

Penalty for Late Payment to Vendors

Penalty for Late Payment to Vendors

I. Purpose

To establish University policy for late penalty payments as required by KRS 45.451 to KRS 45.458.

II. Policy

[KRS 45.451](#) to [KRS 45.458](#), enacted by the 1984 General Assembly, states that effective January 1, 1985, the University of Kentucky is required to pay all invoices within thirty (30) working days of the receipt of a satisfactory vendor's invoice and satisfactory delivery of goods and services. Failure to pay obligations as required will result in a penalty of one percent of the amount due for each full or part month that the payment exceeds thirty (30) days.

- A. The one percent penalty will be charged as an operating expense to the responsible organizational unit. If the department determines that the vendor has not delivered the goods/services as ordered or that the billing is not correct, the vendor should be notified in writing so that the thirty (30) day payment period and associated penalty will not apply.
- B. The thirty (30) working days period begins on the day the good or services are received. For partial shipments, the thirty (30) day period would begin on the day the last shipment is received. If the goods or services have been received but the vendor's invoice has not been received, then the thirty (30) day period will begin when the vendor's invoice is received.

III. Responsibilities

- A. Department Personnel
 1. Document date goods and services were received;
 2. Notify vendor in writing of any improper performance which would negate the need to pay the penalty;
 3. Forward any invoices received by the department in a timely basis to Accounts Payable Services or process Payment Request Document (PRD) in a timely basis; or
 4. Include the one percent penalty on PRD's initiated by the department beyond the 30 day working day period or notify Accounts Payable Services of authorization for late payment penalty on Purchase Orders.
- B. Accounts Payable Services
 1. Process payment documents on timely basis;
 2. Include late penalty payment on documents authorized by department; and
 3. Investigate inquiries of late payments by vendors.

IV. Procedures

- A. Document the date good and services were received by:
 1. Entering goods receipt in IRIS SAP system if purchase order requires goods receipts, using actual date received; or

Penalty for Late Payment to Vendors

2. Entering actual date of goods/services received on the Vendor Invoice Transmittal and Payment Authorization form if the purchase order does not require goods receipt in IRIS SAP system.

- B. Notify vendor in writing of any improper performance issues for example;
 1. Incorrect billing;
 2. Damaged goods;
 3. Wrong type of goods received;
 4. Contracted services incomplete; or
 5. Inoperable or malfunctioning materials or equipment.

- C. Notify Accounts Payable Services of authorization for late penalty on Purchase Orders when appropriate including:
 1. Vendor Name;
 2. Purchase Order number;
 3. Amount of the penalty payment; and
 4. Cost object to be charged.