

Incentives Purchasing Procedure

Chapter 5: Finance

Procedure Number: PR551.02 (*Replaces PR551.01*)
Effective Date: September 16, 2024
Responsible Manager: Financial Management Director
Reviewed By: PPS Review Committee
Approval: Health Operations Assistant Commissioner

Purpose Statement

This procedure outlines the steps involved to obtain, secure, record, distribute, and reconcile incentive instruments in compliance with MDH's [PL501.02](#) Use of Incentives, and the Office of State Procurement (OSP) Purchasing Policy 27B Reward Card Incentive Programs (for Non-State Personnel Only).

Applicability

This procedure applies to all MDH programs and staff who want to purchase incentive instruments for the purpose of promoting participation in public health programs as defined in PL501.02 Use of Incentives. This procedure applies to normal, MDH program related incentive activity and does not apply to public health emergencies in which other purchasing methods and dollar thresholds might be warranted (in such a circumstance, Financial Management will provide specific directions).

Definitions

Buyer: MDH Financial Management Procurement staff person who has authority to purchase non-monetary incentive instruments, or non-contractual monetary incentive instruments, for MDH programs and staff. This person places the order with the identified vendor for the desired items.

Incentive Instrument: Items purchased with State and/or Federal funds; used to encourage participation in specific MDH programs or grantee/contractor activities to adequately fulfill the goals and objectives of the program. Incentives can be monetary (pre-paid gift cards) or non-monetary (tangible items that cannot be used as a cash substitute). For the purposes of this procedure, will be referred to as "incentives."

Incentive Card Coordinator (ICC): MDH Financial Management (FM) Accounts Payable staff person who coordinates the receiving of incentives from the vendor, counting and confirming that the incentives received match the order that was placed, and handing over the incentives to the MDH program or staff

person(s) who requested the incentives. This person places the order with the current State approved G214(5) contracted vendor for monetary incentives.

Program Incentive Coordinator 1 (Requestor): The MDH program staff person who is completing the Incentive Request Form and is the main contact person for the order.

Program Incentive Coordinator 2 (Receiver): A second MDH program staff person who is involved in the receiving of incentives from the ICC. This person should not have been involved in the completion of the Incentive Request Form to ensure separation of duties. MDH PL501.02 requires multiple MDH staff people be involved in every hand-off of incentives to minimize the risk of loss, theft, or misuse.

Reconciler – a third MDH program staff person who is not involved in any of the activities that the PIC1 (Requestor) and or PIC2 (Receiver) are involved in.

Procedure Steps

Step No.	Responsible	Procedural Step
<i>If this is the first time you are requesting incentives, please read MDH PL501.02 Use of Incentives before proceeding with this procedure.</i>		
1.	Program Activity Manager/Designee	Identify a need to disburse incentives, determine the type of incentives to be disbursed (monetary, non-monetary), ensure the need meets the criteria described in MDH PL501.02: Use of Incentives, and that use of incentives is allowable, reasonable, and necessary per the state and or federal funding source(s). If the need is for non-monetary incentives, work with assigned MDH Buyer to procure the desired items. Please refer to MDH Purchasing Procedure PR528.02. If the need is for monetary incentives (pre-paid gift cards), please proceed to the next step listed below.
2.	Requestor	- At least two to three weeks prior to needing the incentives, prepare the Incentive Card Request form and provide a clear explanation of why the incentives are needed for program work, how they fit into the purpose of the funding, if the costs are allowable and allocable to the funding source, and a description of the security and tracking measures that are in place to properly account for the incentives. - If the incentives being requested are not from the current State approved OSP contractor(s), you must fill out the Explanation for Exception Request area on page two of the Incentive Card Request form.

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		b. If the dollar value of each incentive will exceed the \$100 limit, you must fill out the Explanation for Exception Request area on page two of the Incentive Card Request form. The OSP must approve any amount over \$100. 2. Identify two colleagues to fill the unduplicated roles of Requestor, Receiver, and Reconciler. 3. Fill out the <u>Authority to Use Incentives Questionnaire</u> and send to General Counsel's Office attorney assigned to your division for review of the authority to use public funds to provide incentives to members of the public. *Seek legal advice well in advance, especially if working with a contractor through the MMB Management Analysis Division to distribute incentives.
3.	General Counsel's Office	1. The assigned General Counsel's Office attorney reviews the <u>Authority to Use Incentives Questionnaire</u> to ensure MDH has the legal authority to spend the funds on incentives. Responds to Requestor by e-mail, confirming or denying authority.
4.	Requestor	1. Receive e-mail response from General Counsel's Office. 2. Obtain Program Manager and Division Director approvals and signatures on the Incentive Instrument Request form. If the requestor is the Program Manager, the Program Manager should find another Supervisor/Manager to apply the required "Program Manager" review, approval, and signature. 3. Email Incentive Instrument Request form and any other related documentation that will be helpful to Finance at Health.IncentiveOrders@state.mn.us. 4. If the order needs to be amended or cancelled after the form is submitted to FM, email the ICC at health.IncentiveOrders@state.mn.us immediately to see if the request can be amended and/or cancelled. 5. Identify another MDH program person to act as the Program Incentive Coordinator 2 (Receiver) and provides the name of the Receiver to the ICC. 6. <i>NOTE: Once the order is placed with the vendor, the quantity and denomination cannot be changed.</i>

Step No.	Responsible	Procedural Step
5.	Incentive Card Coordinator (ICC)	1. ICC receives the completed and signed Incentive Card Request form. 2. ICC reviews for completeness. If complete, forwards the Incentive Card Request form to the Accounts Payable/Accounts Receivable (AP/AR) Supervisor. If not complete, contacts Requestor for missing information.
6.	Accounts Payable / Accounts Receivable (AP/AR) Supervisor	1. AP/AR supervisor, or their designee, reviews request for accuracy and allowability. 2. If approved, returns signed form to ICC. 3. If not approved, returns form to Requestor via email with a cc to the ICC stating why the request is denied.
7.	Incentive Card Coordinator (ICC)	1. ICC emails relevant information and request form to the Buyer to create encumbrance.
8.	Buyer	2. Buyer notifies ICC when the encumbrance is set up and provides the ICC with the PO number. 3. Buyer emails Facilities Receiving staff a copy of the PO for the incentives that are expected to arrive at the Freeman Building.
9.	Facilities	1. Facilities Receiving staff receive the PO and notifies the ICC, AP/AR Supervisor, with a cc: to the Buyer when the incentives arrive. 2. Facilities staff store the incentives in a locked location until the ICC and a second FM staff person pick them up together.
10.	ICC	1. ICC and the second FM staff person arrange a time to meet with the Facilities Receiving staff to pick up the incentives. 2. ICC counts the incentives to ensure order was received correctly using the copy of the Purchase Order that should be included in the box of incentives. 3. ICC creates a Master Excel Spreadsheet for each order. The spreadsheet contains the quantity of cards ordered, the denomination of the incentives, the expiration date, and the tracking number of each incentive. 4. ICC hands incentives over to the AP/AR Supervisor.
11.	AP/AR Supervisor	1. AP/AR Supervisor locks incentives in a safe/vault behind at least one other locked door in the Freeman Building until they are handed over to the Requestor and Receiver.

Step No.	Responsible	Procedural Step
12.	ICC	1. ICC emails Requestor that the incentives are ready for pick up. The email will include a link to the SharePoint site where the Incentive Confirmation Document and their Master Excel Spreadsheet will be stored. 2. ICC contacts the Requestor and Receiver to arrange a date, time, and safe location to hand over the incentives. 3. ICC will keep a copy of the original spreadsheet separate from what is provided to the requestor for control purposes.
13.	Requestor and Receiver	1. At the hand off, the Requestor and Receiver count the incentives in front of the ICC, and all parties certify that the order is as requested (correct quantity/denomination), and that they are taking possession of the incentives by signing and dating the Incentive Confirmation Document. 2. Once back at the MDH office location where cards will be securely stored, the Requestor and Receiver compare the information on the incentives to the data in the Master Excel Spreadsheet. Requestor and Receiver respond via email that the data is accurate or not. Both the ICC and the Requestor keeps this email per the MDH Records Retention Schedule. 3. Requestor makes note of the date in which depreciation will start to ensure that cards are distributed at allowable events prior to the cards losing value. 4. Requestor and Receiver place incentives in a safe or locked MDH office location when not being distributed. Incentives are never to be stored in any MDH staff homes or non-MDH space. 5. Requestor and Receiver notify their MDH Program manager of the secure location of the incentives. If an MDH Grant program is purchasing incentives on behalf of a Grantee/Contractor and will be transferring ownership to the Grantee/Contractor, please go to Step 1A of the shaded area on page 7. If MDH staff will be distributing incentives, continue to next step below.
14.	Receiver	Once distribution of cards begins: 1. Receiver completes the Distribution Date and Name/Recipient ID columns in the Reconciliation Report

Step No.	Responsible	Procedural Step
		worksheet of the Master Excel Spreadsheet, making sure to not include private data in the excel spreadsheet.
15.	Reconciler	1. Reconciler conducts quarterly reconciliations while cards are in program's possession and as incentives are distributed. Reconciliations must involve <i>at least</i> two people. The Reconciler and either the Requestor or another uninvolved MDH staff person are acceptable. to ensure that there is a third, objective party involved which reduces the risk for theft, loss, and/or misuse of incentives. Reconciliation involves comparing the original information on quantity, value, card numbers to what was distributed and making sure it totals out to the incentives that remain on hand. It also involves making note of the depreciation date/expiration date to ensure cards do not go to waste. 2. Reconciler and other involved staff person document the results of the reconciliation in the Master Excel Spreadsheet. a. If any incentives are missing, or there are discrepancies in the reconciliation, program must conduct a self-audit to determine what happened and what corrections/trainings are needed, who is responsible, and the date by which corrections/trainings will be conducted. The ICC must be notified immediately of any discrepancies. All these actions must be clearly documented and kept in program files. b. If all incentives are accounted for and the reconciliation is clean, ensure this is documented, kept in the program files, and proceed to the next step. 3. Reconciler and other involved staff person return remaining incentives to the secure, locked MDH area. 4. Reconciler, regardless of the reconciliation results, notifies FM at health.incentiveorders@state.mn.us that the reconciliation is complete, and the SharePoint site has been updated. The other staff person involved in the reconciliation, and the Requestors supervisor/manager should be copied on that confirmation email. Continues to conduct quarterly reconciliations for that order until all cards are distributed.

Step No.	Responsible	Procedural Step
16.	Requestor	1. When program is finished distributing cards, Requestor double checks the Reconciliation Report to confirm that all required information is included. 2. Requestor mails the ICC that all cards have been distributed and the Master Excel Spreadsheet is complete at health.IncentiveOrders@state.mn.us 3. If there are cards remaining that program no longer needs, Requestor contacts the ICC to coordinate a time to physically return any undistributed incentives to the Freeman Building. The return must involve at least two program staff. <i>NOTE: The monetary value of any returned cards will not be refunded to program unless ownership of the unused cards is transferred to another MDH program.</i>
17.	ICC and AP/AR Supervisor	1. ICC and the AP/AR Supervisor, or another FM staff person, meet in the Freeman Building with the Requestor and Receiver to receive the undistributed incentives. 2. ICC recounts the returned incentives in front of the Requestor and Receiver and compares to the original Master Excel Spreadsheet. Documents receipt of the returned incentives on the spreadsheet including signatures of all parties involved in the return. Spreadsheet is saved in FM files. 3. If all information matches, returns the incentives to the secure, locked location in the FM vault. 4. If the information does not line up, the four people at the hand off discuss and document next steps to gather more information and resolve any discrepancies.
18.	ICC	1. ICC notifies OGC Director and Financial Operations Manager of remaining incentives that could be utilized by other programs. Some incentives may lose value or expire. Depreciation starts 12 months after the card was activated by the recipient. Cards lose all value and expire 24 months after issuance. The rate at which the cards depreciate varies by vendors on State contract. 2. When cards lose all value, the ICC and the AP/AR Supervisor will confirm/document that no value remains on the cards.

Step No.	Responsible	Procedural Step
		- ICC documents the quantity of cards, a description of the cards, and the date they are being placed in shred bin on the clipboard on top of the shred bin and dispose of expired cards in accordance with MDHs Records Retention Schedule. <i>Note: If the incentives are transferred to another program, FM staff will work with program(s) to perform an expenditure correction to ensure the proper transaction takes place to charge and credit the appropriate budgets.</i> - ICC goes back to step 5 and creates new spreadsheet for new owners for the cards that are being transferred. - ICC conducts random physical count of cards with program and compares to program Master Excel Spreadsheet, as determined by FM leadership, and as able.
19.	FM	- FM will share information on left over cards at monthly FM sponsored meetings, including any meetings hosted by the Office of Grants and Contracts (OGC). Information will include information on original funding source and any restrictions, the quantity, and the denomination of the cards. - Keep track of extra incentives in Finance vault. When cards lose all value, at least two FM staff will confirm that no value remains on the cards.
20.	ICC	ICC documents the quantity of cards, a description of the cards, and the date they are being placed in shred bin on the clipboard on top of the shred bin and dispose of expired cards in accordance with MDHs Records Retention Schedule.
When MDH Purchased Incentives on behalf of the Grantee/Contractor		
A1.	Program staff	- Review the executed grant agreement to determine if the stock incentive language was included. If not, proceed with an amendment to include the incentive language prior to transferring the incentives to the Grantee. - Share the Incentive Guidelines for MDH Grantees with the Grantee.

Step No.	Responsible	Procedural Step
		3. Conduct required regular and impromptu reconciliations of any incentives purchased by their grantees as part of their routine monitoring activities. 4. Provides an electronic copy of the Master Excel Spreadsheet that FM provided to program to the grantee/contractor. The spreadsheet contains the quantity of cards order, the denomination of the incentives, tracking information of each incentive. 5. Arrange a date, time, and location for at least two MDH program staff to meet with at least two staff from the Grantee/Contractor to hand off the incentives. Mailing of the incentives is strongly discouraged due to the lack of control MDH has over the incentives while in transit. However, if that is the only option, MDH must utilize a courier service that requires a signature by the recipient such as the United States Postal Service (USPS) or United Parcel Service (UPS), and will provide MDH with a receipt/notification, when the incentives are delivered. Do not transfer the only copy of the tracking log with the actual cards. If the tracking log and cards are returned to MDH together, and that shipment gets lost in transit, neither the grantee/contractor nor MDH has a record of the actual cards distributed or remaining. This lack of supporting documentation would make the cost of the cards unallowable for reimbursement.
A2.	MDH Program staff and Grantee/Contractor	1. Meet at a safe location where the Grantee/Contractor takes possession of the incentives. OR Grantee/Contractor signs for delivery of incentives.
A3.	Grantee/Contractor	1. Back at the Grantee/Contractor business location, at least two Grantee/Contractor staff count the incentives to confirm and certify that the order is as requested, matches the information in the Master Excel Spreadsheet, and all incentives are fully accounted for. 2. Grantee/Contractor places incentives in a safe or locked office until they are to be distributed. Incentives must always be securely stored at the grantee/contractors place of business, never at grantee/contractor staff homes.

Step No.	Responsible	Procedural Step
		3. Signs and dates the Incentive Confirmation Document. 4. Scans and emails a copy of the signed/dated Incentive Confirmation Document to the MDH Program contact and notifies the MDH program person that there were received, all accounted for, and are in a secure location until ready to be distributed. 5. Notifies their supervisor/manager of the location of the incentives and the Master Excel Spreadsheet so that more than one person has this information. 6. Conducts required regular and impromptu reconciliations of the incentives and records results. Notifies MDH program staff immediately if any incentives are not accounted for. 7. Distributes incentives according to their allowed and intended purpose as stated in the grant agreement/contract. 8. Grantee/Contractor staff must count the incentives remaining after each distribution event, indicate the quantity remaining on the tracking log, and sign/date the tracking log. Keeps a copy of the signed tracking log in their own files. 9. Returns remaining incentives to the safe or secured area. 10. Once all incentives are distributed, notifies MDH program staff and indicates if more are needed. If no more are needed, sends final tracking log to MDH program staff via email, being sure to keep a copy for their own files. If more incentives are needed, contacts MDH program staff to request more with the quantity and denomination needed. 11. If the Grantee/Contractor has incentives left over that will not be distributed, returns the tracking log to MDH and receives notification from MDH that the tracking log was received PRIOR to returning the actual incentives. 12. Grantee/Contractor contacts MDH Program staff to either: a. Arrange delivery of incentives to MDH using a delivery method that requires a signature upon receipt at MDH such as the United States Postal Service (USPS) Certified mail or United Parcel Service (UPS) Shipping with Signature and will provide the

Step No.	Responsible	Procedural Step
		Grantee/Contractor with a receipt/notification when the incentives are delivered. Does NOT include the only copy of the tracking log in the package with the incentives. OR, b. At least two grantee/contractor staff hand deliver the incentives to the two MDH program staff at any MDH office locations. 13. Returns the tracking log to MDH program staff via email separately from the actual incentives (plastic cards). This ensures that there is more than one copy of the final documentation should the original get lost. 14. Grantee will bear the cost for any incentives that are unaccounted for. If the Grantee/contractor needs to refund MDH for unaccounted for gift cards, MDH staff should contact FM Accounts Receivables for further instructions.
A4.	MDH Program staff	1. MDH Program staff keeps the Incentive Confirmation Document, and the tracking log in the program files per the MDH Records Retention Schedule. The SharePoint site is not the final or official location for retaining official MDH records pertaining to incentives. 2. MDH program staff must conduct regular and impromptu reconciliations of any incentives the grantee has in their possession during in person site visits and as part of routine monitoring activities. If the grantee/contractor requests additional incentives, MDH Program staff must ensure all previous incentives were fully accounted for before more are ordered. 3. If the grant award does not reach a threshold where an in-person site visit is required, the MDH grant manager may conduct a desk reconciliation based on documentation being sent in by the grantee/contractor. 4. Once MDH Staff have the undistributed incentives back from the Grantee/Contractor and in their possession, follow directions in Step 16 of this procedure.
Digital Incentive Cards		
Step No.	Responsible	Procedural Step
B1.	Requestor	1. Complete Digital Corp Rewards Template. Save form as CSV(Comma Delimited)

Step No.	Responsible	Procedural Step
		2. Email Incentive Instrument Request form, any other related documentation that will be helpful to Finance and Digital Corp Rewards Template to Health.IncentiveOrders@state.mn.us
B2.	Incentive Card Coordinator (ICC)	1. ICC receives the completed and signed Incentive Card Request form and Digital Corp Rewards Template. 2. ICC reviews for completeness. If complete, forwards the Incentive Card Request form to the Accounts Payable/Accounts Receivable (AP/AR) Supervisor. If not complete, contacts Requestor for missing information.
B3.	Accounts Payable / Accounts Receivable (AP/AR) Supervisor	1. AP/AR supervisor, or their designee, reviews request for accuracy and allowability. a. If approved, AP/AR supervisor emails ICC notifying them the order is approved. b. If not approved, returns form to Requestor via email with a cc to the ICC stating why the request is denied.
B4.	Incentive Card Coordinator (ICC)	1. ICC emails relevant information and request form to the Buyer to create encumbrance.
B5.	Buyer	1. Buyer notifies ICC when the encumbrance is set up and provides the ICC with the PO number.
B6.	Incentive Card Coordinator (ICC)	1. ICC uploads the Digital Corp Rewards Template into US Banks portal and places order. 2. Once US Bank generates cards and emails them out to recipients, the ICC will generate a report and update the Incentive Order spreadsheet that is located on SharePoint. The ICC will notify the requester that the cards have been issued. The ICC will notify the requester if there were any email addresses that were rejected.
B7.	Requestor	1. If any email addresses were undeliverable, the requestor will reach out to the card recipient and will confirm the email address. They will send the corrected email address to the ICC so that the digital card can be reissued. 2. The requestor will notify the card recipients that they will need to go into US Bank's website to activate the card within 30 days.

Forms

- [Authority to Use Incentives Questionnaire](#)
- [Incentive Card Request form](#)
- Incentive Confirmation Form – this form is provided by FM during this process, it is not available online.

Related Information

- [OSP Purchasing Policy 27B Reward Card Incentive Programs \(for Non-State Personnel Only\)](#)
- [SEMA4 Operating Policy and Procedure: Miscellaneous Compensation](#)
- [Incentive Guidelines for MDH Grantees](#)
- [Reporting Evidence of Theft, Embezzlement, or Unlawful Use of Public Funds or Property Procedures](#)
- [Grant Agreement Procedures](#)

History

- Supersedes PR551.01