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Adopted: 3-4-18

727 PROMPT PAYMENT OF BILLS

I. PURPOSE

The purpose of this policy is to set forth the expectations of The Studio School Board of Directors regarding the prompt payment of bills.

II. GENERAL STATEMENT OF POLICY

It is the policy of The Studio School to fully comply with state law regarding the prompt payment of bills.

III. BOARD AUTHORIZATION OF PAYMENTS

- A. The Board will authorize payment for goods and services:
 - 1. contracted for within budgetary limits
 - 2. purchased according to the purchasing policies and regulations of the school district
 - 3. certified by the individual receiving as having been received in acceptable condition
- B. The Business Office will audit all invoices and requests for payment prior to vouchering for payment.
- C. Bills failing to conform to legal requirements will be processed in the manner considered appropriate before payment is made.
- D. All payments for school obligations shall be made by pre-numbered checks.
- E. All payments shall be supported by proper invoices and/or other substantiating detailed information.

IV. PROMPT PAYMENT

The Studio School Board of Directors will pay each vendor obligation according to the terms of the contract or, if no contract terms apply, within the standard payment period unless The Studio School Board of Directors in good faith disputes the obligation. Standard payment period is defined as follows:

- For boards which have regularly scheduled meetings at least once a month, the standard payment period is defined as within 35 days of the date of receipt.



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V. INVOICE ERRORS

If an invoice is incorrect, defective or otherwise improper, The Studio School Board of Directors must notify the vendor within ten days of the date of receipt. Upon receiving a corrected invoice from the vendor, The Studio School Board of Directors will pay the obligation within the standard payment period defined in Section III above.

VI. PAYMENT OF INTEREST ON LATE PAYMENTS REQUIRED

- A. Except otherwise provided in this policy, The Studio School Board of Directors will calculate and pay interest to a vendor if the Board has not paid the obligation according to the terms of the contract or, if no contract terms apply, within the standard payment period as defined in Section III above.
- B. The standard payment period for a negotiated contract or agreement between a vendor and the Board which requires an audit by the Board before acceptance and payment of the vendor's invoice shall not have begun until the completion of the audit by Board.
- C. The rate of interest calculated and paid by the Board on the outstanding balance of the obligation not paid according to the terms of the contract or during the standard payment period shall be 1-1/2 percent per month or part of a month.
- D. No interest penalties may accrue against the Board if it delays payment of a vendor obligation due to a good faith dispute with the vendor regarding the fitness of the product or service, contract compliance, or any defect, error or omission related thereto. If such delay undertaken by the Board is not in good faith, the vendor may recover costs and attorney's fees.
- E. The minimum monthly interest penalty payment the Board shall calculate and pay a vendor for the unpaid balance for any one overdue bill of \$100 or more is \$10. For unpaid balances of less than \$100, the Board shall calculate and pay the actual interest penalty due the vendor.

VII. PROMPT PAYMENT TO SUBCONTRACTORS

- A. Each contract the Board enters into must require the prime contractor to pay any subcontractor within ten days of the prime contractor's receipt of payment from the Board for undisputed services provided by the subcontractor.
- B. The contract must require the prime contractor to pay interest of 1.5 percent per month to the subcontractor on any undisputed amount not paid on time to the subcontractor.
- C. The minimum monthly interest penalty payment for an unpaid balance of \$100 or more is \$10. For an unpaid balance of less than \$100, the prime contractor shall pay the actual penalty due to the subcontractor.



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- D. A subcontractor who prevails in a civil action to collect interest penalties from a prime contractor must be awarded its costs and disbursements, including attorney's fees, incurred in bringing the action.

VIII. APPLICABILITY OF THIS POLICY

- A. This policy applies to all goods, leases and rents, and contracts for services, construction, repair and remodeling.
- B. Purchases from or contracts for service with a public utility as defined in Minn. Stat. §216B.02 or a telephone company as defined in §237.01 that has on file with the public utilities commission an approved practice regarding late fees are not subject to this section.

Legal References:

Minn. Stat. § 124E.16 (Charter Schools – Reports)

Minn. Stat. § 471.425 (Prompt Payment of Bills)