



College Policy 5.11.04

Procedures for MN Statute 16A.15

Part 1. Introduction

MN Statute 16A.15 requires that funds be encumbered and contracts be fully executed and signed PRIOR to any order being placed, service be performed or good received. It is the responsibility of the Purchasing section of the Business Services Office to monitor compliance and enforce this policy.

A 16A form must be completed when an order is placed for service performed prior to completion of the Purchase Order or execution of the contract. The 16A form includes two parts which are used as follows:

Part 2. Timing

Responsible Person (Cost Center Manager) initiates the 16A form when a contract is in process but the final execution date will be later than stated in the contract. By completing Part I, the Responsible Person is certifying that work will not begin until XX date after final execution of the contract even though the contract document itself may have an earlier start date. This form is forwarded to the Business Office and attached to the completed contract.

Part 3. Form

Responsible Person (Cost Center Manager) initiates this form anytime an order has been placed, service received or invoice received prior to funds being encumbered and a Purchase Order being completed. Completing the 16A requires the following information:

1. Total obligation amount
2. Date of obligation
3. Explanation of why obligation was incurred prior to encumbrance/execution of contract.
4. What corrective action will be taken to ensure against further violations.

The form is signed by the Responsible Person (Cost Center Manager) and then forwarded to the Purchasing Manager in the Business Office. The Purchasing Manager forwards the form for the appropriate final signature (President or VP of Finance and Operations). NOTE: VP of Finance and Operations will be final signatory for all EXCEPT Finance and Operations incidents which exceed \$5000.

The form is then returned to the Purchasing Manager. The Purchasing Manager completes the encumbrance, creates the Purchase Order, and forwards the invoice to Accounts Payable for payment.

The Purchasing Manager (or designate) maintains a database of all 16A occurrences and ensures that the event is recorded in the 16A Database for the correct Fiscal Year. The Purchasing Manager reports annually (or as requested) to the VP of Finance and Operations on the information recorded in the 16A Database. Annually, the VP of Finance and Operations will report to the College President on 16A activity. This report may include information on trends, patterns and proposed solutions.

Date of Adoption: 12/27/2005

Date of Implementation (if different from from adoption date):

Date of Last Review: 12/27/2005

Date and Subject of Revisions:

