

# Committee Report

Management Committee



**Committee Meeting Date:** July 13, 2022

**For the Metropolitan Council:** July 27, 2022

## Business Item: 2022-193

FM 10-1 Accounts Payable Method Policy

### Proposed Action

That the Metropolitan Council adopt FM 10-1 Accounts Payable Method Policy.

### Summary of Management Committee Discussion/Questions

Marie Henderson, Deputy CFO presented business item 2022-193

Mrs. Henderson give the following background information; This is a new policy created in response to an internal audit on the Council's paper check process audit. The Council on average uses 14,000 paper checks per year. Paper checks are higher cost and higher risk compared to electronic payments. This policy establishes guidelines and expectations that payments made to vendors will be by the most cost-effective and efficient payment method. This method is Automated Clearing House – or ACH - - second would be by purchasing card if allowable and additional fees are not incurred. Third – wire transfer, four payment cards to the vendor – and lastly a manual paper check.

This Council-wide Policy was reviewed by the Policy and procedure review team. They review all policies and procedures for consistency, clarity, and compliance. A representative from each division and regional administration serves on this team.

It was noted there was a typo in the Procedures FM-10a; on page 2, item 2:2. The amount stated was \$5000 and should have been \$10,000.

Motion by Lee, seconded by Gonzalez. Motion carried.



# Business Item

Management Committee



Committee Meeting Date: July 13, 2022

For the Metropolitan Council: July 27, 2022

## Business Item: 2022-193

FM 10-1 Accounts Payable Payment Method Policy

<b>District(s), Member(s):</b>	All Districts, All Members
<b>Policy/Legal Reference:</b>	Minn. Stat. §§ 473.123 Subd. 4(d)
<b>Staff Prepared/Presented:</b>	Marie Henderson, Deputy Chief Financial Officer, 651-602-1387
<b>Division/Department:</b>	Regional Administration/Finance

### Proposed Action

That the Metropolitan Council adopt FM 10-1 Accounts Payable Method Policy.

### Background

The Accounts Payable Payment Method Policy was created in response to an internal audit on the Council's paper check processing audit. The Council on average issues 14,000 checks per year. Paper checks are higher cost and higher risk compared to electronic payments. This policy establishes guidelines and expectations that payments made to vendors will be by the most cost-effective and efficient payment method. Electronic payments are to be the standard method of payment for all Council payments to vendors and suppliers.

The Council-wide Policy and Procedure Review Team reviews all policies and procedures for consistency, clarity, and compliance. Representatives from each division and Regional Administration serve on this team. The team reviewed Policy FM 10-1 Accounts Payable Payment Method Policy and endorsed it to move forward to Management Committee for approval.

### Rationale

Minnesota Statutes section 473.123, subdivision 4(d), permits the Metropolitan Council to adopt policies and procedures governing its operations. The policy and related procedures align with best practices and legal requirements.

### Thrive Lens Analysis

This action supports the Council's Thrive Stewardship Outcome by providing for the efficient and effective use of public financial resources.

### Funding

No funding is tied to the proposed action.

### Small Business Inclusion

Not applicable

## POLICY

### Accounts Payable Payment Method Policy

FM 10-1

**Category:** Financial Management

**Business Unit Responsible:** RA: Finance

**Policy Owner:** Deputy Chief Financial Officer

**Policy Contact:** Marie Henderson, Deputy Chief Financial Officer

**Synopsis:** The Council will use cost-effective and efficient methods to make payments for allowable obligations that are authorized, approved, and consistent with the Public Purpose Doctrine.

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## POLICY

The Council will make payments to its vendors and suppliers and disburse Council money consistent with statutory requirements. All staff involved in processing payments for the Council are responsible for ensuring that payments are processed accurately and paid according to the terms of the contract, or if no contract terms apply, within 35 days of the date of receipt.

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## PURPOSE & SCOPE

To establish guidelines and expectations for making Council payments by the most cost-effective and efficient payment method.

### Disbursements

The Council makes payments by the following methods:

- 1) Electronic: Automated Clearing House (ACH),
- 2) Electronic: Purchasing Card (P-Card)
- 3) Electronic: Wire transfer
- 4) Electronic: Payment card to supplier/vendor
- 5) Manual: Paper checks.

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## IMPLEMENTATION & ACCOUNTABILITY

Electronic payments are the standard methods for all Council payments to vendors and suppliers. Payments using manual paper checks will be allowed only in exceptional circumstances and require pre-approval from the Chief Financial Officer or the Deputy Chief Financial Officer

All employees involved with Council payments are responsible for understanding and complying with this policy and for applying it consistently. Staff who approve payments are responsible for reviewing payments to ensure the payments comply with this policy.

The Finance accounts payable department is responsible for reviewing all payment requests to ensure the most cost-effective and efficient payment method is used and for promptly processing all payment requests that comply with this policy.

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## DEFINITIONS

**Automated Clearing House or ACH:** a network that coordinates electronic payments and automated money transfers and moves money between banks without using paper checks, wire transfers, credit card networks, or cash. Takes 2-3 business days to transfer funds. Lower cost than wire transfer.

**Date of receipt:** the completed delivery of the goods or services or the satisfactory installation, assembly or specified portion thereof, or the receipt of the invoice for the delivery of the goods or services, whichever is later.

**Disbursement:** the payments of money from a fund.

**P-Card:** a charge card similar to a consumer credit card that is used to make small purchases for authorized business needs.

**Paper check:** a document that orders a bank to pay a specific amount of money from the Council's account to the person or organization identified on the document as the payee.

**Payment Card:** a reloadable debit card, used when the payee does not have a bank account.

**Payment Method:** the way the Council pays for a product or service.

**Public Purpose Doctrine:** a body of law that requires governmental entities to expend public funds and other resources for public (rather than private) purposes. For the Council this means the Council can expend public funds only for purposes related to the Council's governmental functions and duties.

**Supplier:** a person or organization that provides something needed such as but not limited to: goods, leases, rents, contracts for services, construction, or repairs and remodeling.

**Vendor:** a person or organization offering something for sale including but not limited to: construction contractors, software developer, private or public institutions.

**Wire transfer:** a way of moving money electronically between two banks. A traditional money wire transfer goes from one bank to another using a network such as the Society for Worldwide Interbank Financial Telecommunications (SWIFT). Transactions can be same day, (once approvals are completed). Fees are much higher than an ACH transfer.

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## RESOURCES

### Related Policies

- [FM 14-1 Procurement Policy](#)
- [FM 16-1 Purchasing Card \(P-Card\) Policy](#)

### Relation Procedures

- [FM 10-1a Accounts Payable Payments Procedure](#)
- [FM 16-1a Purchasing Card \(P-Card\) Procedure](#)

### Metropolitan Council Resolutions

- [Metropolitan Council Resolution No. 2016-26](#): Resolution authorizing expenditures of public funds in accordance with the public purpose doctrine

**Statutory Resources (Minnesota Statutes or Rules, U.S. Code, Federal Regulations)**

- [Minn. Stat. § 473.13](#), subd. 4
- [Minn. Stat. § 471.425](#), subd. 2(a)

**Other Resources (training, relevant links)**

- Payment request form

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**HISTORY**

**Version 1 – Approval Date (Business Item 2022-XXX)**

Not Set

**Last Reviewed Date**

Not Set

**Next Content Review Date**

Not Set

**Version**

1

review



## PROCEDURE

### Accounts Payable Payment Method Procedure

FM 10-1a

**Category:** Financial Management

**Business Unit Responsible:** RA: Finance

**Procedure Owner:** Deputy Chief Financial Officer

**Procedure Contact:** Marie Henderson, Deputy Chief Financial Officer

**Synopsis:** Prescribing the best cost-effective and efficient methods to make payments to vendors and suppliers for allowable obligations that are authorized, approved, and consistent with the Public Purpose Doctrine.

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## GOVERNING POLICY

- [FM 10-1 Accounts Payable Payments Policy](#)

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## PROCURE-TO-PAY PROCESS

A "procure-to-pay" process generally refers to a coordinated and integrated process through which purchasing needs are identified, invoices are approved, and vendors and suppliers are paid.

All payments to Council vendors and suppliers must follow one of three procure-to-pay processes: Purchase Order, Purchasing Card, or a Payment Request.

1. Purchase Order (PO) - A PO must be used for: (See [FM 14-1a Procurement Procedure](#) which describes the use of POs for the purchase of goods and services)
  - a. Micro Purchases
    - i. Valued up to \$10,000 for all funding types; or
    - ii. Valued up to \$25,000 when purchasing from a Metropolitan Council Underutilized Business (MCUB); or
    - iii. Micro purchases up to \$5,000 may be eligible to be placed on a Purchasing Card.
  - b. Small Purchases
    - i. Values between \$10,001 up to \$175,000 for all funding types; or
    - ii. Values between \$25,001 up to \$175,000 if from an MCUB.
  - c. Large Purchases
    - i. A large purchase is a procurement valued at greater the \$175,000.
  - d. Joint Purchasing Agreements
    - i. The Council has the authority to enter into joint or cooperative purchasing agreements with other governmental units as provided for in Minnesota Statutes.
  - e. Interagency Agreements



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## ROLES & RESPONSIBILITIES

Role	Responsibilities
Employees (Preparer)	Each employee who submits a payment request (Preparer) is responsible for: ensuring expenditures are authorized and allowable; collecting and providing necessary documentation; determining and using the correct account coding; and following this procedure and all other expense-related policies and procedures of the Council.
Department Heads or authorized approvers (Reviewers of expenses)	Reviewers of expenses are responsible for ensuring the expenses are authorized and allowable under Council policies and procedures and within their approved Department budget. Reviewers review and sign-off on all expenses in a timely manner to ensure prompt payment
Accounts Payable	The Accounts Payable department within Finance is responsible for ensuring the correct payment method is used.
Chief Financial Officer or Deputy Chief Financial Officer	The CFO or Deputy CFO is responsible for the oversight and management of the Council's financial activities and financial management practices.

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## RESOURCES

### Related Policies

- [FM 14-1 Procurement Policy](#)
- [FM 16-1 Purchasing Card \(P-Card\) Policy](#)

### Related Procedures

- [FM 14-1a Procurement Procedure](#)
- [FM 16-1a Purchasing Card \(P-Card\) Procedure](#)
- [Metropolitan Council Resolution No. 2016-26](#): Resolution authorizing expenditures of public funds in accordance with the Public Purpose Doctrine

### Statutory Resources

- [Minn. Stat. § 473.13](#), subd. 4
- [Minn. Stat. § 471.425](#), subd. 2(a)

### Other Resources

- Payment request form (being revised)

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## HISTORY

### Version 1 – Approval Date

Not Set

### Last Reviewed Date

Not Set

### Next Content Review Date

Not Set



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