



# Commonwealth of Massachusetts

## OFFICE OF THE COMPTROLLER

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### MEMORANDUM

**To:** Chief Fiscal Officers and MMARS Liaisons  
**From:** Jeffrey Shapiro, First Deputy Comptroller  
**Date:** October 29, 2018  
**Re:** FY2019 1st Quarter PPD Statistics Report & FY2018 Wrap Up and Achievement Recognition

Comptroller Memo FY#2019-11

#### Executive Summary

The purpose of this memo is to recognize departments that maximized the Prompt Payment Discount (PPD) program in FY2018 and to provide CFO's and MMARS Liaisons with updated information on the PPD program and to continue to support departments to pursue further growth in discount earnings being successfully achieved by departments. The departments' utilization of the Commonwealth's [Prompt Payment Discount](#) program during FY2018 was excellent with more opportunities for agencies to increase discount earnings in fiscal year 2019.

#### Annual Summary: FY2014 to FY2018 PPD Discount Taken and Discount not Taken

ANNUAL	FY2014	FY2015	FY2016	FY2017	FY2018
Discounts Taken	\$9,673,021	\$10,316,916	\$10,104,476	\$10,091,848	\$11,470,431
Discounts Not Taken	\$2,755,483	\$3,763,928	\$3,289,077	\$2,831,022	\$2,786,992

#### 1<sup>st</sup> Quarter Comparison: FY2015 to FY2019 PPD Discount Taken and Discount not Taken

QTR 1 ONLY	FY2015	FY2016	FY2017	FY2018	FY2019
Discounts Taken	\$2,740,456	\$2,492,081	\$2,567,130	\$2,606,454	\$2,800,653
Discounts Not Taken	\$939,169	\$1,055,341	\$925,294	\$726,879	\$1,085,918

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.**

**Even though PPD continued to grow in FY2018, the Commonwealth lost the opportunity to save an additional \$2.78 million due to late 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** has two versions, [FY2018 Final](#) and [FY2019 1st Quarter](#) report sorted by department. These reports show 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 discounts report, also with two versions, the first for [FY2018 Final](#) and the second for [1st Quarter 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 September 30, 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.

<b>FY2019 Encumbrances With and Without Discount (as of 09/30/18)</b>					
<b>Dept.</b>	<b>Total Dollars Encumbered Eligible for Discount</b>	<b>Dollars Encumbered with Discount</b>	<b>Dollars Encumbered without Discount</b>	<b>% of total dollars with Discount</b>	<b>% of total dollars without Discount</b>
<b>All</b>	\$4,717,353,430.60	\$624,934,839.07	\$4,092,418,591.53	13.25%	86.75%

<b>Dept</b>	<b>Count Total Encumbrances Eligible for Discount</b>	<b>Count Encumbered with Discount</b>	<b>Count Encumbered with no Discount</b>	<b>% of encumbrances with Discount</b>	<b>% of encumbrances without Discount</b>
<b>All</b>	25,778	12,478	13,300	48.41%	51.59%

[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 September 30, 2018.

[Attachment E](#) is a year-end report Recognizing FY2018 Best Practices that includes the following charts which recognizes the top departments with best practices:

- Top departments with the highest actual FY2018 discount savings
- Top departments in FY2018 with more than 60% of spending with vendors that offer PPD
- Top departments where virtually all FY2018 spending offering PPD were taken

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](#) – FY2018 Final Department Discount Summary

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

[Attachment B](#) – FY2018 Final Discount Summary

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

[Attachment C](#) – FY2019 Encumbrance Summary as of 09.30.2018

[Attachment D](#) – FY2019 Encumbrance Listing by Dept as of 09.30.2018

[Attachment E](#) – Recognizing FY2018 Best Practices

cc: General Counsels  
Payroll Directors  
Internal Distribution