

Commercial Pay Services

Streamlining processes to reduce operating costs and improve service

The Commercial Pay Services Business Line pays all defense industry partners, ranging from small business vendors to large-scale weapons system developers.

Commercial Pay Services disbursed approximately \$213 billion in FY 2002 through two product lines - Contract Pay and Vendor Pay. Ninety-five percent of these payments were made electronically to DFAS customers.

In Contract Pay, approximately \$87 billion was paid to defense contractors primarily associated with major weapons system delivery and support.

Vendor Pay entails payment for day-to-day goods and services, such as supplies, utilities and transportation support. The total payments for these vendor products in FY 2002 reached nearly \$126 billion.

In FY 2002, DFAS made significant progress in improving management of systems and processes to identify and resolve the reasons for late payments on invoices. DFAS recorded its lowest average percentage of overaged invoices on hand — dropping from 8.67 percent during the last six months of FY 2001 to 3.61 percent for the same period in FY 2002. These efforts reduced the amount of interest paid per million dollars spent on contractor and vendor support from about \$343 in FY 2001 to \$237 in FY 2002, a decrease of more than 30 percent.

Best value to our commercial pay customers means paying their contract and vendor invoices accurately and on time to strengthen an ongoing relationship between the Department of Defense and its private sector business partners. It also means safeguarding the fiscal resources of the Department of Defense by preventing incorrect payment and collecting debt when appropriate. Moving forward, DFAS looks to continue to improve payment accuracy and timeliness, expand end-to-end electronic work flow and invoicing and further reduce interest penalty payments.

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