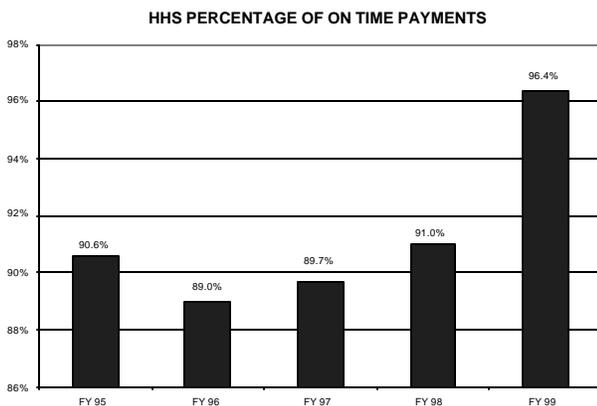


## PROMPT PAYMENT

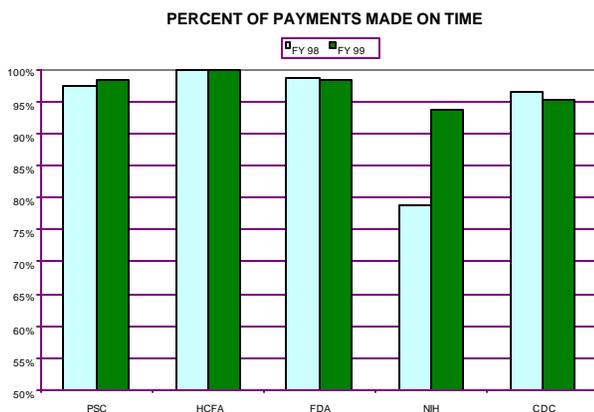
Prompt payment of vendor invoices is an important part of cash management since it reduces the amount of late payment interest penalties. During FY 1999 HHS:

- Paid 1.3 million vendor invoices valued at \$5.4 billion
- Paid 96.4% of these items on time, compared to 91% of time for FY 1998
- Paid interest penalties of \$692,902 on 1.66% of vendor payments
- Paid an average penalty of \$32.83 and an average of \$127 in late payment penalties for every \$1 million in vendor payments.

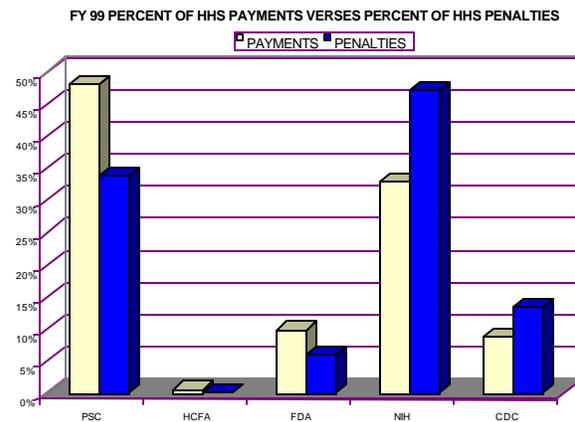
The FY 1999 rate of on time payments was the highest ever achieved by the Department and is a significant improvement over the last few years, as shown in the chart below.



The improved prompt pay performance resulted in the Department exceeding its goal of making 95% of all vendor payments on time. During FY 1999 four of the five Department's payment components were able to exceed the 95% on time goal while the other component reached 93.5% for the year. The next chart shows performance by payment component for FY 1998 and FY 1999.



NIH is the second largest vendor payment office, paying 32.9% of all HHS vendor invoices in FY 1999, and therefore its performance has a major impact on the Department. As the previous chart shows, NIH made a dramatic improvement in on time payments in FY 1999. The next chart reflects the impact of each payment component's performance on the Department totals by showing the percent of HHS vendor payments versus the percent of HHS late payments interest penalties for each component during FY 1999.



The dollar value of invoices paid in FY 1999 increased by over 23%, compared to FY 1998, and the number of invoices increased by 14%. The dollar amount of interest penalties paid decreased by 30% compared to FY 1998, while the number of penalties dropped by 56%. The goal is to reduce the amount of penalties paid as much as possible. Prompt pay performance is monitored and to keep penalties paid in perspective, the amount of penalties paid per each million dollars of invoices paid is tracked and is shown in the next chart.

