STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
HONOLULU, HAWAII

DIRECTOR'S OFFICE
JUN 7 1 56 PM '85
DEPT. OF TRANSPORTATION

June 7, 1985

MEMORANDUM 1985-17

TO: Heads of Departments and Agencies

ATTENTION: Fiscal Offices

FROM: Hideo Murakami, Comptroller

SUBJECT: Interest Under $5 Paid on Late Payments

Since January 1, 1985, Sec. 103-10 of the Hawaii Revised Statutes has required that the State pay interest on liabilities remaining unpaid for 45 days. The determination of this interest requirement on a payment by payment basis was automated so that the interest would be paid, when incurred, without further initiative on the part of the vendor or the State paying agency.

For administrative purposes, however, if the automated calculation of interest was less than $5, the interest payment was not actually made to the vendor; instead, a notice was printed in the Remittance Advice accompanying the late payment, stating that the vendor should bill for the interest within 30 days. The notice printed on the Remittance Advice also stated that the vendor, in billing for the interest less than $5, should attach to the billing a copy of the Remittance Advice.

In practice since January 1, 1985, some paying agencies have questioned the justification for requiring the vendor to issue a billing for interest less than $5. It has been suggested that the requirement to issue a billing be dropped and that, in lieu of the billing, the Remittance Advice be accepted from the vendor as the vendor's claim for the interest.

After consideration of these suggestions, it has been determined that, as an alternative to the current requirement for vendor-billing, a paying agency may make payment of interest less than $5 without a billing if the vendor submits the original of the Remittance Advice as the basis for payment. If this alternative is utilized by a paying agency, the original (not a copy) of the Remittance Advice must be required to guard against inadvertent duplicate payment of the interest.

Please keep in mind that a paying agency may retain the current requirement for vendor-billing if it represents better internal control for that paying agency. The alternative also allowed by this memorandum merely provides another choice for those paying agencies preferring not to require vendor-billing for interest less than $5.

HIDEO MURAKAMI
Comptroller