**TOWN**

**CLAIMS AND DISBURSEMENTS**

**LEGAL COMPLIANCE AUDIT GUIDE**

**CLAIMS AND DISBURSEMENTS**

Introduction

Municipal transactions involving an account, claim, or demand made for any property or service which can be itemized in the ordinary course of business and disbursements of municipal funds are covered in this section.

“Municipality” for the purposes of this section includes a town.

In addition, Minn. Stat. § 471.425 (Prompt Payment of Local Government Bills), applies to towns.

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| Part I. General Provisions | | | | | | | | | | |
| § 471.38,  subd. 1 | A. | | Has every person, or the person’s agent, claiming payment provided an itemized list in writing or electronic transaction record? | | | | |  |  |  |
| § 471.38,  subd. 2 |  | | Note: This section does not apply to any claim or demand for an annual salary or fees of jurors or witnesses, fixed by law, nor to the salary or wages of any employee whose salary or wages have been fixed on an hourly, daily, weekly, or monthly basis, by the governing board of the municipality, and which is now authorized by law to be paid on a payroll basis. | | | | |  |  |  |
| § 471.425,  subd. 2 | B. | | Prompt Payment of Local Government Bills | | | | |  |  |  |
|  |  | | - | | | Standard payment period is: | |  |  |  |
|  |  | |  | | - | | 35 days from receipt for governing boards that meet at least once a month; |  |  |  |
|  |  | |  | | - | | 45 days from receipt of goods or services or invoice, whichever is later, for governing boards that do not meet at least once per month; and |  |  |  |
|  |  | |  | | - | | 45 days from receipt for joint powers entities. |  |  |  |
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| § 471.425,  subd. 2 |  | | 1. | | Were all bills paid within the time period set by the terms of the contract or within the standard payment period? | | |  |  |  |
| § 471.425,  subd. 4 |  | |  | | - | | The Town must pay interest on bills not paid in a timely manner. The interest rate is 1½ percent per month or part of a month. The minimum monthly interest on a bill of $100 or more is $10. |  |  |  |
| § 471.425,  subd. 4 |  | 2. | | For bills paid after the time period set by the contract or the standard payment period, did the Town calculate and pay interest as required by law? | | | |  |  |  |
|  |  |  | | Note: The interest penalties in these questions do not apply to good faith disputes. | | | |  |  |  |

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| § 367.18 | **Part II. Claims and Disbursements** | |  |  |  |
|  | A. | Were amounts paid on orders paid by the town treasurer, on the order of the town board, signed by the chair and countersigned by the clerk?  [Note: In towns with a clerk/treasurer, the clerk/treasurer need sign only once.] |  |  |  |
|  | B. | Was each order drawn so that when signed by the treasurer or clerk/treasurer in an appropriate place, it becomes a check on the town depository? |  |  |  |

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| Minn. Stat. Section | CLAIMS AND DISBURSEMENTS | Yes | No | Workpaper  Reference |

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|  | C. | Salary of the clerk, treasurer, or clerk/treasurer: | | |  |  |  |
| 26 C.F.R.  Section 1.1402(c)-2(b)  IRS Publication 963 |  | | (1) | Did the town treat the clerk and treasurer or clerk/treasurer as employees for the purposes of payroll? |  |  |  |
| § 353.01,  subd. 2a |  | | (2) | If the clerk, treasurer, or clerk/treasurer received more than $5,100.00 in annual compensation, were they enrolled in the Public Employees Retirement Association (PERA)? |  |  |  |

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| **Part III. Electronic Funds Transfer** | | | | | | | |
| §§ 471.38,  subds. 3  and 3a | A. | A town may make electronic funds transfers under certain conditions. | | |  |  |  |
|  |  | 1. | A town may make electronic funds transfers for: | |  |  |  |
|  |  |  | a. | a claim for payment from an imprest payroll bank account or investment of excess money; |  |  |  |
|  |  |  | b. | payment of tax or aid anticipation certificates; |  |  |  |
|  |  |  | c. | payment of contributions to a pension or retirement fund; |  |  |  |
|  |  |  | d. | vendor payments; and |  |  |  |
|  |  |  | e. | payment of bond principal, bond interest, and a fiscal agent service charge from the debt redemption fund. |  |  |  |
|  | B. | Did the town use electronic funds transfers only for the above enumerated transactions? | | |  |  |  |
|  | C. | Did the town enact a plan containing the following policy controls requiring: | | |  |  |  |
|  |  | 1. | annual delegation of authority to make electronic funds transfers to a chief financial officer or the officer’s designee? | |  |  |  |
|  |  | 2. | the disbursing bank to keep a certified copy of delegation of authority? | |  |  |  |
|  |  | 3. | identification of the initiator of each electronic transfer? | |  |  |  |
|  |  | 4. | the initiator to document the request and obtain approval for each transfer from the chief financial officer or the officer’s designee, before initiating the transfer, as required by the internal control policies? | |  |  |  |
|  |  | 5. | written confirmation of each transaction within one business day? | |  |  |  |
|  |  | 6. | a list of transactions to be submitted to the board at the next regular meeting after the transaction? | |  |  |  |

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| Minn. Stat. Section | CLAIMS AND DISBURSEMENTS | Yes | No | Workpaper  Reference |

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| **Part IV. Payments With Credit Cards** | | | | | | |
| § 471.382 | A. | If a town officer or employee made a purchase on behalf of the town by credit card: | |  |  |  |
|  |  | 1. | Had the town board authorized the use of the credit card by the officer or employee; |  |  |  |
|  |  | 2. | Was the officer or employee otherwise authorized to make a purchase on behalf of the town; and |  |  |  |
|  |  | 3. | Did the purchase otherwise comply with all statutes, rules, and town policies applicable to city, town, or school district purchases? |  |  |  |
|  | B. | If a town officer or employee made a purchase by credit card that was not approved by the town board, was the officer or employee held personally liable for the amount of the purchase? | |  |  |  |

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| Part V. Audit Conclusion |
| The auditor must state a conclusion--based on this questionnaire and any other audit procedures performed--whether the client has complied with the legal provisions reviewed relating to claims and disbursements. |
| Conclusion: |
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