



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

THE DIRECTOR

January 11, 2017

M-17-13

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Shaun Donovan
Director

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

The Administration is strongly committed to supporting small business growth and has taken steps to ensure that the Federal Government promptly and efficiently pays small businesses when they contract to provide goods and services to the government. As part of this commitment, in 2011 OMB issued Memorandum M-11-32, "Accelerating Payments to Small Businesses for Goods and Services," which outlined the Executive Branch policy that, to the full extent permitted by law, agencies shall accelerate payments to small business contractors with the goal of making payments within 15 days of receipt of relevant documents.¹ In 2012, OMB issued Memorandum M-12-16, "Providing Prompt Payment to Small Business Subcontractors," requiring agencies, to the full extent permitted by law, to temporarily accelerate payments to all prime contractors in order to allow them to provide prompt payment to their small business subcontractors.² In addition, M-12-16 established requirements for agencies to report on their progress in ensuring prompt payment to small business subcontractors.

The temporary policy established by Memorandum M-12-16 was extended by Memorandum M-13-15 and Memorandum M-14-10 to December 31, 2016. These memoranda instructed agencies to provide six-month reports to OMB in accordance with the instructions set forth in M-12-16. To further track progress in supporting small businesses and job creation, OMB issued Memorandum M-16-07, "Reporting of Accelerated Payments to Small Business Subcontractors," which increased the frequency of reporting from semi-annually to quarterly. This memorandum further extends the temporary policy to December 31, 2017 and modifies the reporting instructions. Beginning with the October 1, 2016 through December 31, 2016 quarterly reporting period, agencies should provide three-month reports to OMB on:

¹ Pursuant to the implementing regulations for the Prompt Payment Act (PPA), relevant documents include a proper invoice for the amount due and confirmation that the goods and services have been received and accepted by the Federal Government.

² As defined at 48 C.F.R. Part 3.502-1, a prime contractor "means a person who has entered into a prime contract with the United States," and a subcontractor "(1) means any person, other than the prime contractor, who offers to furnish or furnishes any supplies, materials, equipment, or services of any kind under a prime contract or a subcontract entered into in connection with such prime contract; and (2) includes any person who offers to furnish or furnishes general supplies to the prime contractor or a higher tier subcontractor."

1. the agency's progress in making accelerated payments to all prime contractors, to the full extent permitted by law, pursuant to the temporary, transitional policy established by OMB Memorandum M-12-16 and designed to expedite contractor payments to small business subcontractors;
2. the agency's progress in making accelerated payments to small business prime contractors, to the full extent permitted by law, pursuant to the policy established by OMB Memorandum M-11-32;
3. the progress of any other steps that the agency has undertaken to ensure that small business contractors and small business subcontractors are paid in a prompt manner.

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 the policies in Memorandum M-12-16 change the application of OMB Memorandum M-11-32. 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) or Regina Kearney (rkearney@omb.eop.gov) at the Office of Management and Budget.