



Payment Processing Guidelines

Issue Date: April 2003
 Revised Date: February 12, 2007

Table of Contents	
Documentation – What is Acceptable and Unacceptable for:	
Receipt of <u>Goods</u>	2
Receipt and Acceptance of <u>Services</u>	2
Payment of Goods or Services – <u>Invoices</u>	3
Proper Dates to Enter in MAPS:	
AGPS <u>Receipt Date</u> ,	
GFS <u>Date of Receipt</u> , and	
CFMS <u>Date Services Received</u> Fields	4
Additional Notes about Receipt Dates	5
<u>Invoice Received Date</u> Field	6
<u>Prompt Payment Date</u> Field	7
AGPS <u>PP Reason Code</u> and GFS <u>Pay Exception Reason</u> Fields	7
Additional Notes About Prompt Payment Dates	8
Additional Notes About Scheduled Payment Dates	9
Making Special payments to the Department of Finance:	
MAPS/SEMA4 Special Billing Payments	10
Statewide Indirect Costs (Without the MAPS/SEMA4 Special Billing)	10
Payment Approvals:	
What is Acceptable and Unacceptable	11
Additional Notes About Payment Approvals	12

Item	Acceptable Documentation	Unacceptable Documentation
Receipt of <u>Goods</u>	<ul style="list-style-type: none"> ▪ Signed and dated receiving report/packing slip with quantity received evident (FMR 4A-01). ▪ Substitute form in absence of receiving report/packing slip that must include date goods received, receiver's signature (or initials), and an itemized list of goods received; a statement of condition of goods is optional. Faxes or e-mails containing this required information are acceptable substitute receipt forms. ▪ Date stamp on receiving report/packing slip with receiver's signature (or initials). ▪ Notation on an invoice indicating when items were received and who received them. ▪ Bill of lading (from shipper) with quantity received evident and the receiver's signature (or initials) and date received. ▪ For prepayments (refer to a list of statutorily permitted prepayments on page 4), invoice sent upon shipment showing items received and zero balance due, or other documentation indicating when goods or services were received. ▪ If acceptance testing of goods is required, a signed and dated note indicating that goods passed the test (e.g. software purchases) and when the test was completed. 	<ul style="list-style-type: none"> ▪ No receiving report/packing slip, substitute form, or other acceptable receipt documentation. ▪ Receiving report present, but no signature (or initials) and receipt date. ▪ Substitute form that lacks pertinent information. ▪ Date stamp on receiving report/packing slip without receiver's signature (or initials).
Receipt and Acceptance of <u>Services</u>	<ul style="list-style-type: none"> ▪ [Preferred Practice] Signature (or initials) and date of signature (or initials) on the invoice with the term "OK to Pay" to indicate that invoiced services were satisfactorily provided. For services received on a contractual agreement, the signature (or initials) must be that of the contractual agreement's Authorized Representative. ▪ [Nice to have] Documentation such as a work order, timesheet, etc. that lists services provided, and contains the receiver's signed and date note that the services were acceptable. ▪ If acceptance testing is required, a signed and dated note indicating that services provided are acceptable (e.g. window installation meets water infiltration tests) and when the test was completed. 	

Item	Acceptable Documentation	Unacceptable Documentation
Payment of Goods or Services – <u>Invoices</u>	<ul style="list-style-type: none"> ▪ Original invoice (MAPS Policy and Procedure #0803-01). ▪ Order forms requesting prepayment, which serve as invoices for statutory prepayments (refer to the list of statutorily permitted prepayments on page 4). ▪ Fax or other copy of invoice with signed/initialed notation indicating why original invoice is not available. Prior to processing payment, the person making the payment must make sure that the invoice has not been paid previously. ▪ Account summary, payment request, statement, folio, etc., where these documents are customarily regarded as the original invoice ▪ Intra-agency (i.e., Central Mail) or interagency invoice (i.e., DOER, DES, DPS, etc.) where original invoice is split among multiple divisions for payment. ▪ Assessment letter from another governmental entity. ▪ NOTE: Space rental payments do not require an invoice if the vendor doesn't send in an invoice but expects payments by the first of each month per MAPS Policy and Procedure #0803-01. ▪ NOTE: Process each invoice for payment separately. ▪ NOTE: Original invoices include invoices received in the mail and electronic copies of invoices when this is the vendor's customary billing practice. 	<ul style="list-style-type: none"> ▪ Statement that is a summary of outstanding invoices (Exceptions will be made on a case-by-case basis with prior FMR approval). ▪ Processing multiple invoices in one payment.

Item	Proper Date to Use When Not Prepaying
<p><u>AGFS Receipt Date</u>, <u>GFS Date of Receipt</u>, <u>and CFMS Date</u> <u>Services Received</u> – Date goods or services were received</p> <p>(For insurance claims, rebates, and dividends, the receipt date is the date the division incurs the expense or the obligation to pay the intended recipient.</p> <p>For reimbursement-based grants, the receipt date is when the grant recipient meets all of the eligibility requirements. Refer to additional guidance on page 5.)</p>	<ul style="list-style-type: none"> ▪ For receipt of <u>goods</u>, use the date that goods were received. ▪ When one invoice is for <u>multiple shipments of goods</u>, use the date when the last goods were received. ▪ For receipt of <u>services</u>, use the last date that services occurred. When invoiced for a specific time period (i.e., 5-1 thru 5-31-07), use either the end date of the period (5-31-07) or the actual last date that services occurred (may be earlier than 5-31-07).
	<p>Proper Date to Use for Payments That Should be Prepayments</p>
	<p>Prepayments are statutorily permitted for the following items (M.S.16A.065):</p> <ul style="list-style-type: none"> ▪ Software and software maintenance. ▪ Sole source maintenance agreements (where not cost-effective to pay in arrears). ▪ Exhibit space (to guarantee the availability of space). ▪ Registration fees (where advance payment is required or a discount is offered for advance payment). ▪ Newspapers, periodicals, and other subscription fees customarily paid in advance (interpreted to include telephone, cell phone and pager service, insurance, memberships, rent). ▪ Library of Congress and Federal Supervisor of Documents. <p>Correct GFS Dates of Receipt and AGPS Receipt Dates are as follows:</p> <ul style="list-style-type: none"> ▪ When paying <u>before</u> the service period begins, use the <u>current</u> date. ▪ When paying <u>during</u> the service period, use the <u>first</u> date of the service period. (This is useful guidance for paying telecommunications invoices - e.g., cell phone bills). ▪ When paying <u>at the end of or after</u> the service period but the payment should have been a prepayment, use the <u>first</u> date of the service period.
	<p>Proper Date to Use for Payments of Invoices Using the MAPS Accounts Receivable System</p>
	<p>When paying a bill that is invoiced using the MAPS accounts receivable system, the <u>receipt date</u> must be coded with the <u>date of service</u> as stated on the invoice.</p>
<p><i>Refer to special year-end guidance on <u>processing payments that cross fiscal years</u> that is provided in the Department of Finance’s Annual Budget and Accounting Instructions and in any notices from Admin’s Financial Management and Reporting Division.</i></p>	

Receipt Dates for Grant Payment Transactions

- For reimbursement-based grants, the receipt date is when the grant recipient meets all of the eligibility requirements. Eligibility requirements are conditions established by enabling legislation or the provider that must be met before a transaction can occur.
- Receipt dates for examples of eligibility requirements (underscored) are noted below:
 1. When required characteristics of the recipient are met, the receipt date is the date the grant application is approved.
 2. When a time requirement is met, the receipt date is the payment date specified in enabling legislation or the grant agreement.
 3. When grant funds are provided on a reimbursement basis, the receipt date is the date when the recipient incurs the allowable costs, and not when those costs were submitted for reimbursement.

Additional Notes About Receipt Dates

- In AGPS, the Receipt Date field is located on the Receipt/Invoice/Payment Invoice (OINV) screen. This field is also located on the Receipt/Invoice/Payment Receipt (OREC) screen.
In GFS, the Date of Receipt is located on the payment transaction document.
In CFMS, the Date Services Received field is located on the Contract Invoice/Payment (KINV) screen.
- Processing Tips: Avoid leaving an AGPS Receipt Date or a GFS Date of Receipt blank. If you do, the MAPS system will default to the current (today's) date. In CFMS, the Date Services Received field is required by the MAPS system. Entering the correct date aids in coding transactions to the proper accounting period and in determining the prompt payment date.
- **ATTENTION: For internal service and enterprise fund payments processed, please inform a FMR accountant if an incorrect receipt date is entered in MAPS. The FMR accountant will take appropriate action to ensure that the payment transactions are recorded accurately in the financial statements.**
- When processing a FPO transaction in AGPS, the Deliver Date field becomes the Receipt Date and is sent to the IA warehouse as the transaction record date. For this order document type, enter in the Deliver Date field the date that the goods or services were received. Note: The invoice received date, however, cannot be entered for an FPO transaction. If the delivery date is over 30 days ago, but the invoice received date is not, the payment is not late, and the F reason code applies.
- In CFMS, unlike AGPS and GFS, you can enter a receipt date that is prior to the date that the encumbrance was established. This receipt date is entered in the Date Services Received field on the KINV screen in CFMS. At all times when processing invoice payments in CFMS, be sure to enter the correct date that the services were received in the Date Services Received field, even if there is a violation of the state's encumbrance law and you entered a Y in the MS 16A.15 field on the KINV screen. If you do not enter the correct date that the services were received in the Date Services Received field, financial statement amounts may be misstated.
- ***Refer to page 10 for guidelines on coding the Date of Receipt field when processing payments for the MAPS/SEMA4 Special Billing or Statewide Indirect Costs (without the MAPS/SEMA4 Special Billing).***

Item	Acceptable	Unacceptable
<p><u>Invoice Received Date</u> - Date that vendor invoice was received</p>	<ul style="list-style-type: none"> ▪ Date stamp indicating when invoice was received. ▪ Date that invoice was received handwritten on the invoice. 	<ul style="list-style-type: none"> ▪ No notation indicating date that invoice was received. ▪ Entering the invoice date in the invoice received date field in MAPS.
	<p>Additional Invoice Received Date Instructions</p>	
	<ul style="list-style-type: none"> ▪ In AGPS, the Invoice Received Date (Inv Recd Date) field is located on the Receipt/Invoice/Payment Invoice (OINV) screen. In GFS, there is no Invoice Received Date field. In CFMS, the Invoice Received Date (Inv Rcvd) field is located on the Contract Invoice/Payment (KINV) screen. <p><u>Processing Tip:</u> In AGPS or CFMS, avoid leaving the Invoice Received Date field blank. If you do, the MAPS system will default to the current (today's) date, which will result in the incorrect determination of the prompt payment date.</p> <ul style="list-style-type: none"> ▪ If an invoice was received in one division from Central Mail, then forwarded to another for payment, use the date the invoice was received by the first division (after Central Mail processed incoming mail from the U.S. Postal Service). ▪ If an invoice was incorrectly sent to another state agency and then forwarded to Admin for payment, use the date that the invoice was received by Admin. ▪ Duplicate invoice – If a duplicate invoice was received, but the original invoice was never received, use the date that the duplicate was received. ▪ When one Admin division (i.e., FMR) receives an invoice containing charges for multiple divisions, and this division must split the charges and prepare subsidiary invoices to send to the divisions to whom the charges actually apply, the division receiving and splitting the invoice is viewed as part of the billing process. Consequently, the proper invoice received date used by the paying division is the date the subsidiary invoice is received by the paying division. ▪ The received date of a credit memo that applies to a specific invoice that is being processed for payment should replace the invoice received date when entering a date into the invoice received date field into MAPS. If the credit memo does not pertain to a specific invoice that is being processed for payment, then the date to be entered in the invoice received date field should be the received date of the vendor invoice that is being processed for payment. 	

Item	Acceptable	Unacceptable
<p><u>Prompt Payment Date</u></p> <p>DOF Policy – Invoices must be paid within 30 days from the later of the date the invoice was received or the date goods or services were received (M.S. 16A.124, Subd. 3).</p> <p><i>This section also includes discussions of system defaults, scheduled pay dates, and acceptance dates.</i></p>	<ul style="list-style-type: none"> ▪ In AGPS, enter the correct Invoice Received Date and Receipt Date fields, which results in the system defaulting to the correct Prompt Payment Date (Prompt Pay Date field). ▪ In GFS for payments other than purchases from utility or telephone companies, manually compute the Prompt Payment Date as 30 days after the later of 1) the date the invoice was received, or 2) the date goods or services were received, and then correctly enter this date in the appropriate field. ▪ For purchases from utility or telephone companies, enter the <u>invoice/account statement due date</u> in GFS as the Prompt Payment Date, since these purchases are exempt from the Prompt Payment Law. 	<ul style="list-style-type: none"> ▪ Entering the incorrect AGPS Invoice Received Date and Receipt Date fields, which results in the system defaulting to the incorrect Prompt Payment Date. (See page 8 for comments on certain rare AGPS situations). ▪ Leaving the GFS Prompt Payment Date field blank. ▪ Since utility and telephone invoices should be paid by the invoice or account statement due date, entering any date in the Scheduled Pay Date field that is after the invoice/account statement due date is unacceptable. ▪ Accepting the system default for Scheduled Pay Date field in AGPS for purchases from utility and telephone companies that are exempt from the Prompt Payment Law. ▪ Leaving the AGPS Prompt Pay Reason Code (PP Reason Code) field or the GFS Pay Exception Reason field blank when processing a payment later than the correct Prompt Pay Date.
<p>Acceptable Use of AGPS Prompt Payment Reason Codes or GFS Pay Exception Reason Codes</p>		
<ul style="list-style-type: none"> ▪ C = Contested. Incomplete order, damaged goods, missing parts, inadequate goods or services, wrong price invoiced, etc. ▪ A = Subject to audit prior to payment. In accordance with contract or other agreement terms, an audit of work performed, invoice documentation, etc., is required prior to authorization to pay. ▪ T = Subject to testing prior to payment. In accordance with contract or other agreement, goods must be tested to assure they are in working condition, compatible with other equipment, etc., prior to authorization to pay. ▪ V = Vendor failed to provide necessary tax number. For example, when creating a payment against a BPM order, use this code if the vendor is untimely in providing you with the tax codes necessary to establish a MAPS vendor number. ▪ F = Field Purchase Order. When creating an FPO, the delivery date entered should reflect the date goods or services were received. The invoice received date, however, cannot be entered on an FPO. If the delivery date is over 30 days ago, but the invoice received date is not, the payment is not late, and the F reason code applies. ▪ L = Late Payment. Scheduled pay date is more than 30 days after the later of 1) the invoice received date, or 2) the date goods or services were received, and none of the above reasons apply. ▪ For purposes of the <u>Quality Assurance Review</u> project, if an invoice was paid late and a C, A, T, V, or F is entered into the AGPS Prompt Pay Reason Code field or into the GFS Pay Exception Reason field, the payment transaction will not be viewed as a late payment, provided that the exception is valid. 		

Additional Notes About Prompt Payment Dates

- In AGPS, the Prompt Payment Date (Prompt Pay Date) and Prompt Payment Reason Code (PP Reason Code) fields are located on the Receipt/Invoice/Payment Payments (OPAY) screen. This is a MAPS system calculated date.
- In GFS, the Prompt Payment Date and Pay Exception Reason fields are located on the Open Payment Voucher Line Inquiry (OPVL) screen. The Prompt Payment Date field must be entered for all PV1 and P1 payments. All other payments in GFS do not require one to enter a date in the Prompt Payment Date field.
Processing Tip: Avoid leaving the GFS Prompt Payment Date field blank. If you do not enter a date in the Prompt Payment Date field, the MAPS system will leave the field blank. Consequently, Finance will consider the payment late for prompt payment reporting purposes since the MAPS system has no way of determining if the payment is late or on time.
- In CFMS, no Prompt Payment Date or Prompt Payment Reason Code fields exist. Thus the system has no functionality to recognize and flag late payments. A payment is late if the transaction acceptance date occurs after the manually calculated Prompt Payment Date, which is 30 days added to the later of the Invoice Received Date or the Services Received Date.
- Certain rare AGPS situations do not permit a MAPS user to enter a Prompt Pay Reason Code when processing a late payment. For instance, this may happen when an order is not entered into AGPS until an invoice and the corresponding goods have already been received. Another instance may arise when a blanket order for a full fiscal year is entered sometime after July 1. In these instances MAPS may not recognize the payment as late (based on a comparison of the scheduled pay date and the later of the receipt date or the invoice received date entered into MAPS). An error message will appear indicating that a reason code is not required. Treat each of these situations as a purchasing violation, if applicable. Process the payment as an FPO transaction to ensure the correct receipt date is entered into MAPS.

Refer to page 10 for guidelines on coding the GFS Prompt Pay Date and Prompt Pay Exception fields when processing payments for the MAPS/SEMA4 Special Billing or Statewide Indirect Costs (without the MAPS/SEMA4 Special Billing).

Additional Notes about Scheduled Payment Dates

- In AGPS, the Scheduled Payment Date (Sched Pay Date) field is located on the Receipt/Invoice/Payment Payments (OPAY) screen. If you leave this field blank, the MAPS system defaults the Scheduled Payment Date to 30 days after the later of 1) the date the invoice was received or 2) the date goods or services were received. The Scheduled Payment Date can be overridden, but the Prompt Pay Date cannot.
- In GFS, the Scheduled Payment Date field is located on the Open Payment Voucher Header (OPVH) Inquiry screen. If you leave this field blank, the MAPS system defaults the Scheduled Payment Date to the transaction acceptance date.
- In CFMS, the Scheduled Payment Date (Sched Pay Date) field is located on the Contract Invoice/Payment (KINV) screen. If you leave this field blank, the MAPS system defaults the Scheduled Payment Date to the current (today's) date.
- Correctly enter the Scheduled Payment Date field to take advantage of a vendor's early payment discount period (e.g. if an invoice is dated July 1 with terms 2%, 10 days/net 30, enter July 11 in the Scheduled Payment Date field to receive the 2% purchase discount and process payment at least 2 business days before this date to allow the Department of Finance sufficient time to generate the warrant or EFT transaction).
- As necessary, adjust the Scheduled Payment Date in GFS or AGPS to ensure prompt payment to the vendor (the default Scheduled Payment Date does not always ensure prompt payment).
- Processing Tips: For purchases from utility and telephone companies, the Scheduled Payment Date fields in AGPS and GFS should contain a date that is on or before the invoice/account statement due date.

If the utility or telephone invoice indicates that the payment is due upon receipt, pay this invoice within a reasonable time frame to ensure that the vendor receives and posts the payment to the state's account prior to the next billing cycle.

Interest charges and late fee rates and terms may apply if an untimely payment is made.

Guidelines for Making Special Payments to the Department of Finance				
Payment Element	MAPS/SEMA4 Special Billing		Statewide Indirect Costs (Without the MAPS/SEMA4 Special Billing)	
MAPS Component to Use for Payment	<ul style="list-style-type: none"> Payment must be processed in <u>GFS</u>. 		<ul style="list-style-type: none"> Payment must be processed in <u>GFS</u>. 	
Payment Timing	<ul style="list-style-type: none"> Pay <u>quarterly invoices</u> no later than 30 days after the end of the quarter being billed. Pay <u>annual invoices</u> no later than 30 days after the end of the first quarter. (The Department of Finance will indicate on the face of the invoice if the invoice is an annual invoice). 		<ul style="list-style-type: none"> Two options exist: <ol style="list-style-type: none"> Pay <u>quarterly or annually</u> if the annual liability is more than \$2,000. Quarterly payments should be made no later than 30 days after the end of each quarter. Pay <u>annually</u> if the annual liability is \$2,000 or less. Payments in full should be made no later than 30 days after the end of the first quarter of the fiscal year. For Admin's <u>internal service</u> and <u>enterprise</u> funds, payments should be made <u>quarterly</u> regardless of the dollar amount of the liability. 	
Coding the Date of Receipt Field	Quarterly Payment Made	Annual Payment Made	Quarterly Payment Made	Annual Payment Made
	<ul style="list-style-type: none"> If paying <u>during</u> the quarter, use the <u>date of service</u> as stated on the invoice. If paying <u>after</u> the end of the quarter to which the payment relates, use the <u>last</u> date of the quarter for which you are making the payment. 	<ul style="list-style-type: none"> If paying <u>during</u> the first quarter, use the <u>date of service</u> as stated on the invoice. If paying <u>after</u> the end of the first quarter, use the <u>last</u> date of the <u>first</u> quarter. 	<ul style="list-style-type: none"> If paying <u>during</u> the quarter to which the payment applies, use the <u>first</u> date of the quarter. If paying <u>after</u> the end of the quarter to which the payment applies, use the <u>last</u> date of the quarter for which you are making the payment. 	<ul style="list-style-type: none"> If paying <u>during</u> the first quarter, use the <u>first</u> date of the fiscal year. If paying <u>after</u> the end of the first quarter, use the <u>last</u> date of the <u>first</u> quarter.
Coding the Prompt Payment Date Field	Quarterly Payment Made		Annual Payment Made	
	<ul style="list-style-type: none"> Prompt Pay Date = 30 days after the end of the quarter being paid. 		<ul style="list-style-type: none"> Prompt Pay Date = 30 days after the end of the <u>first</u> quarter of the fiscal year (October 30). 	
Use of the Pay Exception Reason Field	Quarterly Payment Made		Annual Payment Made	
	<ul style="list-style-type: none"> Code L for late payment if the payment is processed <u>later than</u> 30 days after the end of the quarter to which the payment applies. 		<ul style="list-style-type: none"> Code L for late payment if the payment is processed <u>later than</u> 30 days after the end of the <u>first</u> quarter. 	

Item	Acceptable	Unacceptable
<p><u>Payment Approvals</u></p> <p>Statewide MAPS Policy and Procedure #0803-01 and Admin's financial policy FMR-4A-01 require a proper approval authorization on every invoice prior to payment.</p>	<ul style="list-style-type: none"> ▪ "OK to pay," approval date, and signature (or initials) of formally authorized employee written on invoice or supporting payment documentation. ▪ Signature (or initials) and payment approval date from formally authorized employee on invoice or supporting payment documentation. ▪ E-mail or other electronic approval provided by a formally authorized employee. The e-mail must be attached to the invoice for documentation purposes. ▪ Verbal approval to pay from an authorized employee, in rare instances only, with payment processor's signed/initialed and dated notation on the invoice, stating why the authorized employee could not approve invoice in writing ▪ No written <u>division/board/council approval</u> authorization is needed if any of the following <u>exceptions apply</u> that permit <u>FMR to approve</u> the invoice for payment processing: <ol style="list-style-type: none"> 1. The original invoice and the packing slip match the purchase order terms <u>exactly</u>. 2. The invoiced division/board/council and FMR executed a financial services agreement permitting FMR to approve and to pay the invoice when the invoice amount is: <ul style="list-style-type: none"> • <u>Less</u> than the purchase order amount, but the charges are legitimate and not in error (e.g., the vendor decides to further discount the selling price after receiving the purchase order). • <u>Higher</u> than the purchase order amount, but the charges are legitimate and should have been included on the purchase order, and <u>the overage is not greater than the tolerance limits</u> set by agency policy (50% of the purchase order not to exceed \$50). • <u>Applied against a blanket order</u> established for routine, recurring services (e.g., utility services, pager services, postage costs, and photocopier rental, but <u>not telephone charges</u>) if the invoiced amounts are reasonably predictable and consistent with the obligations the blanket order was intended to cover. 	<ul style="list-style-type: none"> ▪ No payment authorization. ▪ Signature stamp designating payment approval (unless other accommodations need to be met). ▪ Employee who approves invoice does not have management's formal authorization to approve payments. ▪ FMR approves and processes payments for a division/board/council contrary to the terms of a written and approved service level agreement.

Additional Notes about Payment Approvals

Divisions should maintain a list, signed by the division director, of those employees authorized to approve payments and their signature.

Divisions/boards/councils that have a written and approved service level agreement with FMR are required to provide, as an addendum to the agreement, a list of the names and signatures of their employees who are authorized to approve invoices for payment. A new Service Level Agreement with an updated list is required each time the list changes.