



## Payment Processing Guidelines

**Purpose: To help receivers, payers and approvers process payments.**

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## Receiving Goods and Services

### What is required for receipt of goods?

#### Preferred:

- Standard Received stamp (below) on receiving report/packing slip with receiver's signature/initials. PMD requires signature.



#### What else is acceptable?

- Document containing date goods received, receiver's signature/initials, and itemized list of goods received. PMD requires signature.
- Email indicating itemized list of goods received, date goods received, and by whom.

Note: If goods are not in satisfactory condition, describe on document.

### What is required for receipt of services?

#### Preferred:

- Standard Payment Authorization stamp applied to invoice and "Goods/Svcs Rec'd by" and "Goods/Svcs Rec'd Date" is completed.

PAYMENT AUTHORIZATION-ADMIN/FMR/SMART	
Goods/Svcs Rec'd Date	Goods/Svcs Rec'd By
Signature Authorizing Payment	Date
<input type="checkbox"/>	JAN 11 2012
Partial	Final
Invoice Rec'd Date	
Receipt _____	PO _____
Voucher _____	Entered By _____
Sch Pay Date	Date Entered

Note: For contracts, the Authorized Representative must sign/initial invoice or other document to certify services received.

### What else is acceptable?

- Document containing date services received and receiver's signature/initials. PMD requires signature.
- Standard Received stamp with receiver's signature/initials. PMD requires signature. If date services received is different from Received stamp date, indicate date services received.
- Email indicating date services received and by whom.

Note: If services are not satisfactory, describe on document.

### **When do I enter a receipt in SWIFT?**

- All goods/services except the following:
  - Purchasing card transactions
  - Expenditures charged to salary-related account codes (i.e., workers compensation, unemployment compensation, etc.)\*
  - Statewide indirect costs\*
  - Attorney General services\*
  - Payments processed through a subsystem\*
  - Imprest cash payments\*
  - Auction clearing payments\*
  - Revenue refunds\*
  - Interest charges on late payments\*

\* These do not require encumbrance. If encumbering, enter SWIFT receipt.

## **Invoices**

### **What is considered an invoice?**

- Original invoice, including electronic invoices (e.g. email, vendor website)
- Document (i.e., registration form for conference) requesting prepayment which serves as invoice (refer to list of statutorily permitted prepayments on page 7).
- Fax or other copy of invoice with signature/initials indicating why original invoice is not available. Payment processor must ensure invoice has not been paid. For invoices received by email, print and attach email to invoice.
- Account summary, payment request, statement, folio, assessment letter, etc., where these documents are customarily regarded as original invoice.

Note: Space rental payments do not require an invoice if vendor does not send one.

## How do I mark an invoice received?

### Preferred:

- Standard "Payment Authorization" stamp indicating Invoice Rec'd Date.

### What else is acceptable?

- Date invoice was received handwritten or otherwise indicated on invoice or other documentation (e.g. email).

## Payments

### Can multiple invoices be processed on one payment transaction?

- Process each invoice separately unless an exception has been approved.

### Who can approve payments?

- Staff authorized in writing by management or written agreement (signature stamps may not be used). Divisions with payment processing staff must maintain documentation.
- Payment processing staff when:
  - Three-way match occurs - invoice and packing slip match purchase order terms exactly.
  - Invoice is less than purchase order amount, but charges are valid and not in error.
  - Invoice is higher than purchase order amount, but charges are valid and should have been included on purchase order. Overage must not be greater than 50% of purchase order and cannot exceed \$50.
  - Invoice is paid against a blanket order for goods and the packing slip/receiving report is approved by requesting division.
  - Invoice is paid against a blanket order for routine/recurring services where amount is reasonably predictable and consistent with obligations the blanket order was intended to cover. Examples include rent, utility services, postage costs, and copier rental, but not phone and mobile device charges.

Note: If in doubt, payment processor should obtain approval.

### What is required for payment approval?

### Preferred:

- Complete following fields on Payment Authorization stamp:
  - Signature Authorizing Payment
  - Signature Date
  - Partial or Final

### What else is acceptable?

- Authorized employee's signature and approval date on invoice or other payment documentation.
- E-mail from authorized employee attached to invoice or other payment documentation.
- In rare instances, authorized employee's verbal approval. Payment processor's signature/initials, date and explanation are required on payment documentation.

### What documentation is required when acceptance testing is part of purchase terms?

- Signed and dated note or report indicating when goods or services passed test.

### **What do I enter in SWIFT date fields?**

- Accounting Date – Enter Goods Services Rec'd Date. If accounting period containing that date is closed, enter first date of oldest accounting period still open and indicate why correct Accounting Date could not be used. Default date is same as above, except last date of oldest accounting period when closed.
- Invoice Receipt Date
  - Date invoice was received.
    - If invoice was received in one Admin division (not including Central Mail when acting in mail delivery capacity), then forwarded to another for payment, enter date invoice was received by first Admin division.
    - If invoice was incorrectly sent to another state agency then forwarded to Admin for payment, enter date invoice was received by Admin.
    - If duplicate invoice is received and original invoice was never received, enter date that duplicate was received.
    - Credit memos:
      - For non-bilateral netting credit memos:
        - If credit memo applies to specific invoice being processed for payment, enter date credit memo was received.
        - If credit memo **does not** apply to specific invoice, when applying credit, enter date vendor invoice was received.
      - For bilateral netting credit memos:
        - Enter date credit memo was received.
        - Process each credit memo separately as a negative payment.
  - Service Period Begin Date – Optional field. Enter begin date of service period.

- Goods Services Rec'd Date
  - For goods, enter date goods were received.
    - For multiple shipments of goods on one invoice, enter date last goods were received.
      - Exception: If the invoice is over \$1,000 for goods received before and after June 30, enter two separate payment transactions. The Goods Services Rec'd Dates are coded as follows:
        - First payment - enter date last goods received up until June 30.
        - Second Payment - enter final shipment date.
  - For services, enter last date services were performed or end date of billing period.
    - Exception: If the invoice is over \$1,000 for services received before and after June 30, enter two separate payment transactions. The Goods Services Rec'd Dates are coded as follows:
      - First payment - enter date last services received up until June 30.
      - Second Payment - enter final service date.
  - For telephone services:
    - When services are billed in arrears, use last date of service period.
    - When portion of service period is billed in advance, use first date of service period (not call usage period).
  - For prepayments, see guidance on page 8.
  - For dividends, enter date dividend was declared.
  - For claims:
    - Workers' compensation claimant payments – Enter last date of benefit period.
    - Court-ordered payments
      - For single payment, enter date judge signed order.
        - Note: Risk Management – Enter proof of service date.
        - For multiple payments, enter date payment ordered.
    - Tort claim payments – Enter date when probable loss occurred and amount can be reasonably estimated.
    - Property and casualty claim payments – Enter date when probable loss occurred and can be reasonably estimated.
  - For rebates, enter effective date of rebate.
  - For grants, see grant agreement:
    - When eligibility requirements apply (e.g., match requirement, legislatively directed), enter date grantee meets requirements.
    - When grant is reimbursement-based, enter date grantee incurs allowable costs.
    - When grant is time-based and specifies date payment must be processed, enter payment date according to agreement.

- Budget Date – Enter same date as Goods Services Rec'd Date.
  - Exceptions:
    - For goods ordered one fiscal year and received the next, enter 0630XX of fiscal year Purchase Order was created.
    - For continuing appropriations, when payments are processed after the fiscal year when funds were appropriated, accept the default Budget Date, 0630XX.

### What is prompt payment?

- Invoices must be paid within 30 days from the later of date invoice was received or date goods/services were received ([M.S. 16A.124, Subd. 3](#)).
- Utility and telephone invoices must be paid by invoice due date ([M.S. 16A.124, subd. 8\(1\)](#)).

### When do I use and what do I enter in the Pay Reason field?

- When payment is late, enter one of the following:
  - **Audit Prior to Payment\*** - Use when audit of work performed, invoice documentation, etc., is required prior to authorization to pay (e.g. prevailing wage report, IC-134, etc.).
  - **Contested\*** - Use for incomplete orders, damaged goods, missing parts, inadequate goods or services, wrong price invoiced, etc.
  - **Field Purchase Order\*** - Admin does not have authority to use field purchase orders.
  - **Late Payment** – Use when payment is late and no other Pay Reasons apply.
  - **Retainage\*** - Use when paying retainage according to contract terms.
  - **Revenue Setoff\*** - Use when there is revenue setoff.
  - **Testing Prior to Payment\*** - Use when goods must be tested to assure they are satisfactory prior to authorization to pay.
  - **Vendor Failed to Provide TIN\*** - Use on all intra-agency payments and when vendor is untimely establishing vendor ID.

\*Payments marked with these Pay Reason Codes are not counted as late payments.

### When can a prepayment be processed? ([M.S.16A.065](#))

- Sole source maintenance agreements where not cost-effective to pay in arrears.
- Exhibit space to guarantee availability.
- Registration fees where advance payment is required or discount offered for advance payment.
- Newspapers, periodicals, and other subscription fees customarily paid in advance (includes telephone, pager and cell phone service, insurance, memberships, rent).
- Library of Congress and Federal Supervisor of Documents.
- Software and software maintenance.
- Other prepayments as approved by Minnesota Management and Budget.

## When making a prepayment, what date do I enter as the Goods/Services Rec'd Date?

If SWIFT permits, use last date of service period. If not, due to timing of payment processing:

- When paying before service period begins, use current date.
- When paying during service period, use first date of service period.
- When paying at the end of or after service period but the payment should have been a prepayment, use first date of service period.

## What is Scheduled Due date and how is it determined?

Identifies when voucher should be paid.

- Determined by:
  - Discount Due date (system calculated based on Invoice Date and Pay Terms) if discounts are available and current date is not past Discount Due date.
  - Net Due date (system calculated based on Invoice Date and Pay Terms) when no discounts are available or Discount Due date has passed.
  - Current date if Net Due date has passed.

Unless there are extenuating circumstances, Scheduled Due date should not be manually overridden.

Note: Take advantage of discounts offered.

## When will payment be made?

If payment is processed, scheduled and approved:	Then:
<ul style="list-style-type: none"><li>• Two or more working days before Scheduled Due date</li></ul>	<ul style="list-style-type: none"><li>• Payment will be issued by Scheduled Due date</li></ul>
<ul style="list-style-type: none"><li>• Less than two working days before Scheduled Due date</li></ul>	<ul style="list-style-type: none"><li>• Payment will not be issued by Scheduled Due date</li></ul>

Note: If approved in SWIFT on a Friday or day before a holiday, payment will not be processed until next working day.

## How are Pay Terms determined?

SWIFT defaults Pay Terms to 30 days for external vendors and generally Net 0 for interagency vendors. This should not be changed unless discounts are available or payment is subject to alternative payment terms.

## When is a [16A.15-16C.05 Form](#) required?

- When an obligation is incurred prior to encumbrance or contract execution.
  - For goods/services received against a blanket encumbrance, the form is required only if the encumbrance is short by more than \$2,500.

Note: Payment must not be processed until form is completed. Attach form to payment documentation. FMR retains copy and submits to Admin/MMD.

## How long do invoices and supporting documentation (e.g., receiving documents) need to be saved?

Current year plus five fiscal years. Certain divisions (e.g., RECS, Risk) have longer retention requirements. See specific retention schedules for more information.

## How are purchasing card payments processed?

- **Cardholder or P-Card Reconciler:**
  - Receives statement.
  - Reconciles statement to Purchasing Log and SWIFT.
  - Forwards statement, Purchasing Log and supporting documentation to supervisor for approval.
- **Supervisor:**
  - Reviews and approves documentation.
  - Forwards documentation to P-Card Coordinator for approval.
- **P-Card Coordinator:**
  - Reviews and approves documentation.
  - Forwards documentation to SWIFT P-Card Approver for processing.
- **SWIFT P-Card Approver:**
  - Reviews documentation and approves in SWIFT.
- **SWIFT:**
  - Batches and creates AP voucher.
- **SWIFT AP Approver:**
  - Reviews worklist for transactions
  - Approves voucher

Note: Voucher may require match override, and must batch a second time.

## **What is retainage and how is it handled?**

- Retainage is the amount that must be withheld until the final product of a contract is approved ([M.S. 16C.08, subd. 5\(b\)](#)).
- Retainage must be calculated manually and withheld from each invoice according to contract terms. Retained amounts are paid after all contract work is completed and approved.

Note: PT contracts with licensed architects and engineers for construction projects are exempt from retainage ([M.S. 16C.08, subd. 5\(b\)](#)).

## **How do I correct funding code or Budget Date errors on a payment voucher already processed?**

- Process a Journal Voucher in SWIFT Accounts Payable.
  - Enter a negative line(s) with incorrect funding codes and/or Budget Date to reverse the original payment line(s).
  - Enter a positive line(s) with correct funding codes and/or Budget Date.
  - In the Invoice No field, enter Invoice No from original payment voucher or other more appropriate information, followed by 'JV'.
  - Each journal voucher must be approved by a staff person authorized to approve payments.
  - Sufficient documentation must be retained to explain the reason for the correction.