



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

THE DIRECTOR

March 18, 2016

M-16-07

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM:

Shaun Donovan
Director

SUBJECT: Reporting of Accelerated Payment to Small Business Subcontractors

The Administration is strongly committed to supporting small businesses and driving job creation and economic growth. As part of this commitment, OMB issued M-11-32 in 2011 charging agencies to the fullest extent permitted by law to accelerate payments to small business contractors with the goal of making payments within 15 days of receipt of proper documentation, including an invoice. In 2012, OMB issued M-12-16 requiring agencies to the fullest extent permitted by law to temporarily ensure that all prime contractors are able to pay their small business subcontractors in a prompt fashion. In addition, the memorandum established requirements for agencies to report on their progress in ensuring prompt payment to small businesses.

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 provided in M-12-16. The frequency of this reporting is being increased to quarterly to further track progress in supporting small businesses and job creation. Accordingly agencies should provide three-month reports to OMB in accordance with M-12-16. Each agency shall report to OMB on:

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 this memorandum and designed to expedite contractor payments to small business subcontractors;
2. the progress of the agency's twenty-five largest prime contractors in incorporating prompt payment clauses in their subcontracts with small businesses; and
3. the progress of any other steps that the agency has undertaken to ensure that 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-11-31 "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 Regina Kearney (rkearney@omb.eop.gov), Acting Chief, Accountability, Performance, and Reporting Branch of the Office of Federal Financial Management.