



Commonwealth of Massachusetts

OFFICE OF THE COMPTROLLER

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COMPTROLLER

MEMORANDUM

To: Chief Fiscal Officers and MMARS Liaisons
From: Jeffrey Shapiro, First Deputy Comptroller
Date: May 16, 2018
Re: FY2018 3rd Quarter PPD Statistics Report

Comptroller Memo FY#2018-21

Executive Summary

The purpose of this memo is to provide Departments with updated information on the Prompt Payment Discount program and to continue to urge departments to pursue further growth in discount earnings; successfully achieving even more savings. The departments' utilization of the Commonwealth's [Prompt Payment Discount \(PPD\)](#) program continues to expand in fiscal year 2018.

FY2013 to FY2017 Annual and FY2018 Q3 PPD Discount Taken and Discount not Taken

	FY13	FY14	FY15	FY16	FY17	FY18 through Q3
Discounts Taken	\$7,970,683	\$9,673,021	\$10,316,916	\$10,104,476	\$10,091,848	\$8,341,771
Discounts Not Taken	\$1,916,214	\$2,755,483	\$3,763,928	\$3,289,077	\$2,831,022	\$2,137,392

The Comptroller's Office (CTR) and departments are working closely to ensure that the success of the PPD program continues to maximize growth into future fiscal years. Many departments have taken full advantage of discounts by processing payments consistent with discount terms that increase their spending power. **Through the last 5 years of the Prompt Payment initiative more than \$48 million was credited back to the departments' accounts that produced the discount and we are on track to save another \$10+ million in FY2018.**

Vendors who are not offering discounts should be approached and asked to enroll in the PPD Program. With tight budgets, Prompt Payment Discounts are a sensible way for departments to save money and to provide a timely cash flow to vendors.

In FY2018 to-date the Commonwealth has lost the opportunity to save close to an additional \$2.1 million due to delayed payment (invoice) processing by departments. Accounts Payable staff should be aware that "Discounts Not Taken" results in the loss of savings for your appropriations or accounts. Departments can increase PPD dollars by reviewing the Discounts Not Taken Report and reminding Accounts Payable staff to process invoices on a timely basis. CTR will continue to assist departments by identifying contracts that could potentially offer PPD.

The CTR's web portal provides a listing of Active Master Agreements that offer Prompt Payment Discount as well as a report [listing vendors that offer discounts](#) on department contracts. The list is refreshed weekly.

Successful discount implementation needs the full support and participation of each department's Accounts Payable, Contract and Vendor Management staff. Departments should verify that the discount terms entered for encumbrances are accurate on the vendor and commodity lines in MMARS. MMARS will calculate and take the correct discount automatically if payments are processed in accordance with the terms of the discount.

To analyze and report FY2018 activity, the following attachments offer department specific and summary data.

[Attachment A](#) is a report sorted by department for the 3rd QTR, FY2018. This report shows discounts taken, partial discounts taken and discounts missed due to payments scheduled after the discount terms expired. Please note that capturing future discounts is within each department's control.

[Attachment B](#) is a statewide summary discount report for 3rd QTR, FY2018.

To help departments save more money, we have prepared a FY2018 query that lists the encumbrance activity of departments in all object codes that generate discount savings.

[Attachment C](#) is a report that summarizes by department the FY2018 encumbrances on MMARS that are eligible for discounts based on the object code used as of March 31, 2018. As illustrated below, FY2018 activity reflects a high volume in dollars and counts of encumbrances that do not offer discounts. Departments are reminded to review these contracts and take the appropriate measure to increase discounts taken for FY2018.

FY2018 Encumbrances With and Without Discount (as of 03/31/18)					
Dept.	Total Dollars Encumbered Eligible for Discount	Dollars Encumbered with Discount	Dollars Encumbered without Discount	% of total dollars with Discount	% of total dollars without Discount
All	\$5,376,711,733.60	\$856,605,921.99	\$4,520,105,811.61	15.93%	84.07%

Dept	Count Total Encumbrances Eligible for Discount	Count Encumbered with Discount	Count Encumbered with no Discount	% of encumbrances with Discount	% of encumbrances without Discount
All	56,244	28,999	27,245	51.56%	48.44%

[Attachment D](#) lists encumbrance transactions "with discount" offered on one tab and encumbrances in selected object codes offering "no discount" on the second tab. It is sorted by department, transaction, and object code. Records can be filtered by department. Those encumbrances in the "no discount" tab should be reviewed and negotiated with the vendor to add prompt payment discount terms. It is crucial that department CFOs and Contract Managers review these contracts and take the initiative to capture lost opportunities by encouraging the vendors to offer a mutually agreeable discount rate. Attachment D is for FY2018 as of March 31, 2018.

The Prompt Payment Discount Policy states that "Even if a Department has not included the Prompt Payment Discount Form as part of the RFR process or for contracts when a procurement is not required, the Department is strongly encouraged to have a Contractor complete a Prompt Payment Discount Form during the contract execution, renewal or amendment process to ensure that Prompt Payment Discounts are available to departments to the maximum extent possible."

Through queries, CTR has identified eligible contracts with many vendors who offer discounts on other department contracts. This information is forwarded to department fiscal staff to assist them in requesting discounts directly from vendors. It is crucial that CFOs and Contract Managers review the discounts missed report and instruct relevant staff to ensure that payments are processed on a timely basis to receive the maximum discount offered under the contract.

To assist with department analysis, CTR has provided starter queries that departments can run in the Commonwealth Information Warehouse (CIW) to identify payments made with discount terms offered. These Discount Starter Query instructions are available [here](#).

Please review your discount statistics and, if you have any questions, contact Donna Roux at (617) 973-2314 or Thomas Smith-Vaughan at (617) 973-2337.

Enc:

[Attachment A](#) - FY2018 Third Quarter Department Discount Summary

[Attachment B](#) - FY2018 Third Quarter Discount Summary

[Attachment C](#) - FY2018 Encumbrances Summary as of 03.31.2018

[Attachment D](#) - FY2018 Encumbrances Listing by Dept as of 03.31.2018

cc: General Counsels
Payroll Directors
Internal Distribution