



Commonwealth of Massachusetts

OFFICE OF THE COMPTROLLER

ONE ASHBURTON PLACE, 9TH FLOOR
BOSTON, MASSACHUSETTS 02108
TELEPHONE (617) 727-5000
WWW.MACOMPTROLLER.ORG

ANDREW W. MAYLOR
COMPTROLLER

MEMORANDUM

To: Chief Fiscal Officers and MMARS Liaisons

From: Jeffrey Shapiro, First Deputy Comptroller

Date: March 8, 2019

Re: FY2019 2nd Quarter PPD Statistics Report

Comptroller Memo FY#2019-19

Executive Summary

The purpose of this memo is to provide departments with updated information on the [Prompt Payment Discount](#) program, to continue to urge departments to pursue further growth in discount savings, and to provide timely cash flow to vendors.

FY2014 to FY2018 Annual and FY2019 Q1/Q2 PPD Discount Taken and Discount not Taken

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 Q1 and Q2
Discounts Taken	\$9,673,021	\$10,316,916	\$10,104,476	\$10,091,848	\$11,470,431	\$5,562,991
Discounts Not Taken	\$2,755,483	\$3,763,928	\$3,289,077	\$2,831,022	\$2,786,992	\$1,759,191

The prompt payment discount savings reached \$11.47 million in FY2018. 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. **The entire FY2018 savings of \$11,470,431 were credited back to the departments' accounts that realized the discounts.**

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.

The Commonwealth lost the opportunity during the first six months of FY2019 to save close to an additional \$1.76 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 activity, the following attachments offer department specific and summary data.

[Attachment A](#) is a report sorted by department for the 2nd QTR, FY2019. 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 2nd QTR, FY2019.

To help departments save more money, we have prepared a FY2019 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 FY2019 encumbrances on MMARS that are eligible for discounts based on the object code used as of December 31, 2018. As illustrated below, FY2019 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 FY2019.

FY2019 Encumbrances With and Without Discount (as of 12/31/18)					
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	\$5,564,995,320.03	\$773,292,085.21	\$4,791,703,234.82	13.90%	86.10%

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	40,887	21,098	19,789	51.60%	48.40%

[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 FY2019 as of December 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 Thomas Smith-Vaughan at (617) 973-2337.

Enc:

[Attachment A – FY2019 Second Quarter Department Discount Summary](#)

[Attachment B – FY2019 Second Quarter Discount Summary](#)

[Attachment C – FY2019 Encumbrance Summary as of 12.31.2018](#)

[Attachment D – FY2019 Encumbrance Listing by Dept as of 12.31.2018](#)

cc: General Counsels
Payroll Directors
Internal Distribution