**OTHER POLITICAL SUBDIVISIONS**

**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 Minn. Stat. § 471.38 means a county; local social services agency; county board of education for unorganized territory; school district; charter school; town or home rule charter city of the second, third, or fourth class; or park district.

If you are auditing a political subdivision other that those subject to Minn. Stat. Section 471.38, examine the statutes that authorize and restrict its activities. (A partial list of political subdivisions with their applicable statutory sections is found on page ii, in the Introduction.) Determine from the applicable statutes:

* whether a process for approval of claims is provided,
* whether certain signatures are required on checks issued by the political subdivision, and
* whether there are any general requirements for financial transactions that apply to the claims handling process.

If claims are not in writing, not itemized or not reviewed by an appropriate person or tribunal prior to payment, proper internal controls likely are lacking.

In addition, Minn. Stat. § 471.425 (Prompt Payment of Local Government Bills), applies to any home rule charter or statutory city, county, town, school district, political subdivision, or agency of local government. It also applies to the Metropolitan Council and any board or agency created under Minn. Stat. ch. 473.

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| Part I. General Provisions - For Municipalities |
| § 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: The provisions of this section do 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 | D. | 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. |  |  |  |
| § 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 government entity 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 government entity 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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| § 103C.321, and 103D.325 | **Part II. Credit Card Purchases - For Watershed Districts and Soil and Water Conservation Districts** |  |  |  |
|  | A. | If a watershed district or soil and water conservation district officer or employee made a purchase on behalf of the watershed district by credit card: |  |  |  |
|  |  | 1. | Had the supervisors or managers 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 watershed district or soil and water conservation district; and |  |  |  |
|  |  | 3. | Did the purchase otherwise comply with all statutes, rules, or policies applicable to the purchases? |  |  |  |

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| Minn. Stat. Section |  | CLAIMS AND DISBURSEMENTS | Yes | No | WorkpaperReference |

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|  | B. | If a watershed district or soil and water conservation district officer or employee made a purchase by credit card that was not approved by the supervisors or managers, was the officer or employee held personally liable for the amount of the purchase? |  |  |  |

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| Part III. 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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