DEPARTMENT OF CORRECTIONS

Policy Number:	**403.070**
Title:	**MINNCOR Accounts Payable**
Effective Date:	**11/19/18**

PURPOSE: To provide guidelines for MINNCOR employees to receive and pay for goods and services from private vendors or governmental agencies.

APPLICABILITY: Minnesota Corrections Industries Program (MINNCOR); and any vendor or agency providing goods or services to MINNCOR

DIRECTIVE:

DEFINITIONS:
Goods – physical items including; raw material, supplies, or finished product.

Services – any vendor labor used for production, processing, transportation, advertising, or promotion of products.

PROCEDURES:

A. Payments for all goods and services purchased by MINNCOR must be made in accordance with Minn. Stat. § 16A.124 with discounts taken as applicable. The liability date (record date) is recorded accurately to ensure payments are recorded in the proper fiscal year and that liabilities at the year-end are accurately presented in the state's financial statements. Additionally, the department must follow procedures established for internal controls, risk mitigation, and supporting documentation retention.

B. Separation of duties, and internal and compensating controls
   1. Internal controls
      a) Employees with purchasing authority (Buyers) do not have authority or access in MINNCOR's enterprise resource planning (ERP) system or StateWide Integrated Financial Tools (SWIFT) to make payments.
      b) Accounts payable staff do not have authority or access to make purchases or set up vendors in MINNCOR's ERP system or in SWIFT.
      c) MINNCOR's accounting supervisor must keep accounting system access requests according to the retention schedule.

   2. MINNCOR maintains a system of effective internal controls as they relate to financial activities.
      a) The first control is the separation of the functional duties of employees to provide appropriate control in the processing of transactions.
      b) Staffing limitations may prevent MINNCOR from adequately separating incompatible functions.
         1) In those instances, compensating controls, such as independent reviews by accounting supervisors must be established.
         2) An independent review may include
            (a) Electronic or manual approvals from authorized individuals;
            (b) Periodic reviews of detail expenditure or revenue reports; or
            (c) Reconciliations.
         3) All reviews must be noted on the documents reviewed with
            (a) The signature of the reviewer; and

(b) Date of review.

3. All controls are documented and periodically evaluated to ensure they are adequately designed, properly implemented, and functioning effectively.
   a) Written compensating controls are retained by MINNCOR's accounting supervisor.
   b) All SWIFT incompatible access compensating controls are maintained by DOC's finance department.

B. Staff must purchase goods and services following all guidelines established in Policy 403.020, "MINNCOR Purchasing," Policy 104.300, "Purchasing," other DOC policies, and authority for local purchase (ALP) guidelines.

C. MINNCOR staff must enter requests for purchase in the ERP system.
   1. MINNCOR's accounts payable staff do not have access to create requests for purchase in MINNCOR's ERP system.

   2. After the request for purchase is electronically routed through the approval process in MINNCOR's ERP system, a purchase order (PO) is created in the MINNCOR ERP system by MINNCOR buyers.

   3. MINNCOR's buyers are the only MINNCOR staff who have access to create POs in MINNCOR's ERP system.

D. Within two business days of receipt of item(s) at the facilities, the MINNCOR site staff must enter receiving information in the ERP system.
   1. A receiving record is generated in the ERP system and shows
      a) The vendor name,
      b) Purchase order number,
      c) Quantity of items received,
      d) Date received, and
      e) Acknowledgement of a partial or complete shipment.

   2. Any other receiving documents are also uploaded into MINNCOR's electronic data management system referencing the MINNCOR's PO number.

   3. The person ordering the items must not be the same person who receives the items.

   4. The person receiving the items must sign and date the packing slip indicating that the items have been received.

E. Vendor invoices are scanned into MINNCOR's electronic data management system. The accounting staff matches the PO and any corresponding receiving reports for payment.

F. When all related documents (request for purchase, PO, vendor invoice, packing slip, electronic receiving record, and when applicable; quotes and capital equipment request for purchase forms (CAR)) are matched in the electronic data management system, MINNCOR accounting staff authorizes vendor payments.
   1. Accounts payable staff has delegated authority to authorize payments for goods received after satisfaction of the three-way match requirement.
      a) The person making the payment must initial the document and note the date and amount paid.
      b) This delegation of authority is by position description.
      c) Position descriptions are retained by the supervisor and by human resources.

2. Accounts payable staff has access in the ERP system to enter PO lines to add delivery charges.

3. MINNCOR's accounting supervisor must review these PO line entries by accounts payable staff in the ERP monthly and retain signed and dated copies of these monthly reviews.

4. Three-way match
   The requirements of a completed three-way match include the following:
   a) A valid PO;
   b) A signed and dated packing slip or receiving document that verifies receipt of the items ordered by count and product identified. The signature must be legible or include the printed name of the signer; and
   c) An invoice, date stamped upon receipt, that is reconciled with the PO for correct cost and quantity, and compared with the packing slip to verify the invoiced items were received.

5. For services rendered or for goods received with no packing slip, staff with direct knowledge of the satisfactory performance of the services invoiced or receipt of the goods must authorize the payment.
   a) This authorization requires an electronic signature by authorized staff in MINNCOR's electronic data management system directly on the scanned invoice.
   b) The authorization certifies the following:
      1) Goods were received in acceptable condition or services were properly rendered;
      2) The request has not been previously paid; and
      3) The approved payment is for the vendor that the state is obligated to pay.
   d) Any unusual circumstances, such as paying an amount different than indicated on the purchase order, must be noted directly on the invoice or on a separate document that is attached and scanned with the original invoice.

6. In instances where software is received via an online download, electronic approval of the invoice indicates acceptance of the software.

G. Recordkeeping
   1. Accounts payable documents are retained for six years (current year plus five prior years) and according to the record retention policy.

   2. Retained records include
      a) Paid invoices;
      b) Original PO and related purchasing documentation,
      c) Packing slips/receiving documentation;
      d) Credit memos; and
      e) Any additional documentation, including notes, letters or printed e-mails regarding adjustments or clarifications.

   3. Records are consistently filed in the following sequence:
      a) Original paid invoice or verified copy listing date paid, amount paid and initialed by staff processing the payment;
      b) Credit memorandums, letters, printed e-mails, or notes that clarify payment adjustments or problem resolutions;
      c) Packing slips, receiving documentation, or notification that services were performed and payment approved;

d) Original PO; and
e) Purchasing documents – bids, quotes, insurance certificates, etc.

4. **Exception**: an invoice is not required for monthly rental payments if the vendor does not ordinarily send invoices. Payment is due in accordance with the agreement or contract with the vendor.

H. Retainage

1. Under Minn. Stat. § 16C.08, subd. 5(b), no more than 90% of the compensation due under a contract may be paid until the final product has been reviewed by the agency head.

2. The balance due is paid when the agency head determines that the contractor satisfactorily fulfilled all the terms of the contract.

3. Note: a retainage clause is not required for professional services as defined in Minn. Stat. §§ 326.02 – 326.15.

4. A final payment form must be completed and approved before the final payment is processed for contracts requiring retainage.

I. Risk mitigation

1. Preventing duplicate payments
The following methods are used to prevent or inhibit the potential for duplicate payments:
a) Limiting the use of blanket purchase orders;
b) Processing payments using only original vendor invoices, which may include scanned, faxed, or e-mailed documents;
c) The complete and consistent entry of invoice numbers on the payment voucher; and
d) No payments are made from duplicate vendor invoices, vendor statements, or copies without verifying that payment was not already processed.

2. Prepayments
Prepayment is not permitted except for the following, as defined in Minn. Stat. §16A.065:
a) Software and software maintenance services;
b) Sole source maintenance agreements where it is not cost-effective to pay in arrears;
c) Exhibit booth space or boat slip rental to guarantee availability of space;
d) Registration fees when advance payment is required or when an advance payment discount is offered;
e) Newspaper, magazine and other subscription fees customarily paid in advance; and
f) Items purchased from the Library of Congress or Supervisor of Documents.

3. Minnesota Management and Budget prepayment guidelines are as follows:
a) Space rental – pay according to agreement/contract terms and conditions.
b) Airline tickets – the standard practice is to pay for airline tickets when the reservation is made.
c) Hotel rooms – pay for the first night's lodging to reserve the room.
d) Licenses – approved on a case-by-case bases by the director of agency support.

e) Prepayments funded from one fiscal year for a service period that crosses fiscal years are limited to:
   1) $10,000 for computer maintenance and licenses; and
   2) $1,000 for all other services.

J. Under Minn. Stat. §16A.124, subd. 3, invoices are paid within 30 days from the later date of when the goods/services were received/performed or when the invoice was received by the agency.
   1. Discounts are taken when offered.

   2. When discounts are taken, the scheduled payment date must be changed to take advantage of the discount offered by the vendor.

INTERNAL CONTROLS:

A. All related accounts payable documents are retained in either the electronic data management system or in the ERP system, according to DOC's record retention schedule.

B. Position descriptions are retained by human resources and the applicable supervisor.

C. The accounting supervisor retains access requests for statewide accounting system and ERP.

ACA STANDARDS: None

REFERENCES: Minn. Stat. §§ 16A.065; 16A.124, subd. 3; 16C.08, subd. 5(b); 241.27; 326.02 – 326.15
Policy 403.020, "MINNCOR Purchasing"
Policy 104.300, "Purchasing"

REPLACES: Division Directive 403.070, "MINNCOR Accounts Payable," 11/17/15.
All facility policies, memos, or other communications whether verbal, written, or transmitted by electronic means regarding this topic.

ATTACHMENTS: None

APPROVALS:
Deputy Commissioner, Facility Services
Deputy Commissioner, Community Services
Assistant Commissioner, Facility Services
Assistant Commissioner, Operations Support