination Policy](#) for additional information related to TELPs.
- **Payments Only for Current Obligations.** GAA appropriations shall be for ordinary maintenance for the fiscal year unless otherwise authorized. Appropriations are authorized for goods, services and other obligations incurred, received and accepted in the current fiscal year and may not be used to pre-pay for future fiscal year obligations (advance payments) even if substantial

discounts are offered, without specific legislative authorization or for prior fiscal year obligations. See [G.L. c.29, § 12](#). This means goods and services to be paid for with current fiscal year appropriations must be received within the fiscal year (July 1-June 30) (see [G.L. c. 4, § 7, 9](#)) and accepted and paid for within the Accounts Payable period. The only exception to this rule includes taking advantage of substantial discounts for subscriptions or other goods or services from reputable vendors (vendors with no risk of bankruptcy or non-performance) for **incidental purchases** which will not exceed the Incidental Purchase threshold for the duration of the need or offer.

Lawful obligations that do not exceed Department's 1/12th allotment may be made between July 1 and passage of GAA if there is an interim budget. No commodities or services may be accepted for the new fiscal year and no funds may be expended without an Interim Budget or GAA. See [G.L. c. 29, § 12A](#). CTR and Administration and Finance will submit an Interim Budget request in the event that the GAA is not passed by the Legislature and signed by the Governor by July 1st. This will provide funding for the continuation of essential services across the Commonwealth. While no new programs or projects are supported as part of the interim budget, all routine business to carry out Department missions is included (i.e., payrolls, client benefits, leases, goods and services). Once Departments are notified that the Interim Budget is signed, Departments should proceed with routine business, including paying bills. Departments are responsible for expending funds only from accounts that are in both the House and Senate Budgets. If there is a question about whether an account will be funded, the Chief Fiscal Officer should confer with ANF.

Recurring obligations (such as leases and TELPs) with multi-fiscal year payment schedules are not considered future obligations, but are considered operational expenses which arise at the beginning of each fiscal year of the contract which is subject to annual appropriation. TELPs, leases and other multi-fiscal year payment schedules will never be considered a "debt" or a "pledge of credit" of the Commonwealth. See TELPs above.

- **Accounts Payable Period** - The accounts payable period to pay encumbrances for fiscal year ending on June 30th runs from July 1st to August 31st. Departments must ensure that all encumbrances are liquidated on or before August 31st for performance received as of June 30th. Final invoices in any fiscal year must be submitted no later than August 15th for performance made and received (goods delivered, services completed) prior to June 30th, in order to make payment for that performance prior to the close of the fiscal year to prevent reversion of appropriated funds. Failure to submit timely invoices by August 15th or other date listed in the Contract shall authorize the Department to issue an estimated payment based upon the Department's determination of performance delivered and accepted. The Contractor's acceptance of this estimated payment releases the Commonwealth from further claims for these invoices. If budgetary funds revert due to the Contractor's failure to submit timely final invoices, or for disputing an estimated payment, the Department may deduct a penalty up to 10% from any final payment in the next fiscal year for failure to submit timely invoices.

Failure to liquidate encumbrances within the accounts payable period, even if a vendor submits a late invoice, subjects non-continuing appropriated funds to reversion to the General Fund making these funds unavailable for final invoices after August 31st. Payments for these late final

invoices would have to be processed as Prior Year Deficiencies (PYD) against the Department's subsequent fiscal year budget. Every effort should be made to avoid making payments as PYDs since current funds are reduced to meet the PYD amounts taking valuable funds away from current year funds. Reports of PYD payments are publicly published See [Legislatively Mandated Reports](#).

In the event a Department knows in advance that final payments cannot be processed within the current fiscal year, or the performance will carry over into the next fiscal year, the Department must work with ANF to file a legislative action such as a Prior Appropriation Continued (PAC) to ensure that the non-continuing funds are re-appropriated for the next fiscal year to pay for the expected performance and to avoid payments through the PYD process.

- **Recurring Payments** - Routine, periodic payments scheduled during the contract are available for any contract. Recurring payments are **required** for all:
 - Space leases (Object Code G01)
 - TELP object codes (L02-L12, N62, and U08)
 - Operating and capital leases longer than 12 months (L22-L32, N63, and U09)
 - Ready payments (human and social service payments under [815 CMR 3.00](#); (see section below)
 - Maintenance contracts and other contracts with routine scheduled payments.

Recurring payments are available for other contracts with consistent periodic payments and a minimum duration of six months or 4 payments. Departments must certify that there have been no problems in receiving services specified in the contract. CTR staff review the RPO and supporting documentation. If the approval criteria have been met, the RPO will be approved for the recurring payment system option.

- **Recurring Payment (Ready Payments)**. *For POS Only:* For human and social services, there is also an option to use recurring payments known as "Ready Payments" for providers of social, educational and rehabilitative services based on projected expenses or services pursuant to 815 CMR 3.00. See [G.L. c. 29, § 23A](#). The [Expenditure Classification Handbook](#) specifies which object codes are eligible to use the Ready Payment System. Ready Payments are available as an alternative payment mechanism, enabling a Department to make predictable, recurring contract payments. Ready payments are appropriate for service contracts which have a predictable, recurrent and regular service delivery schedule (ex. semi-monthly, weekly). The Contractor is required to submit monthly invoices and supporting documentation to the Department in accordance with the terms and conditions of the contract. The invoices and supporting documentation must be accurate, complete and sufficiently detailed to substantiate any claim for payment. Unless a different period is specified in the contract, the Contractor shall submit the invoices and supporting documentation on or before the tenth of each month following service delivery. The Contractor's failure to submit timely invoices and supporting documentation may result in the suspension of the use of the Ready Payments. The MMARS system performs a reconciliation against the total of the estimated payments made for that month which will then be added or subtracted from the next automatic estimated payment. Unless otherwise specified in the contract, the Contractor shall be responsible for the prompt return or reimbursement of any overpayments made by the Department within seven calendar

days of the Department's written request. Overpayments to the Contractor during any state fiscal year may not be retained by the Contractor to offset anticipated payments by the Department during a subsequent fiscal year.

- **Assignment of Payments.** Pursuant to [G.L. c. 106, § 9-318](#), a Contractor may freely assign payments under a contract to a third party. The third party receiving payment is called an assignee. An assignee is not considered a “Contractor” and may not have a separate vendor code established for an assigned payment. All contract payments are due and owing to the Contractor and the assignee has no legal right to make any claims to the Department under the contract. The assignment of payments merely re-directs payments that have been lawfully earned and paid to the Contractor to another address. All reports of payments and tax reporting are recorded for the Contractor.

The Department has an obligation to verify that the request for the assignment of payments is legitimate and requested directly by the vendor and not the third party. Absent a court order (verified by the Office of the Attorney General), a Department has no obligation to honor any demands for assignments made by a third party, even if the third party produces an assignment agreement signed by the vendor. The Department must still obtain confirmation from the Contractor that the assignment is allowable and a W-9 with the new remittance address is submitted.

A Department MAY NOT establish a new vendor code or obtain a W-9 form or a Commonwealth Terms and Conditions from the assignee.

1. The Department must receive documentation from an authorized signatory of the Contractor that the Contractor agrees to assign payments to a third party assigned under a particular contract(s).
2. The Department then submits to the Accounts Payable Bureau a Vendor/Customer Modification Form (VCM) for the Contractor with a FORM W-9 (MASSACHUSETTS SUBSTITUTE W-9 FORM) to add an additional “payment address” (remittance address) with “Attn.” or “c/o” or “payable to:” and the assignee’s name and payment address.
3. **The Contractor’s Legal Name, TIN and Legal Address MAY NOT be changed.** The Department must also submit EFT (Electronic Fund Transfer) documentation (required for all payees unless a one-time payment or a hardship accepting EFT) as applicable to enable payments to the assignee electronically.
4. Payments are then made using the vendor code with this **additional payment address**. A Department MAY NOT change the Contractor’s legal address to the address of the third party since the legal address is necessary for tax reporting purposes and the third party assignee should not get the Contractor’s tax forms.

In order to assign payments, the Department **must establish a new remittance address, NOT a new legal address for the vendor**. Payments must be made using the Contractor’s TIN and vendor code, since the contract authorizes payment for the Contractor’s performance and tax reporting must be

made based upon the Contractor's TIN. The only difference occurs at the time of payment, when a Department chooses the remittance address code (under the Contractor's vendor code) for the third party. The division line or the remittance record may be used for "or third party name." Payment is recorded as issued to the Contractor, but the check or EFT will be sent to the 3rd party payee address.

The assignment of payments will be made on a contract-by-contract basis, and Department-by-Department basis and will not be made on a statewide basis for all payments due a Contractor (unless approved by both OSD and CTR for a Statewide Contract). In the event a payment is inadvertently issued to the Contractor, the Department will have no obligation to "chase" the payment. The Contractor will be legally obligated to forward that payment to the assignee. The assignee has no rights against the Department under any assignment agreement or under any contract. **See [Vendor/Customer File and W9s](#) for requirements for Department verification of any VCC or VCM.**

- **Contingent Fee Contract Payments.** All contingent fee procurements must be reviewed and approved by CTR prior to posting by a Department, and awarded contracts must be approved by CTR prior to the start of performance. The Comptroller is authorized to enter into contingent fee contracts for debt collection ([G.L. c. 7A, § 3](#); [G.L. c. 29, § 29D](#); [815 CMR 8.00](#)) and for non-tax revenue ([G.L. c. 29, § 29E](#); [815 CMR 8.00](#)). A contingent fee contracts allow a vendor to be paid a percentage fee from the revenues and debts that a vendor successfully collects and deposits in a Department's revenue account on MMARS (a Treasurer's approved account) and which is recorded in the state accounting system (MMARS). Contingent contracts are also authorized by specific general or special laws, or annual or supplemental budgets for cost avoidance and other types of contingent contracts. Similar to all revenue collected on account of the Commonwealth, contingent Contractors can not "net" fees from collections without specific legislative authorization or prior approval of CTR. ([G.L. c. 30, § 27](#); [G.L. c. 10, § 17B](#); Massachusetts Constitution [Article LXIII Section 1](#)).

- **Obligations May Not Exceed Appropriation** - Pursuant to [G.L. c. 29, § 26, § 27 and § 29](#), Departments are required to expend funds only for the purposes set forth by the Legislature and within the funding limits established through appropriation, allotment and subsidiary. Departments may not incur a liability for the Commonwealth in excess of their appropriation or allotment. This means that a Department cannot authorize performance to begin under a contract (including a grant, ISA, chargeback, lease, rental or TELP), request or accept goods or services (including personnel) in excess of an existing appropriation and allotment or sufficient non-appropriated available funds. Available funding means funds that have been appropriated and allotted or otherwise available which can be encumbered and expended (including federal funds that have been authorized and are available for draw down or trust funds with sufficient cash). Funding identified in a filed but not yet enacted appropriation act, supplemental budget or other legislative act shall not qualify as available funding and will not be sufficient authorization for continued performance or new performance. Authorization by House and Senate Ways and Means Committees, the Governor's Office, Executive Office for Administration and Finance or any other oversight agency shall not be sufficient authorization for continued performance or new performance since this authorization is not legislative authorization for expending appropriated funds.

- **Insufficient Appropriations for Required Expenditures, Expiring Accounts** - Appropriations and allotments must be spent in accordance with prescribed subsidiary schedules. [G.L. c. 29, § 27](#); [G.L. c. 29, § 26](#). Departments must do everything legally allowed to manage within their appropriation.

Departments must immediately notify ANF and House and Senate Ways and Means Committees of the estimated amount of anticipated deficiency in any appropriation. [G.L. c. 29, § 9E](#). If funding is not available for encumbrance and expenditure, a Department may not authorize performance to begin or continue and any performance must halt, personnel reassigned or suspended, or other business adjustments made so that no obligations will be incurred in excess of current available funding.

If accounts are not reauthorized past the termination date (such as on June 30th for operating accounts or at the end of a capital bond authorization), Departments may not continue to incur obligations or continue to accept services from employees or Contractors in these accounts. ***Contracts must be terminated or suspended, personnel must be terminated, or contracts and personnel transferred to another appropriate account legislatively authorized to fund these types of obligations and expenditures.***

- Expenditure Corrections (EX) – Expenditures must be made from an account authorized to support the expenditure. An expenditure correction (EX) is used to re-post expenditures to another account when a mistake has been made in the account selected for payment. If insufficient funds are available in an account, a Department may not make an expenditures against other accounts to “front” funds until a supplemental budget is passed or an ISA account set up. If expenditures are made against other accounts the electronic certification made at the time of payment is certifying to the Comptroller that the payment is being properly made from the account paid. Therefore, expenditures may not be retroactively transferred to other accounts unless there has been a legitimate mistake in the posting of the payment to that account. EXs should not be used for “creative” accounting purposes. ([See Expenditure Correction – EX Policy](#)) The Comptroller may not make a journal entry (expenditure correction) between accounts if the account ultimately to be charged had insufficient funds at the time the amount was expended from the other account, unless prior notice is sent to HOU and SEN Ways and Means. (See [G.L. c. 7A, § 3](#)).

“The Comptroller shall refuse to permit a disbursement or incurring of an obligation if funds or allotments of funds, under an appropriation account or subsidiary account under an appropriation account, sufficient to cover such disbursement or obligation are not available and shall immediately give notice of such refusal to the Department, office, commission, or institution proposing the expenditure” See [G.L. c. 29, § 29](#).

This means that expenditures made from another current account because a supplemental budget has not yet passed, or ISA funding has not been set up, cannot later be charged to the new accounts or reauthorized accounts when the supplemental budget passes, without prior written notice to the House and Senate Committees on Ways and Means (unless the supplemental budget account is authorized with an effective date prior to the date of the expenditures or specifically authorizes reimbursements).

VendorWeb

Vendors can see their scheduled payments and payment history by logging on to VendorWeb. On-line vendors can find the tentative scheduled payment date or the actual payment date, payment number, vendor invoice number, contract number, line amount, any associated text information and the Department making the payment. VendorWeb is located at <https://massfinance.state.ma.us/VendorWeb/vendor.asp>.

The VendorWeb application was created to help the Commonwealth's vendors get their payment information free and easily. Vendors access VendorWeb with their Commonwealth VC code and the last 4 digits of their TIN. Vendors can view or download information for payments made in the current or prior fiscal year or scheduled to be paid. Payment information can be generated using date ranges and selected Department(s). Payment information can be sorted by payment number or Department payer(s).

VendorWeb also provides vendors on-line access to 1099 tax forms.

Overpayments and Expenditure Refunds (ER)

Payments may be made only for authorized expenses or contract costs. The Department shall have the right to recoup or offset overpayments made for contract performance. A Contractor shall have no entitlement to contract funds and must be able to document that performance was completed in accordance with the terms of the contract or that payments reflect authorized costs or expenses.

An Expenditure Refund (ER) represents a return of funds originally paid to a vendor. The refund may be due to a return of goods, an overpayment, an incorrect payment, or funds received from a vendor due to the Department's dissatisfaction with goods or services received or because of a contract adjustment.

Expenditure Refunds (ER) entered into MMARS must represent cash received and deposited to the Department's sweep account and posted to MMARS. Expenditure Refunds (ER) must be returned to the original appropriation account from which the amounts were expended. Specific year-end policies may require alternative processing of funds returned after the close of a fiscal year.

In the event an overpayment is discovered within the fiscal year in which the related payment was authorized, the Contractor will be required to make repayment of the overpayment or the Department will record a credit memo in MMARS (CEC, GAEC) using Event type PR22 for the amount to be offset. In cases where the Department does not believe there is a high likelihood of future payment to the vendor, a check should be received back from the vendor for the overpayment. The credit memo will re-coup funds against remaining payments (for budgetary accounts; only during the current fiscal year including the accounts payable period during July-August of a fiscal year), or offset additional contract related costs or expenses, as negotiated with the Department.

Overpayments made in one fiscal year may not be used to offset contract costs or payments in a subsequent fiscal year, unless the funding authorization supports a continuing account (trust, capital or federal), the contract authorizes that funds may be carried over into another fiscal year, as determined in the contract application, or upon written amendment or approval by the Department in accordance with state finance law requirements.

For non-continuing accounts or for any activity for which the funding authorization for the contract has expired, overpayments discovered after the close of the accounts payable period of the fiscal year should be repaid to the Department and deposited in the General Fund or the appropriate fund as determined by the Office of the Comptroller and may not be used to offset contract payments in a subsequent fiscal year or to fund another contract program unless otherwise authorized. Please refer to

the job aids for GAEC and CECs for procedures for reinstating returned funds into a contract for re-expenditure during the period of funding authorization.

Records of overpayments, recoupment or offset must be documented in MMARS by the Department and will be subject to quality assurance and audit review. Overpayments with no recorded MMARS transaction support may be subject to active contingent fee cost recovery contracts. See [Expenditure Refunds \(ER\) Policy](#).

Internal Controls

Departments should be evaluating the risks related to payments based upon the specific types of payments made and developing internal controls to mitigate these risks. See [Internal Controls for Payments](#), and [Internal Controls and Fraud Prevention](#).

Records Management

In accordance with [815 CMR 10.00](#), the Department is the keeper of the official record copy of invoices and all back up supporting documentation. MMARS is the official record of the encumbrance and payment documents entered into the system and will supersede any paper copies of the same information. The contract/procurement/payment file must contain or refer to the location of all documentation related to the particular payment involved. A Department is responsible for retaining and archiving contract records, (including invoices, back up supporting documentation and invoice verification) in accordance with the [Statewide Disposal Schedules](#) issued by the Secretary of State Records Conservation Board. Please see Policy "[Records Management](#)".

Information Sources

- Related Policies:
 - This policy applies to all payments made by the Commonwealth and applies to all relevant MMARS policies.
 - [Department Head Signature Authorization and Electronic Signature for MMARS Documents](#)
 - Contracts
 - Payments
- Legal Authority –
 - [Expenditure Classification Handbook](#);
 - [G.L. c. 7A](#) (Office of the Comptroller); [G.L. c. 29](#) (State Finance Law);
 - [G.L. c. 133](#) (Uniform Electronic Transactions Act); [G.L. c. 30, § 65](#) (Legal Services);
 - [G.L. c. 29, § 29D](#) (Debt Collection); [G.L. c. 29, § 29E](#) (Revenue Maximization);
 - [G.L. c. 30, § 27](#) (Revenue Receipt); [G.L. c. 10, § 17B](#) (Revenue Receipt);
 - Massachusetts Constitution [Article LXIII Section 1](#) (Revenue Receipt);
 - [M.G.L c. 7, § 22](#) (OSD – Goods and Services); [G.L. c. 30, §. 51](#); (OSD – Goods and Services)
 - [G.L. c. 30, §. 52](#); (OSD – Goods and Services)
 - [G.L. c. 29, §. 29A](#) (Consultants) (Level III – Executive only);
 - [G.L. c. 29, §. 29B](#) (Human/Social Services) (Level III - Executive only)
 - [G.L. c. 29, § 27B](#) (IT equipment)
 - [G.L. c. 15A](#) and [G.L. c. 73](#) (state and community colleges);

- [G.L. c. 75](#) (UMASS); General or special laws governing expenditures;
- [Massachusetts Executive Orders](#) (Level III – Executive Only);
- [Administrative Bulletins](#) (Level III – Executive Only);
- [Comptroller regulations](#) (815 CMR 2.00 - 10.00);
- [G.L. c.29, § 66](#) (State Finance Law Violations)
- [G.L. c. 30, § 39G](#) late penalty interest on horizontal construction and maintenance projects (roads, bridges, etc.)
- [G.L. c. 30, § 39K](#) late penalty interest on vertical construction and maintenance projects (buildings)
- [G.L. c. 79, § 37](#) interest payments under certain conditions on Eminent Domain Taking
- [G.L. c. 164, § 94D](#) penalty interest for utilities, which are not paid within 55 days from the date of the bill
- Attachments –
 - [Quick Reference – Commodities and Services, Grants, Subsidies, ISAs and Chargebacks](#)
 - [Comptroller Forms](#)
 - [OSD Forms](#)
- Links
 - [801 CMR 21.00](#) (Required for Executive Departments (Level III),
 - [808 CMR1.00](#) (Required for Executive Departments (Level III),
 - [Commonwealth Procurement Information Center](#) (PIC) Required for Executive Departments (Level III),
- Contacts – [CTR Solution Desk](#)
- [Comptroller Website](#)

Revisions

May 19, 2011 – Updating policy to reflect PPD, EFT updates and policy changes throughout.

May 28, 2009 – Under the Recurring Payments section, the TELP and Operating/Capital Lease object codes have been updated to reflect previous updates in the [Expenditure Classification Handbook](#).

November 14, 2008 – A credit memo (CEC, GAEC) reference has been added to Overpayments. Payment schedules are based on statutory requirements/applicable statute. (Old)MMARS type references have been updated. A link to the prompt payment discount policy was added.

November 1, 2006 – Removed language referencing the Knowledge Center and updated relevant links to mass.gov/osc portal site.

July 27, 2005 – Under [Executive Summary](#), 10 days changed to 9 days.