



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

M-13-15

July 11, 2013

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Steven L. VanRoekel  
Acting Deputy Director for Management

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

On July 11, 2012, the Office of Management and Budget (OMB) issued Memorandum M-12-16, "Providing Prompt Payment to Small Business Subcontractors," to improve cash flow for small businesses and increase small business participation in all levels of Federal contracting.<sup>1</sup> This initiative is part of the Administration's ongoing commitment to supporting small business growth and prosperity, as an engine to drive economic activity and job creation throughout the country.

Memorandum M-12-16 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. In response to this policy, agencies have temporarily accelerated payment to their prime contractors and incorporated clauses in their contracts requiring prime contractors to accelerate payments to their small business subcontractors when they receive accelerated payments from the government.

The temporary policy established by Memorandum M-12-16 is set to expire on July 11, 2013. This memorandum extends the temporary policy by one year, to July 11, 2014. This extension will allow OMB and agencies to continue to evaluate the impact of accelerated payment on small business subcontractors. It will also allow the Federal Acquisition Regulatory Council to solicit public input on strategies that might be used over the longer term to help maintain effective cash flow and prompt payment to small business subcontractors.

Agencies should continue providing six-month reports to OMB. As explained in Memorandum M-12-16, the reports should include their progress in making accelerated payments under this temporary policy, including any steps in addition to this policy that the agency has undertaken to ensure that small business subcontractors are paid in a prompt manner. 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.

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<sup>1</sup> For a copy of the memorandum, go to <http://www.whitehouse.gov/sites/default/files/omb/memoranda/2012/m-12-16.pdf>

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 provisions. 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](mailto:mblum@omb.eop.gov)), Associate Administrator of the Office of Federal Procurement Policy, or Mike Wetklow ([mwetklow@omb.eop.gov](mailto:mwetklow@omb.eop.gov)), Chief, Accountability, Performance, and Reporting Branch of the Office of Federal Financial Management.