
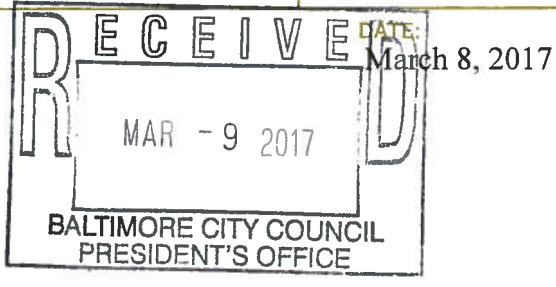


<b>FROM</b>	NAME & TITLE	Henry J. Raymond, Director <i>HJR</i>	CITY of <b>BALTIMORE</b>  <b>MEMO</b>	
	AGENCY NAME & ADDRESS	Department of Finance Room 454, City Hall (396-4940)		
	SUBJECT	City Council Bill No.17-0008R Investigatory Hearing – Late Payments to City Contracts		

**TO**

Honorable President and  
 Members of the City Council  
 Natawna Austin, Executive Secretary  
 Room 409, City Hall



The purpose of Council Resolution 17-0008R is for certain City agencies to report on issues concerning late payments to subcontractors on City contracts, and recommend corrective action to ensure that these issues do not endanger the willingness of subcontractors to work on City projects.

The Department of Finance does not directly administer City construction contracts. They are primarily the responsibility of the contracting agencies such as Department of Public Works, the Department of Transportation and the Department of General Services. As such, Finance will defer to these agencies for specific payment issues affecting subcontractors.

The Finance Department does play an important role as we are tasked with paying the general contractor once proper documentation is received from the contracting agency. For example, when certain work is completed under an agency contract, the general contractor will send an invoice to the agency for review and approval. The invoice is entered into the agency's payment system that routes the invoice through an approval path that includes agency staff that manage and oversee the contract, with final approval coming from the Director or his designee.

Once all contracting agency approvals are secured (including corresponding general ledger account number), the invoice is transmitted to the Bureau of Accounting and Payroll Services. The Capital Project Division within the Bureau verifies the ledger account coding and the availability of appropriation. If all the information is correct and funds are available, the invoice is forwarded to the Accounts Payable Unit for final processing. If the vendor requests a check, it is typically mailed the next day; if the reimbursement is a wire it is sent directly to the vendor's account the next work day.

The Bureau of Accounting and Payroll Services collected citywide capital reimbursement details for FY2016 including invoice date, contracting agency approval date and payment date. The sampling included 7,121 invoices totaling \$622 million. The average time from invoice date to payment date (placed in the mail or wired to contractor) was 28.6 days. The average processing time at the contracting agency was 26.7 days and 1.9 days for the Accounts Payable Unit to send the reimbursement. Finance would like to emphasize that these are averages, meaning certain payments exceeded this time and others were less.

*Comments*

There can be valid reasons for a delay in payment such as dispute over actual work in place, the quality of work performed, or the lack of appropriation. These issues are best addressed by the contracting agencies.

The Department of Finance believes that the contractors should abide by the City Code and reimburse subcontractors timely. The Department is committed to processing invoices judiciously when it is accompanied with the required approvals and an appropriation to pay.