**PROMPT VENDOR PAYMENT**

## **Overview:**

Pay requests must be paid or responded to in a timely manner, or be subject to interest penalties. These terms are stated in Minnesota State’s standard contracts.

**Action Required:**

Requirements for processing pay requests (invoice or pay application) is stated in Minnesota Statute (MS) 164A.124*, Prompt Payment of State Agency Bills Required.*

Project Managers are responsible for confirming work completed aligns with pay request amounts. For construction contracts, value of work completed is certified by Architect/Engineer before submission to Project Manager.

Per *MS 16A.124, Subd 3 Payment required,* the Project Manager is required to take one of the following actions within 30 days of receiving a pay request:

1. **Approve** pay request amount based on work completed and process payment in ISRS.
2. **Revise** pay request amount to reflect work completed and process revised payment amount in ISRS.

Disputed amounts shall be communicated in writing to vendor noting valid reason within 10 days of discovery per *MS 16A.124, subd 4 Invoice errors.*

1. **Reject** pay request amount.

Disputed amounts shall be communicated in writing to vendor noting valid reason within 10 days of discovery per *MS 16A.124, subd 4 Invoice errors.*

**Interest Due:**

Interest is due after 30 calendar days of any undisputed amounts per *MS 16A.124, Subd* 5*Payment of interest on late payments required***.** Interest amount must be requested by vendor at 1-1/2 percent per month or any part thereof. Note: Interest payments are paid from operational funds (not GO, HEAPR or Revenue funds).

**e-Builder Projects:**

In e-Builder, a reminder email will automatically be generated to Project Managers if no payment action has been taken after 20 calendar days of receipt of a pay request. This allows the Project Manager 10 calendar days to take appropriate action.

For additional information, contact your Program Manager or Heidi Myers at 651-201-1773 or heidi.myers@minnstate.edu

Excerpts from *Minnesota Statute 164A* ***Prompt Payment of State Agency Bills Required***

*Subd. 3.* ***Payment required.***

*State agencies must pay each valid vendor obligation so that the vendor receives payment within the vendor's early payment discount period. If there is no early payment discount period, the state agency must pay the vendor within 30 days following the receipt of the invoice for the completed delivery of the product or service.*

[***§***](https://www.revisor.mn.gov/statutes/?id=16A.124#stat.16A.124.4)

*Subd. 4.* ***Invoice errors.***

*If an invoice is incorrect, defective, or otherwise improper, the agency must notify the vendor within ten days of discovering the error. Upon receiving a corrected invoice, the agency must pay the bill within the time limitation contained in subdivision 3.*

*Subd. 5.* ***Payment of interest on late payments required****.*

(*a) A state agency shall pay interest to a vendor for undisputed billings when the agency has not paid the billing within 30 days following receipt of the invoice, merchandise, or service whichever is later. A negotiated contract or agreement between a vendor and a state agency which requires an audit by the state agency prior to acceptance and payment of the vendor's invoice shall not be considered past due until 30 days after the completion of the audit by the state agency. Before any interest payment is made, the vendor must invoice the state agency for such interest. For a construction contract utilizing partial payments based on an engineer's estimate or a payment application approved by an architect, an invoice includes an engineer's estimate or a payment application, as applicable, if made in regular intervals that are: (1) as specified in the contract, and (2) no less frequent than once per month.*

*(b) The rate of interest paid by the agency on undisputed bills not paid within 30 days shall be 1-1/2 percent per month or any part thereof.*

*(c) All interest penalties and collection costs must be paid from the agency's current operating budget. No agency may seek to increase its appropriation for the purpose of obtaining funds to pay interest penalties or collection costs.*

*(d) Any vendor who prevails in a civil action to collect interest penalties from a state agency shall be awarded its costs and disbursements, including attorney's fees, incurred in bringing the actions.*

*(e) No interest penalties may accrue against an agency that delays payment of a bill due to a disagreement with the vendor; provided, that the dispute must be settled within 30 days after the bill became overdue. Upon the resolution of the dispute, the agency must pay the vendor accrued interest on all proper invoices for which payment was not received within the applicable time limit contained in subdivision 3. No interest penalties accrue under this section against an agency for claims made by a contractor under a construction contract.*

*(f) The minimum monthly interest penalty payment that a state agency shall pay a vendor for the unpaid balance for any one overdue bill equal to or in excess of $100 is $10. For unpaid balances of less than $100, the state agency shall pay the actual penalty due to the vendor.*