

Policy number #0802-01

Payment Request, Preparation, and Approval

Date Issued: 07/01/2011

Date Revised: 07/20/2022

Authority: Minnesota Management and Budget, Accounting Services

OVERVIEW

Purpose Statement

To ensure payments are processed accurately and timely in accordance with the following State statutes:

Statute	Statute Name
16A.065	Prepay Software, Subscriptions, United States Documents
16A.124	Prompt Payment of State Agency Bills Required
16A.15	Accounting System; Allotment and Encumbrance
16A.41	Claims against State
16C.08	Professional or Technical Services

Policy

An agency shall complete two objectives regarding payments: 1) agencies shall develop their own internal policies to create guidelines for processing payment requests and 2) they shall abide by the state statutes and established Minnesota Management & Budget (MMB) policies and procedures.

Agency policies shall address the following topics:

1. Payments are made to the correct vendor/recipient from the correct funding sources and fiscal year.
2. The liability date (goods/services receive date) is entered accurately to ensure payments are recorded in the proper fiscal year and liabilities at year-end are accurately presented in the state’s financial statements.
3. Payments are entered into the appropriate system and encumbered in accordance with [MMB Statewide Operating Policy 0701-01 \(Dept of Administration Professional Technical Contract Policy 21-01\)](#).
4. The policy shall also provide for internal and compensating controls, separation of duties, propriety of payments, supporting documentation retention, and risk management.

Agency personnel shall read, understand, and follow the policies to conform to established state regulations.

Propriety of Payments

Agency management shall formally authorize an employee or employees to review and approve every invoice prior to processing. The agency review and approval:

- Certifies that the goods were received in good condition, that services were properly rendered, and the request has not been previously paid;
- Charges the payment to the proper accounts and fiscal year;
- Certifies that the approved payment is for the vendor that the state is obligated to pay; and
- Documents any unusual circumstances, such as paying an amount different than indicated on the purchase order. This documentation can be noted directly on the invoice or on a separate document that must be attached and filed with the original invoice.

Approvals

Approval Levels 1, 2, 3 – Agency; Approval Level 4 – MMB General Accounting

Charged To	3-way Full Match (PO, receipt, voucher)	Up to \$25,000	\$25,000 - \$99,999	\$100,000 or greater
<i>Expense/ Revenue Account</i>	X			Approval Level 3
<i>Expense/ Revenue Account</i>		Approval Level 1	Approval Levels 1 & 2	Approval Levels 1, 2 & 3
<i>Balance Sheet Account</i>		Approval Levels 1 & 4	Approval Levels 1, 2 & 4	Approval Levels 1, 2, 3 & 4

Documentation

Agencies shall establish a procedure to ensure that original payment documents, and any accompanying documentation, are retained in accordance with the agency’s records retention schedule. This procedure shall include:

- Requirements that payments will only be issued for original invoices; a facsimile or copy of an invoice with signed/initialed notation indicating why original invoice is not available and verification that the invoice has not previously been paid; assessment letter from another governmental entity; or an account summary, payment request, statement, folio, etc., where these documents are customarily regarded as the original invoice.
- Documented authorization indicating payment approval.
- All payment documentation is maintained such that when audited, documentation is easily accessed.

Payment Processing

Agencies shall encumber funds once the agency determines there will be an obligation from the state. Encumbering to a specific vendor ensures compliance with Minnesota Statute 16A.15. Please see [MMB Statewide Operating Policy 0701-01 \(Dept of Administration Professional Technical Contract Policy 21-01\)](#) for current exceptions.

Payment Tolerances

Payment tolerances are set at the category and/or item levels. SWIFT currently sets the payment tolerance default for goods at 10% or \$50, whichever is less. The payment tolerance for service-related categories is set at 0% and \$0; these are generally categories beginning with the number 7, 8 or 9. Agencies have the option of setting the tolerances lower but cannot go higher than the statewide default settings.

Prepayments

Agencies shall not authorize a payment to be made unless the service has been performed, the goods or materials received, or the monthly telephone service was in effect, in accordance with Minnesota Statute 16A.41. Please see Minnesota Statute 16A.065 for certain other goods and services that are authorized prepayments. **Please send prepayment requests to Adrienne Schmidt at Minnesota Management and Budget.**

MMB has provided specific guidelines for certain items:

- Space rental – pay according to agreement/contract terms and conditions.
- Airline tickets – standard practice is to pay for airline tickets when the reservation is made.
- Hotel rooms – it is acceptable to pay for the first night's lodging to reserve the room.
- Licenses – these will be approved on a case-by-case basis by the Director of SWIFT System Support.
- Prepayments funded from one fiscal year for a service period that crosses fiscal years is limited to \$10,000 for computer maintenance and licenses and \$1,000 for all other services.

Retainage

Contracts involving professional or technical contracts (except those listed in Minnesota Statutes 326.02 to 326.15) must not have more than 90% of the compensation due paid until the final product has been reviewed by the agency head per Minnesota Statute 16C.08, subdivision 5. This retainage amount will be paid when the agency head determines that the contractor has satisfactorily completed all the terms of the contract.

Payment Scheduling

Minnesota Statute 16A.124 requires that the state agencies promptly pay their vendors, and payment shall not exceed 30 days (from the date goods or services were received, or the invoice was received, whichever is later) without the possibility of incurring interest charges. Agencies shall make every attempt to schedule payments to meet the invoice or statement due date in accordance with the purchase contract terms and to take advantage of any early payment discounts.

Disbursements

MMB is responsible for the disbursements of payments entered in SWIFT using either online entry or interface. Warrants and electronic funds transfers (EFT) payments are generated each business day, based on the scheduled pay date entered for the payment or when the interface file processed. Agencies must notify MMB, Vendor Payments, of changes regarding a contact point and phone number for all payments.

Data Privacy

Unless otherwise stated in the statutes, **payment information in SWIFT is public data.** Users shall **NOT** enter an individual's Social Security Number or credit card information in the Vendor Invoice field for any reason. Furthermore, no data that can be considered under HIPAA or other acts shall be used in this field, such as a person's name or medical procedure.

RELATED POLICIES, PROCEDURES, AND RESOURCES

- [MMB Statewide Operating Policy 0701-01 \(Dept of Administration Professional Technical Contract Policy 21-01\)](#), *Encumbrance and Contract Execution*
- [MMB Statewide Operating Policy, 0702-01](#), *Reinstating Encumbrances after Close of the Fiscal Year*
- [MMB Statewide Operating Procedure, 0702-01.1](#), *Reinstating Encumbrances after Close of the Fiscal Year*
- [MMB Statewide Operating Policy 0801-01](#), *Prompt Payment Processing*
- [MMB Statewide Operating Policy 0102-01](#), *Internal Control System*
- [MMB Statewide Operating Policy 0802-02](#), *Warrant Special Handling Request*

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