




EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D. C. 20503

DEPUTY DIRECTOR
FOR MANAGEMENT

July 10, 2014

M-14-10

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Beth F. Cobert
Deputy Director for Management 

SUBJECT: Extension of Policy to Provide Accelerated Payment to Small Business
Subcontractors

Office of Management and Budget (OMB) Memorandum M-12-16, "Providing Prompt Payment to Small Business Subcontractors," established the Executive Branch policy that agencies should, to the full extent permitted by law, temporarily accelerate payments to all prime contractors – with a goal of paying them within 15 days of receipt of proper invoices – in order to allow them to provide prompt payments to small business subcontractors. To support the policy, the Federal Acquisition Regulatory Council (FAR Council) created a new clause for agencies to incorporate into their contracts requiring prime contractors to accelerate payments to their small business subcontractors when they receive accelerated payments from the government. The FAR Council is also considering strategies that might be used over the longer term to help maintain effective cash flow and prompt payment to small business subcontractors.

The temporary policy established by Memorandum M-12-16, which was extended by Memorandum M-13-15, is set to expire on July 11, 2014. This memorandum further extends the temporary policy to December 31, 2016. Agencies should continue providing six-month reports to OMB in accordance with the instructions provided in M-12-16. If an agency determines that it may need to exempt itself from complying with the extension of this temporary policy, it should confer with OMB before taking action.

As a reminder, the policies in Memorandum M-12-16 do not affect the application of the Prompt Payment Act's late payment interest penalty provision. Nor do they change the application of OMB Memorandum M-11-32, "Accelerating Payments to Small Businesses for Goods and Services." Memorandum M-11-32 requires agencies to make their payments to small business prime contractors as soon as practicable to the full extent permitted by law, with the goal of making payments within 15 days of receipt of proper invoices. These efforts should include seeking ways to accelerate payments while simultaneously ensuring proper payments by maintaining internal controls over payment processes.

If you have any questions regarding this memorandum, please contact Mathew Blum (mblum@omb.eop.gov), Associate Administrator of the Office of Federal Procurement Policy, or Mike Wetklow (mwetklow@omb.eop.gov), Chief, Accountability, Performance, and Reporting Branch of the Office of Federal Financial Management.