

## 42.709-5 Computing Interest.

For [42.709-2\(a\)\(1\)\(ii\)](#), compute interest on any paid portion of the disallowed cost as follows:

- (a) Consider the overpayment to have occurred, and interest to have begun accumulating, from the midpoint of the contractor's fiscal year. Use an *alternate* equitable method if the cost was not paid evenly over the fiscal year.
- (b) Use the interest rate specified by the Secretary of the Treasury pursuant to Pub.L.92-41 (85 Stat. 97).
- (c) Compute interest from the date of overpayment to the date of the demand letter for payment of the penalty.
- (d) Determine the paid portion of the disallowed costs in consultation with the contract auditor.

**Parent topic:** [42.709 Penalties for Unallowable Costs.](#)