



Administrative Procedure AI-P008
**PROCEDURE FOR THE PAYMENT OF
RETENTION INTEREST TO VENDORS**

Responsible: Office of the Business and Financial Services

PURPOSE

This administrative procedure describes the process by which Business staff records and disburses retention interest payments for vendor construction contracts.

PROCEDURE

1. In accordance with NRS 338.5115 Washoe County School District ("WCSD" or "District") is responsible for paying vendors interest on retention withheld from progress payments. Interest is paid to a vendor on retention withheld under any of these conditions:
 - a. When the amount of interest at the end of a subsequent quarter is equal to or greater than \$500,
 - b. At the end of a fourth consecutive quarter for which no interest has been paid to the contractor, or
 - c. The amount of retention withheld under the contract is paid in full.
2. The Controller is responsible for determining the interest rate to be applied to retention withheld.
 - a. At the beginning of each calendar quarter the Controller obtains from five financial institutions the interest rate in effect on the first day of the calendar quarter for a 90 day \$100,000 CD.
 - b. An average interest rate for the quarter is calculated based on the five rates obtained.
 - c. The Controller advises the Bond Accountant of the interest rate to be applied to retention withheld for the calendar quarter.
3. The Bond Accountant is responsible for recording retention withheld from vendor contracts and paying interest on that retention.
 - a. The amount of retention withheld from vendor progress payments and the check date reflecting the progress payment from which the retention was withheld is recorded on a spreadsheet unique to the vendor and purchase order for the specific contract.
 - b. The spreadsheet contains formulas that calculate the total number of days

the retention is held by WCSD and the amount of interest due on that retention.

- c. The spreadsheet is updated at least quarterly, but may be updated as frequently as monthly, and results in a cumulative total of interest owing on retention withheld from each progress payment by date.
4. When the Bond Accountant determines that interest is due to the contractor, based on the criteria in item 1. above, the Bond Accountant prepares a check request, attaching a copy of the spreadsheet reflecting the calculation of retention interest due, for submission to Accounts Payable.
- a. The check request contains:
 - i. The vendor name, current mailing address, and vendor number,
 - ii. The current date,
 - iii. The total amount of interest to be paid,
 - iv. The ten-digit Job Ledger project key and three-digit Job Ledger task that corresponds to the construction contract/purchase order.
 - v. A brief description that includes the phrase "retention interest" and the purchase order number representing the contract from which the retention has been withheld.
 - vi. The Bond Accountants name, title, office telephone number, and signature.
 - b. The Bond Accountant maintains a spreadsheet of interest paid to vendors, including the vendor number and name, the purchase order number to which the retention interest applies, and the date and amount of interest paid during the fiscal year.

DEFINITIONS

1. Retention is a percentage of the amount certified as due to a contractor on an interim progress payment that is deducted from the amount due and retained by the client (District). The purpose of withholding retention is to ensure the contractor completes all activity and work in accordance with the terms and specifications contained in a construction contract.

IMPLEMENTATION GUIDELINES & ASSOCIATED DOCUMENTS

1. This Administrative Procedure reflects the goals of the District's Strategic Plan.
2. This Administrative Procedure aligns with Nevada Revised Statutes (NRS) to include:
 - a. NRS Chapter 338, Public Works, specifically:
 - i. NRS 338.515, Time for making payments; amounts paid; amounts withheld as retainage; rate of interest paid on amounts withheld; powers of Labor Commissioner when worker is owed wages.

REVIEW AND REPORTING

1. This procedure and any accompanying documents will be reviewed bi-annually in even numbered years.

REVISION HISTORY

Date	Revision	Modification
06/14/2020	1.0	Adopted