

June 26th 2007 Special Session

LEGISLATIVE RESOLUTION NO. LR07-04

INTRODUCED BY THE LEGISLATIVE BRANCH

**LEGISLATIVE RESOLUTION OF THE CROW TRIBAL
LEGISLATURE/ENTITLED:**

**“ADOPTION OF THE CROW TRIBE OF INDIANS “FINANCIAL
MANAGEMENT SYSTEM, POLICIES AND PROCEDURES.”**

WHEREAS, The Crow Tribe Executive Branch has adopted and approved the
“Financial Management System, Policies and Procedures, on March 31, 2006, and

WHEREAS, the Crow Legislature desires to establish a “Financial Management
System, Policies and Procedures for the Legislative Branch which will provide the necessary
and required procedures for operation of the Legislature’s Financial System, and

WHEREAS, it is the goal of the Legislative Branch to establish a separate system
from the Executive Branch, and

WHEREAS, the Crow Tribal Legislature has reviewed the Crow Tribe’s “Financial
Management System, Policies and Procedures, and

WHEREAS, the Crow Tribal Legislature has concluded after careful review that the
Crow Tribal “Financial Management System, Policies and Procedures” are adequate and
appropriate at this time.

NOW, THEREFORE, BE IT RESOLVED BY THE CROW TRIBAL LEGISLATURE.

**THE CROW LEGISLATURE HEREBY THIS ACTION
OFFICIALLY ADOPTS THE CROW FINANCIAL MANAGEMENT
SYSTEM, POLICIES AND PROCEDURES, PAGES 1 – 82, APPROVED
BY THE EXECUTIVE BRANCH MARCH 31, 2006, WHICH IS
ATTACHED, INCORPORATED BY REFERENCE AND MADE A PART
HEREOF AS IF STATED HEREIN. THE POLICIES AND
PROCEDURES CONTAINED THEREIN SHALL BE FOLLOWED AT
ALL TIMES BY ALL LEGISLATIVE EMPLOYEES, OFFICERS AND**

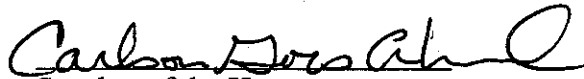
June 26th 2007 Special Session

**LR ADOPTING THE TRIBE’S FINANCIAL MANAGEMENT SYSTEM, POLICIES AND
PROCEDURES, PAGE 1 -82, ESTABLISHED AND APPROVED MARCH 31, 2006.**

LEGISLATORS. COMPLIANCE WITH THESE POLICIES AND PROCEDURES IN THIS ADOPTED "FINANCIAL MANAGEMENT SYSTEM, POLICIES AND PROCEDURES" SHALL BE STRICTLY CONSTRUED BY THE LEGISLATIVE ENFORCEMENT AUTHORITY OR THE PROPER CIVIL/CRIMINAL COURT.

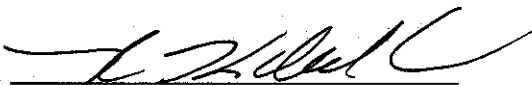
CERTIFICATION

I hereby certify that this Legislative Resolution entitled "**ADOPTION OF THE CROW TRIBE OF INDIANS "FINANCIAL MANAGEMENT SYSTEM, POLICIES AND PROCEDURES."**" was duly enacted by the Crow Tribal Legislature with a vote of 14 in favor 0 opposed, and 0 abstaining and that a quorum was present on this 26th, day of June "Special Session", 2007.



Speaker of the House
Servant of the Apsaalooke People
Crow Tribal Legislature

ATTEST:



Secretary
Crow Tribal Legislature



Bill or Resolution Number LR07-04 Introduced by Legislative Date of Vote June 26, 2007
Branch

Representative:	Yes	No	Abstained
L. Plain Bull	<u>✓</u>	<u> </u>	<u> </u>
O. Costa	<u> </u>	<u> </u>	<u> </u>
V. Crooked Arm	<u>✓</u>	<u> </u>	<u> </u>
M. Not Afraid	<u>✓</u>	<u> </u>	<u> </u>
R. Iron	<u> </u>	<u> </u>	<u> </u>
B. House	<u>✓</u>	<u> </u>	<u> </u>
E. Fighter	<u>✓</u>	<u> </u>	<u> </u>
L. Costa	<u>✓</u>	<u> </u>	<u> </u>
L. Hogan	<u>✓</u>	<u> </u>	<u> </u>
S. Fitzpatrick	<u> </u>	<u> </u>	<u> </u>
K. Real Bird	<u> </u>	<u> </u>	<u> </u>
M. Covers Up	<u>✓</u>	<u> </u>	<u> </u>
L. Not Afraid	<u>✓</u>	<u> </u>	<u> </u>
B. Shane	<u>✓</u>	<u> </u>	<u> </u>
J. Stone	<u>✓</u>	<u> </u>	<u> </u>
D. Wilson	<u>✓</u>	<u> </u>	<u> </u>
R. Old Crow	<u>✓</u>	<u> </u>	<u> </u>
<i>Secretary of the House</i>	<u> </u>	<u> </u>	<u> </u>
D. Goes Ahead	<u>✓</u>	<u> </u>	<u> </u>
<i>Speaker of the House</i>	<u> </u>	<u> </u>	<u> </u>
Totals:	<u>14</u>	<u>0</u>	<u>0</u>

Result of Vote:

Passed Not Passed Tabled Veto Override

Signature Officer Carlton Jones Date: 6-26-07

CROW TRIBE OF INDIANS



FINANCIAL MANAGEMENT SYSTEM

POLICIES AND PROCEDURES

Established and Approved: March 31, 2006

CROW TRIBE OF INDIAN
FINANCIAL MANAGEMENT SYSTEM

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CHAPTER ONE

INTRODUCTION

01.100 GENERAL

The Crow Tribe of Indians (The Tribe) is recognized by the United States Government as eligible for the special programs and services provided by the United States to Indians because of their status as Indians. The Tribe receives a substantial amount of its total funds by entering into contracts with the Bureau of Indian Affairs and the Indian Health Service under the provisions of Public Law 93-638, The Indian Self-Determination and Education Assistance Act. As permitted by this law, the Tribe provides maximum participation by the people in these contracts that enable the Tribe to administer its own governmental programs. Other sources of funds are primarily from other departments within the Federal Government and the State of Montana.

General management of the Tribe falls under the responsibility of an elected Chairman, Vice-Chairman, Secretary, and Vice-Secretary. These four officers hereinafter referred to as the elected officials, hire employees to assist in the administration of the Tribe. Key employees are the cabinet heads/members. The Chief Executive Officer leads the cabinet members. The Controller and/or Finance Director is a cabinet member delegated the authority of administering the financial management system. General duties of some of the key employees in regards to the financial management of the Tribe are explained in Chapter Two of this manual.

The Chairperson hires a Certified Public Accountant, hereinafter referred to as the CPA, to act as Controller and/or Finance Director for the Tribe. Certain designated accounting staff assists the CPA and may perform some of the CPA's duties as assigned. The CPA provides on-site monitoring and oversight for all components of the financial management system. The CPA generally performs all controllership functions for the Tribe. General duties of the CPA are explained in Chapter Two of this manual.

The Tribe utilizes monies from both unrestricted and general purposes and from the Federal Government and other governments for restricted programs. Unrestricted funds (general fund) may be used at the discretion of the Tribe with little or no binding requirements other than to follow the financial management policies and procedures as established by the Tribe's elected officials. However, the Federal Government restricts expenditures on programs funded by it only for purposes, and in amounts, approved by it and in accordance with procedures detailed in Federal Law. Whether the administration of the Tribe agrees that the constraints imposed by the Federal Government promote wise management of resources, or feel that wise management is hindered, is beside the point. The constraints are binding, the Tribe has no choice but to operate within them; the financial management system and the accounting system must enable the elected officials to comply with legal constraints.

This need to demonstrate compliance with legal requirements led to the development of the Tribe's fund accounting system.

01.200 GOALS OF THE TRIBE

The Tribe has developed the financial management system in order to assist in achieving the following goals and objectives:

1. To provide efficient administrative support to all programs in order to assist those programs in providing maximum services to program participants and recipients.
2. To provide a good use of the Tribe's limited resources.
3. To centralize all financial management support services within the operational control of the Tribe's elected officials in order that policies are standardized for all programs.
4. To assure expenditure of federal and state funds are made according to grant and contract guidelines.
5. To provide meaningful and accurate financial data to programs and external agencies in a timely manner.

01.300 ACCOUNTING CONCEPTS

The Tribe utilizes generally accepted accounting principles as applied to governmental entities.

01.301 FUND ACCOUNTING

The word FUND has a special technical meaning in the non-business sector. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities, or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The dual meaning of fund should be noted. A fund is an accounting entity; it is also a fiscal entity created, in most instances, by operation of law. The term law is used in its most general sense. The accounting and financial reporting of the Tribe is prescribed by provisions of grants and contracts from Federal or other governmental agencies and may be prescribed by state laws, agreements with employees, and agreements with individuals or private organizations which have donated assets to be used for specific purposes. The Tribe is also bound by administrative regulations of agencies of higher jurisdictions.

Another distinctive characteristic of the Tribe's accounting system is the formal recording of the legally approved budget in the accounts of funds operated on an annual basis. This is a result of the need to demonstrate compliance with laws governing the sources of revenues available and the laws governing the utilization of these revenues. Briefly: Budgetary accounts are opened as of the beginning of each fiscal year and closed as of the end of each fiscal year; therefore they have no balances at year-end. During the year, however, the budgetary accounts of a fund are integrated with its proprietary accounts. Proprietary accounts generally refer to asset, liability, net worth, revenues, and expense accounts. A general summary of the Tribe's accounting system is that it has the accounting and reporting capability to make it possible both: a) To present fairly and with full disclosure the financial position and results of financial operations of the funds and account groups in conformity with generally accepted accounting principles; and b) to determine and demonstrate compliance with finance related legal and contractual provisions.

01.302 TYPES OF FUNDS

The Tribe utilizes the following types of funds within its accounting system.

1. General fund. The general fund is the operating fund of the Tribe. It is used to account for all financial resources except those required to be accounted for in another fund. The indirect cost charges collected from other funds are accounted for as a separate component of the general fund.
2. Special Revenue Funds. The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. These funds are grant/contract funds from Federal or state agencies that represent the activities of various programs which are disbursed by the Tribe and over which the Tribe exercises fiscal and administrative control.
3. Capital Projects Fund. The receipt and disbursement of all financial resources to be used for the acquisition of capital facilities, other than those financed by economic ventures, is accounted for by the capital projects fund.
4. Enterprise Funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through user charges or enterprise revenues.
5. Internal Service Funds. Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the Tribe and to other governmental units, on a cost reimbursement basis. For example, rental income and expenses related to the rental of equipment to programs by the Tribe is reported in the internal service fund when Tribal programs are renting the equipment.

01.400 CENTRALIZED FINANCIAL MANAGEMENT

The Crow Tribe of Indians has adopted a centralized financial management all accounting system as provided in 25 Code of Federal Regulations. The Tribe utilizes a centralized financial management system whereby the elected officials retain control over the use of any funds under the management of the Tribe. All funds are accounted for through the centralized financial management system. Any individual or entity that utilizes the name of the Crow Tribe of Indians to gain funding, either formally or informally, agrees to utilize the centralized financial management system.

Exception: Currently, the Abandoned Mine Lands Program maintains a separate financial management system. It is monitored by the Crow Tribe and is included in the Tribe's Financial Audit. Other programs may be granted this exception if special circumstances warrant. These programs will generally follow the same policies as the Tribe, but may have their own policies that override the Tribe's.

01.500 AMENDMENTS TO THE POLICIES

Amendments to the policies stated in this manual will be attached at the beginning of the appropriate chapter. The amendment will refer to the paragraph of the policy changed, if applicable. The amendment must be dated and signed by the elected Chairman.

01.600 COMPONENT UNITS

There are currently three Component Units operating under the Crow Tribe of Indians. They are the Awe Kualawaache Care Center, Apsaalooke Housing Authority and Apsaloka Casino Enterprise. These Component Units should have their own financial policies established. If a particular policy is not addressed within their policies, than they should adopt the Tribe's policies in those circumstances.

CHAPTER TWO

STAFF RESPONSIBILITIES

02.100 PURPOSE

The following financial management and accounting job duties have been assigned as designated to maximize separation of duties and provide better internal administrative and accounting controls.

02.200 ELECTED OFFICIALS

The elected officials have general oversight responsibility for the financial stability of the government. Specific duties are listed below.

1. Assists in the development and implementation of plans of operation to meet local needs.
2. Ensures that the needs of the citizens are met as far as possible with available Tribal resources.
3. Selects the external auditor to perform an annual audit as required by the Single Audit Act of 1984 and approves the audit report prior to it being submitted to funding agencies.
4. Reviews and approves the annual indirect cost proposal prior to its submission to the Department of the Interior, Office of Inspector General.
5. Participates in federal funding grant and contract negotiations, with final signature authority.
6. Participates in legal and settlement issues involving potential monetary and land reclamation for the benefit of the Tribe.
7. Participates in the negotiated settlement of other legal disputes.
8. With assistance from the Tribe's legal staff, negotiates major contracts to be performed by outside firms.
9. Serves as signers on checks for disbursement of funds. Two signatures are required on all checks.

02.201 CPA

A. ACCOUNTING

1. Assists with the financial planning, investment, and procurement of Tribal funds.
2. Analyzes financial records to forecast future financial position, cash flow and subsequent budget requirements.
3. Assists the finance director with the budgeting process. Responsible for budget modifications as deemed necessary. The elected officials will receive notification of any major budget modifications.
4. Responsible for preparing Trial Balances and all financial reports. Reviews for reasonableness and resolves any discrepancies.
5. Responsible for the overall accounting functions. Reconciling the bank accounts and preparing all journal entries.
6. Assists the auditors as necessary in completing their fieldwork and preparing the financial audit report.

B. PAYROLL

1. Receives timesheets, computes earnings and deductions, and computes annual and sick leave for all employees.
2. Prepares payroll listing by program.
3. Processes payroll and maintains employee earnings records.
4. Processes checks to entities due payments for withholdings from employees' gross earnings.
5. Prepares all required tax reports.
6. Monitors employee timesheets and time records for validity.
7. Prepares all year-end reports and statements on employee earnings.
8. Maintains the payroll journal and summarizes expenditure and liability data on a monthly basis for posting to the general ledger.

C. CONTRACTS MANAGEMENT

1. Maintains individual program files, including award notices, modifications, approved budgets, correspondence with funding agencies and Tribal program staff, and financial and program audit reports.
2. Assists program administrative staff in contract and grant budgetary matters and compliance issues. The CPA does not prepare program reports, but may provide some assistance in filing as deemed necessary.
3. Performs technical assistance to the Tribe's Contracts Officer as directed by the elected officials.
4. Prepares the financial reports and draw down requests for all contracts and grants.
5. Records any expenditure and incurred for all contracts and grants.

D. AUTOMATED ACCOUNTING SYSTEMS

1. Serves as the contact person for the external servicing vendor for the automated system.
2. Assures the automated system is maintained in operating order.
3. Backs up the accounting system frequently and stores an occasional copy off-site.
4. Restores the system, as required.
5. Updates the automated system with all software enhancements.
6. Provides training to Tribal staff on use of required software.
7. Provides assistance to departments in the installation of automated systems and subsequent use.
8. Provides assistance in the per capita distribution to assure payments are generated in a timely manner.

02.202 FINANCE DIRECTOR /CONTROLLER

The CPA may perform the duties of both the Finance Director and the Controller. Or the position of Finance Director may be filled by a separate individual. There may be other accounting staff that performs some the duties of the Finance Director, as well as, the Controller. These individuals are assigned to perform the Finance Director's duties for

particular programs/funds or in the absence of the Controller. The Finance Director is responsible for reviewing all payable vouchers to assure proper account codes are used, funds are adequately budgeted, the proposed payment is within the guidelines of disbursement as approved by the elected officials, and the checks for the vouchers are prepared in a timely manner. General duties within the control of the Finance Director include the following: (It is noted that the Finance Director utilizes accounts payable and voucher payable employees for completion of the work.)

1. Approves all payable vouchers after review to assure that proper account codes are used, funds are adequately budgeted, and the proposed payment is within the guidelines of disbursement as approved by the elected officials.
2. Processes checks from the accounts payable voucher with proper supporting documentation and secures the check signatures.
3. Maintains a file of paid invoices, purchase orders, vouchers, and other documents pertaining to the payables process.
4. Corresponds to vendors on problems on billings and duplicate invoices.
5. Provides technical support to staff on interpretation of Tribal financial management policies and procedures.
6. Serves as an advisor to the elected officials on financial management matters.
7. Assists the CPA's with developing the annual operating budgets for the Tribe's unrestricted funds and trust funds for approval by the elected officials/legislature.
8. Monitors the budgets and advises on budget modification and issues. Provides technical assistance to program staff on budgetary issues.

CHAPTER THREE

ALLOWABLE EXPENDITURE OF FEDERAL FUNDS

03.100 GENERAL GUIDELINES

It is the responsibility of the program director to assure that all costs charged to a program are permitted under the terms of the grant or contract agreement. The most important factor which governs the eligibility of the expenditure is the grant or contract agreement. Many agreements restrict the type or amount of expenditure. The agreement prevails over all other federal guidelines governing the expenditure of funds.

If the terms of the agreement require matching funds from the Tribe, the expenditure of the matching portion falls under the same general guidelines as the agreement.

03.200 EXPENDITURES FOR 638 CONTRACTS

Program directors who are operating under a 638 contract with the Department of the Interior or Department of Health and Human Services (IHS) have greater flexibility in the expenditure of program funds than do program directors that are funded by other federal and state agencies. Office of Management and Budget Circular A-87 generally determine allowable costs for a federally funded program. However, allowable costs for a 638 contract are defined in section 106 (k) of the Indian Self-Determination and Education Assistance Act. This definition may differ from allowable costs in OMB Circular A-87.

Accordingly, a program director operating under a 638 contract may, without the approval of the funding agency, expend funds provided under a self-determination contract for the following purposes to the extent that the expenditure of the funds is supportive of the contracted program.

1. Depreciation and use allowances not otherwise specifically prohibited by law, including the depreciation of facilities owned by the Tribe.
2. Publication and printing costs.
3. Building, realty, and facilities costs, including rental costs or mortgage expenses.
4. Automated data processing and similar equipment or services.
5. Costs for capital assets and repairs.
5. Management studies.
6. Professional services, other than services provided in connection with judicial proceedings by or against the United States.

7. Insurance and indemnification, including insurance covering the risk of loss of or damage to property used in connection with the contract without regard to the ownership of such property.
8. Costs incurred to raise funds or contributions from non-Federal sources for the purpose of furthering the goals and objectives of the self-determination contract.
9. Interest expenses paid on capital expenditures such as building, building renovation, or acquisition or fabrication of capital equipment, and interest expenses on loans necessitated due to delays by the Bureau of Indian Affairs in providing funds under a contract.
10. Expenses of the governing body of the Tribe that are attributable to the management or operation of contracted programs
11. Costs associated with the management of pension funds, self-insurance funds, and other funds of the Tribe that provide for participation by the Federal Government.

03.300 OMB A-87 EXPENDITURES

Program directors operating under a 638 contract should refer to OMB Circular A-87 as a general guide on the allowable costs to charge to the contract, even though the Indian Self-Determination and Education Assistance Act prevails. The additional types or examples of expenditures in OMB Circular A-87 will provide information on costs typically associated with federally funded programs.

Program directors operating under any federally funded program other than a 638 contract are restricted to, and must use, OMB Circular A-87 as the final authority on the allowable costs to charge to the program.

The applicable cost principles (to determine allowability) from OMB Circular A-87 are as follows:

1. Accounting. The cost for establishing and maintaining accounting and other information systems is allowable.
2. Advertising and public relations costs.
 - a. The term "advertising costs" means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television programs, direct mail, exhibits, and the like.

- b. The term "public relations" includes Community relations and means those activities dedicated to maintaining the image of the governmental unit or maintaining or promoting understanding and favorable relations with the Community or public at large or any segment of the public.
- c. Advertising costs are allowable only when incurred for the recruitment of personnel, the procurement of goods and services, the disposal of surplus materials, and any other specific purposes necessary to meet the requirements of the Federal award. Advertising costs associated with the disposal of surplus materials are not allowable where all disposal costs are reimbursed based on a standard rate as specified in the grants management common rule-
- d. Public relations costs are allowable when:
 - 1) Specifically required by the Federal award and then only as a direct cost;
 - 2) Incurred to communicate with the public and press pertaining to specific activities or accomplishments that result from performance of the Federal award and then only as a direct cost; or
 - 3) Necessary to conduct general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary to keep the public informed on matters of public concern, such as notices of Federal contract/grant awards, financial matters, etc.
- e. Unallowable advertising and public relations costs include the following:
 - 1) All advertising and public relations costs other than as specified in subsections c. and d.;
 - 2) Except as otherwise permitted by these cost principles, costs of conventions, meetings, or other events related to other activities of the governmental unit including:
 - a) costs of displays, demonstrations, and exhibits;
 - b) Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and

- c) Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings;
 - 3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs; and
 - 4) Costs of advertising and public relations designed solely to promote the governmental unit.
3. Advisory Councils. Costs incurred by advisory councils or committees are allowable as a direct cost where authorized by the Federal awarding agency or as an indirect cost where allocable to Federal awards.
4. Alcoholic beverages. Costs of alcoholic beverages are unallowable.
5. Audit services. The costs of audits are allowable provided that the audits were performed in accordance with the Single Audit Act, as implemented by Circular A-133, "Audits of States) Local Governments and Non Profit Organizations." Generally, the percentage of costs charged to Federal awards for a single audit shall not exceed the percentage derived by dividing Federal funds expended by total funds expended by the recipient or subrecipient (including program matching funds) during the fiscal year. The percentage may be exceeded only if appropriate documentation demonstrates higher actual costs.
- Other audit costs are allowable if specifically approved by the awarding or cognizant agency as a direct cost to an award or included as an indirect cost in a cost allocation plan or rate.
6. Automatic electronic data processing. The cost of data processing services is allowable (but see section 19, equipment and other capital expenditures).
7. Bad debts. Any losses arising from uncollectible accounts and other claims, and related costs, are unallowable unless provided for in Federal program award regulations.
8. Bonding costs. Costs of bonding employees and officials are allowable to the extent that such bonding is in accordance with sound business practice.
9. Budgeting. Costs incurred for the development, preparation, presentation, and execution of budgets are allowable.
10. Communications. Costs of telephone, mail, messenger, and similar communication services are allowable.

11. Compensation for personnel services.

a. General. Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this Circular, and that the total compensation for individual employees:

- 1) Is reasonable for the services rendered and conforms to the established policy of the governmental unit consistently applied to both Federal and non-Federal activities;
- 2) Follows an appointment made in accordance with a governmental unit's laws and rules and meets merit system or other requirements required by Federal law, where applicable; and
- 3) Is determined and supported as provided in subsection h.

b. Reasonableness. Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the governmental unit. In cases where the kinds of employees required for Federal awards are not found in the other activities of the governmental unit, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the employing government competes for the kind of employees involved. Compensation surveys providing data representative of the labor market involved will be an acceptable basis for evaluating reasonableness.

c. Unallowable costs. Costs, which are unallowable under other sections of these principles, shall not be allowable under this section solely on the basis that they constitute personnel compensation.

d. Fringe benefits.

- 1) Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave, employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable to the extent that the benefits are reasonable and are required by law, governmental unit-employee agreement, or an established policy of the governmental unit.

- 2) The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, holidays, court leave, military leave, and other similar benefits, are allowable if: (a) they are provided under established written leave policies; (b) the costs are equitably allocated to all related activities, including Federal awards; and, (c) the accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the governmental unit.
 - 3) When a governmental unit uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment provided they are allocated as a general administrative expense to all activities of the governmental unit or component.
 - 4) The accrual basis may be only used for those types of leave for which a liability as defined by Generally Accepted Accounting Principles (GAAP) exists when the leave is earned. When a governmental unit uses the accrual basis of accounting, in accordance with GAAP, allowable leave costs are the lesser of the amount accrued or funded.
 - 5) The cost of fringe benefits in the *form* of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in section 25, Insurance and indemnification); pension plan costs (see subsection e.); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, whether treated as indirect costs or as direct costs, shall be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group (s) of employees whose salaries and wages are chargeable to such Federal awards and other activities.
- e. Pension costs. Pension plan costs may be computed using a pay- as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the governmental unit.
- 1) For pension plans financed on a pay-as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.
 - 2) Pension costs calculated using an actuarial cost-based method recognized by GAAP are allowable for a given fiscal year if they are funded for that year within six months after the end of that year. Costs funded after the six-month period (or a later period agreed to by the cognizant agency) are allowable in the year funded. The cognizant agency may agree to an

extension of the six month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal Government and related Federal reimbursement and the governmental unit's contribution to the pension fund. Adjustments may be made by cash refund or other equitable procedures to compensate the Federal Government for the time value of Federal reimbursements in excess of contributions to the pension fund.

- 3) Amounts funded by the governmental unit in excess of the actuarially determined amount for a fiscal year may be used as the governmental unit's contribution in future periods.
 - 4) When a governmental unit converts to an acceptable actuarial cost method, as defined by GAAP, and funds pension costs in accordance with this method, the unfunded liability at the time of conversion shall be allowable if amortized over a period of years in accordance with GAAP.
 - 5) The Federal Government shall receive an equitable share of any previously allowed pension costs (including earnings thereon) which revert or inure to the governmental unit in the form of a refund, withdrawal, or other credit.
- f. Post-retirement health benefits. Post-retirement health benefits (PRHB) refers to costs of health insurance or health services not included in a pension plan covered by subsection e. for retirees and their spouse, dependents, and survivors. PRHB costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the governmental unit.
- 1) For PRHB financed on a pay as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.
 - 2) PRHB costs calculated using an actuarial cost method recognized by GAAP are allowable if they are funded for that year within six months after the end of that year. Costs funded after the six-month period (or a later period agreed to by the cognizant agency) are allowable in the year funded. The cognizant agency may agree to an extension for the six-month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal Government and related Federal reimbursements and the governmental unit's contributions to the PRHB fund. Adjustments may be made by cash refund, reduction in current year's PRHB costs, or other equitable procedures to compensate the Federal Government for the time value of Federal reimbursements in excess of contributions to the PRHB fund.

- 3) Amounts funded in excess of the actuarially determined amount for a fiscal year may be used as the government's contribution in a future period.
- 4) When a governmental unit converts to an acceptable actuarial cost method and funds PRHB costs in accordance with this method, the initial unfunded liability attributable to prior years shall be allowable if amortized over a period of years in accordance with GAAP, or, if no such GAAP period exists, over a period negotiated with the cognizant agency.
- 5) To be allowable in the current year, the PRHB costs must be paid either to:
 - (a) An insurer or other benefit provider as current year costs or premiums, or
 - (b) An insurer or trustee to maintain a trust fund or reserve for the sole purpose of providing post-retirement benefits to retirees and other beneficiaries.
- 6) The Federal Government shall receive an equitable share for any amounts of previously allowed post-retirement benefit costs (including earnings thereon), which revert or inure to the governmental unit in the form of a refund, withdrawal, or other credit.

g. Severance pay.

- 1) Payments in addition to regular salaries and wages made to workers whose employment is being terminated are allowable to the extent that, in each case, they are required by (a) law, (b) employer-employee agreement, or (c) established written policy.
- 2) Severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the governmental unit as an indirect cost.
- 3) Abnormal or mass severance pay will be considered on a case-by-case basis and is allowable only if approved by the cognizant Federal agency.

h. Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.

- 1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in

accordance with generally accepted practice of the governmental unit and approved by a responsible official (s) of the governmental unit.

- 2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
- 3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
- 4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
 - (a) More than one Federal award,
 - (b) A Federal award and a non-Federal award,
 - (c) An indirect cost activity and a direct cost activity,
 - (d) Two or more indirect activities which are allocated using different allocation bases, or
 - (e) An unallowable activity and a direct or indirect cost activity.
- 5) Personnel activity reports or equivalent documentation must meet the following standards:
 - (a) They must reflect an after-the-fact distribution for the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) The employee must sign them.

(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:

(i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;

(ii) At least quarterly, comparison of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and

(iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

6) Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

(a) Substitute systems which use sampling methods (primarily for Aid to Families with Dependent Children (AFDC), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including:

(b) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in subsection (c);

(c) The entire time period involved must be covered by the sample; and

(d) The results must be statistically valid and applied to the period being sampled.

(e) Allocating charges for the sampled employees' supervisors, clerical and support staffs, based on the results of the sampled employees, will be acceptable.

(f) Less than full compliance with the statistical sampling standards noted in subsection (a) may be accepted by the cognizant agency if it concludes that the amounts to be allocated to Federal awards will be

minimal, or if it includes that the system proposed by the governmental unit will result in lower costs to Federal awards than a system which complies with the standards.

- 7) Salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards.

i. Donated Services.

- 1) Professional and technical personnel, consultants, and other skilled and unskilled labor may furnish donated or volunteer services to a governmental unit. The value of these services is not reimbursable either as a direct or indirect cost. However, the value of donated services may be used to meet cost sharing or matching requirements in accordance with the provisions of the Common Rule.
 - 2) The value of donated services utilized in the performance of a direct cost activity shall, when material in amount, be considered in the determination of the governmental unit's indirect costs or rate(s) and, accordingly, shall be allocated a proportionate share of applicable indirect costs.
 - 3) To the extent feasible, donated services will be supported by the same methods used by the governmental unit to support the allocability of regular personnel services.
12. Contingencies. Contributions to a contingency reserve or any similar provision made for events the occurrence of which cannot be foretold with certainty as to time, or intensity, or with an assurance of their happening, are unallowable. The term "contingency reserve" excludes self-insurance reserves (see subsection 25.c), pension plan reserves (see subsection 11. e), and post-retirement health and other benefit reserves (see subsection 11. f) computed using acceptable actuarial cost methods.
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13. Contributions and donations. Contributions and donations, including cash, property, and services, by governmental units to others, regardless of the recipient, are unallowable.
14. Defense and prosecution of criminal and civil proceedings, and claims.
- a. The following costs are unallowable for contracts covered by 10 U.S.C. 2324 (k), "Allowable costs under defense contracts."

- 1) Costs incurred in defense of any civil or criminal fraud proceeding or similar proceeding (including filing of certification brought by the United States where the contractor is found liable or has pleaded nolo contendere to a charge of fraud or similar proceeding, including filing of a false certification).
 - 2) Costs incurred by a contractor in connection with any criminal, civil or administrative proceedings commenced by the United States or a State to the extent provided in 10 U.S.C. 2324 (k).
- b. Legal expenses required in the administration of Federal programs are allowable. Legal expenses for prosecution for claims against the Federal Government are unallowable.

15. Depreciation and use allowances.

- a. Depreciation and use allowances are means of allocating the cost of fixed assets to periods benefiting from asset use. Compensation for the use of fixed assets on hand may be made through depreciation or use allowances. A combination of the two methods may not be used in connection with a single class of fixed assets (e.g., buildings, office equipment, computer equipment, etc.) except as provided in subsection g. Except for enterprise funds and internal service funds that are included as part of a State/local cost allocation plan, classes of assets shall be determined on the same basis used for the government-wide financial statements.
- b. The computation of depreciation or use allowances shall be based on the acquisition cost of the assets involved. Where actual cost records have not been maintained, a reasonable estimate of the original acquisition cost may be used. The value of an asset donated to the governmental unit by an unrelated third party shall be its fair market value at the time of donation. Governmental or quasi-governmental organizations located within the same State shall not be considered unrelated third parties for this purpose.
- c. The computation of depreciation or use allowances will exclude:
 - 1) The cost of land:
 - 2) Any portion of the cost of buildings and equipment borne by or donated by the Federal government irrespective of where title was originally vested or where it presently resides; and
 - 3) Any portion of the cost of buildings and equipment contributed by or for the governmental unit, or a related donor organization, in satisfaction of a matching requirement.

- d. Where the use allowance method is followed, the use allowance for buildings and improvements (including land improvements - such as paved parking areas, fences, and sidewalks) will be computed at an annual rate not exceeding two percent of acquisition costs. The use allowance for equipment will be computed at an annual rate not exceeding 6 2/3 percent of acquisition cost. When the use allowance method is used for buildings, the entire building must be treated as a single asset; the building's components (e.g., plumbing system, heating and air condition, etc.) cannot be segregated from the building's shell. The two percent limitation, however, need not be applied to equipment which is merely attached or fastened to the building but not permanently fixed to it and which is used as furnishings or decorations or for specialized purposes (e.g. dentist chairs and dental treatment units, counters, laboratory benches bolted to the floor, dishwashers, modular furniture, carpeting, etc.). Such equipment will be considered as not being permanently fixed to the building if it can be removed without the destruction of, or need for costly or extensive alterations or repairs, to the building or the equipment. Equipment that meets these criteria will be subject to the 6 2/3 percent equipment use allowance limitation.
- e. Where the depreciation method is followed, the period of useful service (useful life) established in each case for usable capital assets must take into consideration such factors as type of construction, nature of the equipment used, historical usage patterns, technological developments, and the renewal and replacement policies of the governmental unit followed for the individual items or classes of assets involved. In the absence of clear evidence indicating that the expected consumption of the asset will be significantly greater in the early portions than in the later portions of its useful life, the straight line method of depreciation shall be used. Depreciation methods once used shall not be changed unless approved by the Federal cognizant or awarding agency. When the depreciation method is introduced for application to an asset previously subject to a use allowance, the annual depreciation charge thereon may not exceed the amount that would have resulted had the depreciation method been in effect from the date of acquisition of the asset. The combination of use allowances and depreciation applicable to the asset shall not exceed the total acquisition cost of the asset or fair market value at time of donation.
- f. When the depreciation method is used for buildings, a building's shell may be segregated from the major component for the building (e.g., plumbing system, heating, and air conditioning system, etc.) and each major component depreciated over its estimated useful life, or the entire building (i.e., the shell and all components) may be treated as a single asset and depreciated over a single useful life.
- g. A reasonable use allowance may be negotiated for any assets that are considered to be fully depreciated, after taking into consideration the amount of depreciation previously charged to the government, the estimated useful

life remaining at the time of negotiation, the effect of any increased maintenance charges, decreased efficiency due to age, and any other factors pertinent to the utilization for the asset for the purpose contemplated.

- h. Charges for use allowances or depreciation must be supported by adequate property records. Physical inventories must be taken at least once every two years (a statistical sampling approach is acceptable) to ensure that assets exist, and are in use. Governmental units will manage equipment in accordance with State laws and procedures. When the depreciation method is followed, depreciation records indicating the amount of depreciation taken each period must also be maintained.

16. Disbursing service. The costs of disbursing funds by the Treasurer or other designated officer is allowable.

17. Employee morale, health, and welfare costs. The costs of health or first-aid clinics and/or infirmaries, recreational facilities, employee counseling services, employee information publications, and any related expenses incurred in accordance with a governmental unit's policy are allowable. Income generated from any of these activities will be offset against expenses.

18. Entertainment. Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.

19. Equipment and other capital expenditures.

a. As used in this section the following terms have the meanings as set forth below:

- 1) "Capital expenditure" means the cost of the asset including the cost to put it in place. Capital expenditure for equipment means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included in, or excluded from, capital expenditure cost in accordance with the governmental unit's regular accounting practices.
- 2) "Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals the lesser of (a) the capitalization level established by the governmental unit for financial statement purposes, or (b) \$5000.

- 3) "Other capital assets" mean buildings, land and improvements to buildings or land that materially increase their value or useful life.
 - b. Capital expenditures, which are not charged directly to a Federal award, may be recovered through use allowances or depreciation on buildings, capital improvements, and equipment (see section 15). See also section 38 for allowability of rental costs for buildings and equipment.
 - c. Capital expenditures for equipment, including replacement equipment, other capital assets, and improvements which materially increase the value or useful life of equipment or other capital assets are allowable as a direct cost when approved by the awarding agency. Federal awarding agencies are authorized at their option to waive or delegate this approval requirement.
 - d. Items of equipment with an acquisition cost of less than \$5000 are considered to be supplies and are allowable as direct costs of Federal awards without specific awarding agency approval.
 - e. The unamortized portion of any equipment written off as a result of a change in capitalization levels may be recovered by (1) continuing to claim the otherwise allowable use allowances or depreciation charges on the equipment or by (2) amortizing the amount to be written off over a period of years negotiated with the cognizant agency.
 - f. When replacing equipment purchased in whole or in part with Federal funds, the governmental unit may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.
20. Fines and Penalties. Fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the governmental unit to comply with, Federal, State, local, or Indian tribal laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of the Federal award or written instructions by the awarding agency authorizing in advance such payments.
21. Fund raising and investment management costs.
- a. Cost of organized fund raising, including financial campaigns, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable, regardless of the purpose for which the funds will be used.
 - b. Costs of investment counsel and staff and similar expenses incurred to enhance income from investments are unallowable. However, such costs

associated with investments covering pension, self-insurance, or other funds, which include Federal participation allowed by the Circular are allowable.

- c. Fund raising and investment activities shall be allocated an appropriate share of indirect costs under the conditions described in subsection C.3.B. of Attachment A.

22. Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of Federal programs.

- 1) Gains and losses on the sale, retirement, or other disposition of depreciable property shall be included in the year in which they occur as credits or charges to the asset cost grouping (s) in which the property was included. The amount of the gain or loss to be included as a credit or charge to the appropriate asset cost grouping (s) shall be the difference between the amount realized on the property and the undepreciated basis of the property.
- 2) Gains and losses on the disposition of depreciable property shall not be recognized as a separate credit or charge under the following conditions:
 - (a) The gain or loss is processed through a depreciation account and is reflected in the depreciation allowable under sections 15 and 19.
 - (b) The property is given in exchange as part of the purchase price of a similar item and the gain or loss is taken into account in determining the depreciation cost basis of the new item.
 - (c) A loss results from the failure to maintain permissible insurance.
 - (d) Compensation for the use of the property was provided through use allowances in lieu of depreciation.
- b. Substantial relocation of Federal awards from a facility where the Federal Government participated in the financing to another facility prior to the expiration of the useful life of the financed facility requires Federal agency approval. The extent of the relocation, the amount of the Federal participation in the financing, and the depreciation charged to date may require negotiation of space charges for Federal awards.
- c. Gains of losses of any nature arising from the sale or exchange of property other than the property covered in subsection a., e.g., land or included in the fair market value used in any adjustment resulting from a relocation of Federal awards covered in subsection b. shall be excluded in computing Federal award costs.

23. General government expenses.

a. The general costs of government are unallowable (except provided in section 41). These include:

- 1) Salaries and expenses of the Office of the Governor of a State or the chief executive of a political subdivision or the chief executives of federally-recognized Indian tribal governments;
- 2) Salaries and other expenses of State legislatures, tribal councils, or similar local governmental bodies, such as county supervisors, city councils, school boards etc., whether incurred for purposes of legislation or executive direction;
- 3) Cost of the judiciary branch of a government;
- 4) Cost of prosecutorial activities unless treated as a direct cost to a specific program when authorized by program regulations (however, this does not preclude the allowability of other legal activities of the Attorney General); and
- 5) Other general types of governmental services normally provided to the general public, such as fire and policies, unless provided for as a direct cost in program regulations.

b. For federally recognized Indian tribal governments and Councils of Governments (COGs), the portion of salaries and expenses directly attributable to managing and operating Federal programs by the chief executive and his staff is allowable.

24. Idle facilities and idle capacity.

a. As used in this section the following terms have the meaning set forth below:

- 1) "Facilities" means land and buildings or any portion thereof, equipment individually or collectively, or any other tangible capital asset, wherever located, and whether owned or leased by the governmental unit.
- 2) "Idle facilities" means completely unused facilities that are excess to the governmental unit's current needs.
- 3) "Idle capacity" means the unused capacity of partially used facilities. It is the difference between (a) that which a facility could achieve under 100 percent operating time on a one-shift basis less operating interruptions resulting from time lost for repairs, setups, unsatisfactory materials, and

other normal delays and (b) the extent to which the facility was actually used to meet demands during the accounting period. A multi- shift basis should be used if it can be shown that this amount of usage would normally be expected for the type of facility involved.

- 4) "Cost of idle facilities of idle capacity" means costs such as maintenance, repair, housing, rent, and other related costs e.g. insurance, interest, and depreciation or use allowances.

b. The costs of idle facilities are unallowable except to the extent that:

- 1) They are necessary to meet fluctuations in workload; or,
- 2) Although not necessary to meet fluctuations in workload, they were necessary when acquired and are not idle because of changes in program requirements, efforts to achieve more economical operations, reorganization, termination, or other causes, which could not have been reasonably foreseen. Under the exception stated in this subsection, costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year, depending on the initiative taken to use, lease, or dispose of such facilities.

c. The costs of idle capacity are normal costs of doing business and are a factor in the normal fluctuations of usage or indirect cost rates from period to period. Such costs are allowable, provided that the capacity is reasonably anticipated to be necessary or was originally reasonable and is not subject to reduction or elimination by use on other Federal awards, subletting, renting, or sale, in accordance with sound business, economic, or security practices. Widespread idle capacity throughout an entire facility or among a group of assets having substantially the same function may be considered idle facilities.

25. Insurance and indemnification.

- a. Costs of insurance required or approved and maintained, pursuant to the Federal award, are allowable.
- b. Costs of other insurance in connection with the general conduct of activities are allowable subject to the following limitations:
 - 1) Types and extent and cost of coverage are in accordance with the governmental unit's policy and sound business practice.
 - 2) Costs of insurance or of contributions to any reserve covering the risk of loss of, or damage to, Federal Government property are unallowable

except to the extent that the awarding agency has specifically required or approved such costs.

c. Actual losses that could have been covered by permissible insurance (through a self-insurance program or otherwise) are unallowable, unless expressly provided for in the Federal award or as described below. However, the Federal Government will participate in actual losses of self-insurance fund that are in excess of reserves. Costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound management practice, and minor losses not covered by insurance, such as spoilage, breakage, and disappearance of small hand tools, which occur in the ordinary course of operations, are allowable.

d. Contributions to a reserve for certain self-insurance programs including workers compensation, unemployment compensation, and severance pay are allowable subject to the following provisions:

- 1) The type of coverage and the extent of coverage and the rates and premiums would have been allowed had insurance (including re-insurance) been purchased to cover the risks. However, provision for known or reasonably estimated self-insured liabilities, which do not become payable for more than one year after the provision is made, shall not exceed the discounted present value of the liability. The rate used for discounting the liability must be determined by giving consideration to such factors as the governmental unit's settlement rate for those liabilities and its investment rate of return.
- 2) Earnings or investment income on reserves must be credited to those reserves.
- 3) Contributions to reserves must be based on sound actuarial principles using historical experience and reasonable assumptions. Reserve levels must be analyzed and updated at least biannually for each major risk being insured and take into account any reinsurance, co-insurance, etc. Reserve levels related to employee-related coverages will normally be limited to the value of claims (a) submitted and adjudicated but not paid, (b) submitted but not adjudicated, and (c) incurred but not submitted. Reserve levels in excess of the amounts based on the above must be identified and justified in the cost allocation plan or indirect cost rate proposal.
- 4) Accounting records, actuarial studies, and cost allocations (or billings) must recognize any significant differences due to types of insured risk and losses generated by the various insured activities or agencies of the governmental unit. If individual departments or agencies of the

governmental unit experience significantly different levels of claims for a particular risk, those differences are to be recognized by the use of separate allocations or other techniques resulting in an equitable allocation.

- 5) Whenever funds are transferred from a self-insurance reserve to other accounts (e.g., general fund), refunds shall be made to the Federal Government for its share of funds transferred, including earned or imputed interest from the date of transfer.
- e. Actual claims paid to or on behalf of employees or former employees for workers' compensation, unemployment compensation, severance pay, and similar employee benefits (e.g., subsection 11. f for post retirement health benefits), are allowable in the year of payment provided (1) the governmental unit follows a consistent costing policy and (2) they are allocated as a general administrative expense to all activities of the governmental unit.
- f. Insurance refunds shall be credited against insurance costs in the year the refund is received.
- g. Indemnification includes securing the governmental unit against liabilities to third persons and other losses not compensated by insurance or otherwise. The Federal Government is obligated to indemnify the governmental unit only to the extent expressly provided for in the Federal award, except as provided in subsection d.
- h. Costs of commercial insurance that protects against the costs of the contractor for correction of the contractor's own defects in materials or workmanship are unallowable.

5. Interest.

- a. Costs incurred for interest on borrowed capital or the use of a governmental unit's own funds, however represented, are unallowable except as specifically provided in subsection b. or authorized by Federal legislation.
- b. Financing costs (including interest) paid or incurred on or after the effective date of this Circular associated with the otherwise allowable costs of building acquisition, construction, or fabrication, reconstruction or remodeling completed on or after October 1, 1980 is allowable, subject to the conditions in (1) -(4). Financing costs (including interest) paid or incurred on or after the effective date of this Circular associated with otherwise allowable costs of equipment is allowable, subject to the conditions in (1)-(4).
 - 1) The financing is provided (from other than tax or user fee sources) by a bona fide third party external to the governmental unit.

- 2) The assets are used in support of Federal awards.
 - 3) Earnings on debt service reserve funds or interest earned on borrowed funds pending payment of the construction or acquisition costs are used to offset the current period's cost or the capitalized interest, as appropriate. Earnings subject to being reported to the Federal Internal Revenue Service under arbitrage requirements are excludable.
 - 4) Governmental units will negotiate the amount of allowable interest whenever cash payments (interest, depreciation, use allowances, and contributions) exceed the governmental unit's cash payments and other contributions attributable to that portion of real property used for Federal awards.
27. Lobbying. The cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreement, or loans is an unallowable cost. Lobbying with respect to certain grants, contracts, cooperative agreements, and loans shall be governed by the common rule, "New Restrictions on Lobbying" published at 55 FR 6736 (February 26, 1990), including definitions, and the Office of Management and Budget "Government-wide Guidance for New Restrictions on Lobbying" and notices published at 54 FR 52306 (December 20, 1989), 55 FR 24540 (June 15, 1990), and 57 FR 1772 (January 15, 1992), respectively.
28. Maintenance, operations and repairs. Unless prohibited by law, the cost of utilities, insurance, security, janitorial services, elevator service upkeep of grounds, necessary maintenance, normal repairs and alterations, and the like are allowable to the extent that they: (1) keep property (including Federal property, unless otherwise provided for) in an efficient operating condition, (2) do not add to the permanent value of property or appreciably prolong its intended life, and (3) are not otherwise included in rental or other charges for space. Costs that add to the permanent value of property or appreciably prolong its intended life shall be treated as capital expenditures (see sections 15 and 19).
29. Materials and supplies. The cost of materials and supplies is allowable. Purchases should be charged at their actual prices after deducting all cash discounts, trade discounts, rebates, and allowances received. Withdrawals from general stores or stockrooms should be charged at cost under any recognized method of pricing, consistently applied. Incoming transportation charges are a proper part of materials and supply costs.
30. Memberships, subscriptions, and professional activities.

- a. Costs of the governmental unit's memberships in business, technical, and professional organizations are allowable.
 - b. Costs of the governmental unit's subscriptions to business, professional organizations are allowable.
 - c. Costs of meetings and conferences where the primary purpose is the dissemination of technical information, including meals, transportation, rental of meeting facilities, and other incidental costs are allowable.
 - d. Costs of membership in civic and community, social organizations are allowable as a direct cost with the approval of the Federal-awarding agency.
 - e. Costs of membership in organizations substantially engaged in lobbying are unallowable.
31. Motor pools. The costs of a service organization that provides automobiles to user governmental units at a mileage or fixed rate and/or provides vehicles maintenance, inspection, and repair services are allowable.
32. Pre-award costs. Pre-award costs are those incurred prior to the effective date of the award directly pursuant to the negotiation and in anticipation of the award where such costs are necessary to comply with the proposed delivery schedule or period of performance. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the award and only with the written approval for the awarding agency.
33. Professional service costs.
- a. Cost of professional and consultant services rendered by persons or organizations that are members of a particular profession or possess a special skill, whether or not officers or employees of the governmental unit, are allowable, subject to section 14 when reasonable in relation to the services rendered and when not contingent upon recovery of the costs from the federal government.
 - b. Retainer fees supported by evidence of bona fide services available or rendered are allowable.
34. Proposal costs. Cost of preparing proposals for potential Federal awards are allowable. Proposal costs should normally be treated as indirect costs and should be allocated to all activities of the governmental unit utilizing the cost allocation plan and indirect cost rate proposal. However, proposal costs may be charged directly to Federal awards with the prior approval for the Federal-awarding agency.

35. Publication and printing costs. Publication costs, including the costs of printing (including the processes of composition, plate making, press work, and binding, and the end products produced by such processes), distribution, promotion, mailing, and general handling are allowable.
36. Rearrangements and alterations. Costs incurred for ordinary and normal rearrangement and alteration for facilities are allowable. Special arrangements and alterations costs incurred specifically for a Federal award are allowable with the prior approval of the Federal-awarding agency.
37. Reconversion costs. Costs incurred in the restoration or rehabilitation of the governmental unit's facilities to approximately the same condition existing immediately prior to commencement of Federal awards, less costs related to normal wear and tear, are allowable.
38. Rental costs.
- a. Subject to the limitations described in subsections b. through d. of this section, rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and, the type, life expectancy, condition, and value of the property leased.
 - b. Rental costs under sale and leaseback arrangements are allowable only up to the amount that would be allowed had the governmental unit continued to own the property.
 - c. Rental costs under less-than-arms-length leases are allowable only up to the amount that would be allowed had title to the property vested in the governmental unit. For this purpose, less-than-arms-length leases include, but are not limited to, those where:
 - 1) One party to the lease is able to control or substantially influence the actions of the other:
 - 2) Both parties are parts of the same governmental unit: or
 - 3) The governmental unit creates an authority or similar entity to acquire and lease the facilities to the governmental unit and other parties.
 - d. Rental costs under leases, which are required to be treated as capital leases under GAAP, are allowable only up to the amount that would be allowed had the governmental unit purchased the property on the date the lease agreement was executed. This amount would include expenses such as depreciation or use allowance, maintenance, and insurance. The provisions of Financial

Accounting Standards Board Statement 13 shall be used to determine whether a lease is a capital lease. Interest costs related to capital leases are allowable to the extent they meet the criteria in section 26.

39. Taxes.

- a. Taxes that a governmental unit is legally required to pay are allowable, except for self-assessed taxes that disproportionately affect Federal programs or changes in tax policies that disproportionately affect Federal programs. This provision becomes effective for taxes paid during the governmental unit's first fiscal year that begins on or after January 1, 1998, and applies thereafter.
- b. Gasoline taxes, motor vehicle fees, and other taxes that are in effect user fees for benefits provided to the Federal Government are allowable.
- c. This provision does not restrict the authority of Federal agencies to identify taxes where Federal participation is inappropriate. Where the identification of the amount of unallowable taxes would require an inordinate amount of effort, the cognizant agency may accept a reasonable approximation thereof.

40. Training. The cost of training provided for employee development is allowable.

41. Travel costs.

- a. General. Travel costs are allowable for expenses for transportation, lodging, subsistence, and related items incurred by employees traveling on official business. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the amount used is applied to an entire trip, and results in charges consistent with those normally allowed in like circumstances in non-federally sponsored activities. Notwithstanding the provisions of section 23, travel costs of officials covered by the section, when specifically related to Federal awards, are allowable with the prior approval of a grantor agency.
- b. Lodging and subsistence. Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the governmental unit in its regular operations as a result of the governmental unit's policy. In the absence of a written governmental unit policy regarding travel costs, the rates and amounts established under subchapter I of Chapter 57 of Title 5, United States Code "Travel and Subsistence Expenses: Mileage Allowance," or by the administration of General Services, or the President (or his designee) pursuant to any provisions of such subchapter shall be used as guidance for travel under Federal Awards (41 U.S.C. 420, "Travel Expenses of Government contractors").

- c. Commercial air travel. Airfare costs in excess of the customary standard (coach or equivalent) airfare are unallowable except when such accommodations would: require circuitous routing, require travel during unreasonable hours, excessively prolong travel, greatly increase the duration of the flight, and result in increased cost that would offset transportation savings, or offer accommodations not reasonably adequate for the medical needs of the traveler.
 - d. Air travel by other than commercial carrier. Cost of travel by governmental unit-owned, leased, or chartered aircraft, as used in this section, includes the cost of lease, charter, operation (including personnel costs), maintenance, depreciation, interest, insurance, and other related costs. Cost of travel via governmental unit-owned, leased, or chartered aircraft are unallowable to the extent they exceed the cost of allowable commercial air travel, as provided for in subsection c.
42. Underrecovery of costs under Federal agreements. Any excess costs over the Federal contribution under one award agreement are unallowable under other award agreements.

CHAPTER FOUR

GENERAL FEDERAL GUIDELINES

04.100 OVERVIEW

When the Tribe receives Federal funds, increased demands are placed upon its financial management activities. The Tribe must set up and use accounting systems, which comply with government requirements. The program directors need to understand the guidelines and restrictions, which Federal funding agencies establish in order to make sure that funds are used efficiently to produce the desired results. In addition, the Tribe must install systems, which enable it to meet the payroll tax related requirements of the Internal Revenue Code.

The contracts the Tribe enters into are normally the result of funds appropriated by the Bureau of Indian Affairs (BIA) or the Indian Health Service (IHS), under Public Law 93-638, the Indian Self-Determination and Education Assistance Act. The financial management requirements for self-determination contracts arise from clauses contained in the regulations of Public Law 93-638. When the Tribe receives grant funds from Federal or other agencies, it must follow the agencies' grant administrative guidelines.

Most of the administrative requirements of the Tribe will have to meet can be found in:

25 CFR Part 900
Office of Management and
Budget Circulars A-102,
A-87, and A-133

04.200 FEDERAL FINANCIAL STANDARDS

All of the above referenced regulations and management guidelines provide similar instructions and establish similar requirements. Generally, the Tribe has implemented a financial management system that meets the following Federal financial standards.

1. Accounting and Financial Records

Maintain a system of accounting and financial records, which is capable of identifying the source and application of Federal funds.

2. Internal Control

Maintain a system of internal control procedures to insure that the Federal funds are used correctly.

3. Disclosure

Maintain a system for disclosing and reporting the financial transactions of the Tribe.

4. Budget Comparison

A system for analyzing expenditures in relation to the budget submitted. 5. Allowable Expenditures

Maintain a system of analyzing expenditures to determine their allowability and allocability.

6. Documentation

A system for documenting all transactions recorded in the Tribe's accounting records.

7. Minimizing Federal Cash on Hand

Procedures for minimizing the time between the receipt of Federal funds and the payment of those funds for allowable costs.

8. Auditing Procedures for auditing the performance of the Tribe and for resolving deficiencies found in such audits.

Based upon these requirements established in the Federal guidelines, the Tribe has established a financial management department capable of maintaining accurate, complete, and current records of all financial transactions and concurrently capable of meeting certain financial objectives.

CHAPTER FIVE

INDIRECT COSTS

05.100 INTRODUCTION AND OVERVIEW

In 1975, Congress enacted Public Law 93-638, the Indian Self-Determination and Education Assistance Act. The intent of the Act is to "encourage the development of human resources of the Indian People" and to provide for their maximum participation in their own education and government and in the programs and services conducted for them by the Federal government.

One means of actualizing the intent of Public Law 93-638 is contained in the Act's provisions, by regulation, to provide opportunity for contract support funds to finance many of the costs incurred in the course of administrative operations. This provision enables the Tribe to obtain Federal monies to cover its indirect, or overhead, costs: costs that, while not easily identified with a particular program, are nevertheless necessary to the Tribe's government and the conduct of its programs. The Tribe can place the burden of meeting these indirect costs on the funding agency. What this means is that more of the Tribe's own resources can be used in efforts to deal directly with the employment, housing, health care, economic development, and other pressing needs of its members.

In order to obtain contract support funds to finance indirect costs, the Tribe must prepare, each fiscal year, a proposal that substantiates its claim for reimbursement of indirect costs. The CPA is responsible for carrying out the procedures necessary in preparing these proposals.

The purpose of this overview is to highlight the tasks necessary in preparing an indirect cost rate proposal. It is also intended to provide a sound basis for carrying out the general leadership, administrative, and financial management responsibilities associated with indirect costs.

The Tribe must conduct basic governing operations and increase its ability to perform those operations. In the process of doing so, it incurs indirect or overhead costs. The Tribe is severely handicapped by a lack of adequate resources for financing the basic operations performed by its government structure. No Federal or State funds are generally made available for this purpose. The necessary tasks must therefore be paid for with other resources. Unfortunately, the Tribe is in no position to finance its own government operations.

The acceptance of Federal grants and contracts itself imposes an administrative burden on any government. The Tribe must conduct many management and financial management procedures in order to comply with the requirements of the funding agency. These tasks impose tremendous financial strains on the Tribe.

The Tribe can relieve itself of these financial burdens by placing the responsibility of paying for the Tribe's administration on the funding agency. Regulations implementing the indirect cost reimbursement concept in Public Law 93-638 provide that if the Tribe develops an indirect cost rate proposal it can receive contract support funds to cover these costs each fiscal year.

The purpose of indirect cost reimbursement is to provide a means of paying for administrative costs incurred in the management of State and Federally funded programs.

05.200 EFFECT ON PROGRAMS

Federal and State funded programs are "charged" for the overhead required by the Tribe's government to oversee or administer programs by applying an indirect cost rate to the direct costs incurred by the program in providing services. For example, if the Tribe has an indirect cost rate of 20% and a program incurs \$100,000 in direct costs in operating the program, then the Tribe charges the program \$20,000 for the overhead costs incurred in administering the program.

<u>Tribe Indirect Cost Rate</u>	<u>Program Direct Costs</u>	<u>Indirect Costs</u>
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20%	Multiplied by \$100,000 = \$ 20,000	
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Programs under PL 93-638 receive indirect costs over and above the total amount of direct costs required to operate the program. Therefore, regardless of the amount of indirect costs charged to the program, the program remains unaffected by the indirect costs.

<u>638 Program Direct Costs</u>	<u>Tribe's Indirect Cost Rate</u>	<u>Indirect Costs</u>	<u>Total Program Contract</u>
\$ 100,000	20%	\$ 20,000	\$ 120,000

Most other federal and state funded programs require the Tribe to recover indirect costs from the total program award. For example, an award of \$100,000 includes both direct and indirect costs.

<u>Total Program</u>	<u>Tribe's Indirect Cost Rate</u>	<u>Direct Costs</u>	<u>Indirect <u>Award</u> Costs</u>
\$ 100,000	20%	\$ 83,333	\$ 16,667

In this case, the maximum amount of direct costs available to operate the program is \$83,333. These direct costs multiplied by the Tribe's indirect cost rate (20% in the example) equals \$16,667 in indirect costs.

The Tribe requires that all programs provide full funding for indirect costs based upon the Tribe's approved rate, unless the federal awarding agency restricts the amount of indirect cost recovery to a rate less than the approved rate. Waiver of the full indirect cost recovery policy requires that the elected officials approve a written request from the program director.

05.300 TYPES OF COSTS TO BE INCLUDED IN INDIRECT COST BUDGET

The following types of costs are generally included in the Tribe's indirect cost budget.

- Salaries of elected officials
(or a portion thereof)
- Salaries of administrative personnel (non-program)
 - Accountants and related staff
 - Purchasing employees
 - Contracts employees
 - Property employees
 - Personnel employees
 - Security guards
 - Receptionists
 - Office personnel
 - Maintenance & Janitorial
- Fringe benefits
- Travel for the above personnel
- Audit costs
- Bank fees
- Utilities
- Telephone
- Computer services
- Legal costs
- Office supplies & expenses
- Training for the above personnel
- Entity worker's compensation
- Contracted CPA services

These costs vary from one fiscal year to the next. The indirect costs rate changes from year-to-year, and specific line-item expenditures within the indirect cost budget need not be consistent from year-to-year.

05.400 TERMINOLOGY USED FOR INDIRECT COST PROPOSALS

The Office of Inspector General uses the following terminology in negotiating indirect cost proposals.

DIRECT COST

A direct cost is a cost that can be specifically identified with a particular cost objective (program).

INDIRECT COST

An indirect cost is a cost incurred for a common or joint purpose benefiting more than one cost objective and not readily assignable to a specific cost objective without an effort that is not proportionate to the results achieved.

Note: There is no universal rule classifying a cost as direct or indirect. An indirect cost to one Tribe may be a direct cost to another Tribe, depending on the accounting system in use.

POOL

The indirect cost budget is frequently referred to as the pool, or indirect cost pool. ALLOW

ABLE INDIRECT COST

Allowable indirect costs are costs which are reasonable; not prohibited; conform to limitations; consistent with policies, regulations and procedures that apply uniformly to both Federal grants and contracts and the Tribal government. The costs must be necessary to the efficient administration of all contracts and grants in the base.

INDIRECT COST RATE

The indirect cost rate is the percentage relationship of indirect costs to direct cost. (Indirect costs are applied to a grant or contract as a percentage of some acceptable direct cost base. The base may be total salaries and wages, total direct costs, or total direct costs less capital expenditures.)

05.500 DIRECT BASE COSTS

A contract written under the provisions of public law 93-638 is funded at a level of direct costs plus an added amount for indirect costs. Indirect costs are added based upon the Tribe's indirect cost rate, with the rate being applied to the total direct costs that require administrative effort. Generally, all direct costs require administrative effort for indirect cost purposes except equipment, land, infrastructure, and contract services (consultants) for amounts in excess of \$5,000. In determining base costs in calculating the indirect cost rate for a 638 contract, the base cost becomes total direct costs less equipment, land, infrastructure and contracted service agreements that exceed \$5,000.

While the applicable OMB Circular or regulation has not been rewritten regarding the inclusion of non-638 programs in the direct cost base, Tribes have successfully legally challenged the 1983 written Department of the Interior, Office of Inspector General

guidelines and the subsequent July, 1990, memorandum from the Department of the Interior whereby the indirect cost negotiation process required all funded programs to be included in the direct base cost regardless of the funding or non-funding of indirect cost for the program. The case Ramah Navajo Chapter vs. Babbitt ruled that the inclusion in the direct cost base for the purposes of determining indirect cost rates of programs which did not provide indirect costs over and above the direct costs of the funded program was an illegal practice of the Department of the Interior, and Office of Inspector General, and caused an adverse adjustment in the calculation of the indirect cost rate in violation of section 106 of the 1988 amendments to public law 93-638.

Accordingly, the Tribe will not add to the direct cost base any direct funds from a program which does not add indirect cost funds to the direct costs of the program until such time that the law has changed correcting this adverse adjustment to the Tribe's indirect cost rate.

05.600 INDIRECT COST RATE METHODS

The following types of rates may be approved by OIG.

SINGLE RATE

This is a uniform rate applied equally to all programs and activities when they receive approximately the same benefit from the indirect cost pool.

MULTIPLE RATE

This is a method of applying different rates to different programs because the programs benefit to different degrees from the indirect cost pool.

RESTRICTED RATE

This method is used when Federal statutes restrict the full recovery of indirect costs on a specific program. This rate is extremely difficult to negotiate with OIG, because GIG stance generally is that all programs receive the same amount of administrative support, even though a given program may restrict the amount of indirect cost recovery.

05.700 TYPES OF INDIRECT COST AGREEMENTS

The following types of indirect cost agreements are approved by OIG.

PROVISIONAL-FINAL

This agreement accepts a rate based on either a past period's cost experience or a projection of a future year's expected cost. At the end of the fiscal year, the agreement is renegotiated and a final agreement obtained. This is the type of indirect cost agreement that the Tribe utilizes.

PREDETERMINED

This agreement is a firm agreement not subject to revision except in the most unusual circumstances.

FIXED WITH CARRY-FORWARD

This agreement is based upon an estimate of future period's cost and is not subject to revision during the accounting period. However, the difference between estimated and actual costs, when known, is included as an adjustment in a subsequently proposed cost plan. (Adjustment is made two years after the year causing the adjustment.)

05.800 THE INDIRECT COST PROPOSAL PACKAGE

The complete indirect cost proposal should contain, at least, the following information.

1. Audited financial statements for the year that historical data is being presented.
2. Certification by a Tribal official that the proposal has been prepared in accordance with OMB Circular A-87.
3. Information on all grants and contracts.
 - A. Funding agency.
 - B. Contract/grant number.
 - C. Amount of the contract/grant (including a breakdown of Tribe's share and Federal/State share).
 - D. Expenditures during the last period.
 - E. Grant period.
4. Organizational chart of the Tribe. The Tribe may also present job descriptions of key positions.
6. When applicable, the package should contain a carryforward adjustment.
7. The initial proposal should contain a financial management system certification from the Tribe's auditor.
8. Indirect cost pool.
9. Direct cost base.

10. Reconciliation of audited report with mc proposal data.

11. Breakdown of IDC recovery by 638 programs, non-638 programs, and Tribal programs.

Based upon the above, a common proposal might have a table of contents as follows:

- I. Introduction and Background Information Certification
- II. Financial Management System (Description and Accounting)
- III. Policy Statement of Direct vs. Indirect Costs
- IV. Organizational Chart (and job descriptions)
- V. Calculation of Indirect Cost Rate
- VI. Program Direct Costs
- VII. Indirect Cost Budget
- IX. Indirect Cost Personnel Justifications.
- X. Reconciliation schedule of audit report to mc proposal.
- XI. Analysis of indirect cost recovery by 638 programs, non-638 programs, and Tribal programs.

05.900 OIG SPECIAL CONSIDERATION TO CERTAIN COSTS

OIG will scrutinize certain expenditures for reasonableness.

Legal costs

Tribal Elected Officials related costs Travel

Communications Public relations Salaries

Building and equipment rental

Further, OIG will check for the following:

Inequitable allocation bases

Nonconformance to guidelines

Improper classification of direct costs Unsupported costs Overstated costs

Unallowable costs

Duplication of costs

Over-recovery of expenditures

Over-recovery of depreciation Cost of capital expenditures

Cost of Tribe's government not attributable to the administration of base contracts and grants Understated costs Reasonableness

Costs not necessary to administer grants and contracts

Costs not allocable

CHAPTER SIX

THE ACCOUNTING CYCLE

06.100 PURPOSE OF THE ACCOUNTING SYSTEM

The accounting system is the major quantitative information system for the Tribe. It provides information for three broad purposes: (1) internal reporting to department directors, for use in planning and controlling current programs; (2) internal reporting to the elected officials and the Tribe for use in strategic planning, that is, the making of special decisions and in the formulating of over-all policies and long-range plans, and 3) external reporting to funding agencies.

A summary of the steps in the accounting process is:

1. Scorekeeping. The accumulation of financial data. This aspect of accounting enables both internal and external parties to evaluate Tribal performance and financial position.
2. Attention directing. The reporting and interpreting of information which helps program directors and the elected officials to focus on operating problems, imperfections, inefficiencies, and opportunities. This aspect of accounting, in particular, helps program directors concern themselves with important aspects of operations promptly enough for effective action either through perceptive planning or through astute day-to-day supervision.
3. Problem solving. This aspect of accounting involves the concise quantification of the relative merits of possible courses of action, often with recommendations as to the best procedure. Problem solving is commonly associated with nonrecurring decisions facing the Community, situations that require special accounting analyses or reports.

06.200 ACCOUNTING SYSTEM-GENERAL DESCRIPTION

The Tribe utilizes the MIP Fund Accounting System, which is an automated system. Fund accounting, also known as not-for-profit or governmental accounting, is a specialized type of accounting. Even though fund accounting uses some of the same basic principles as commercial accounting (including a double entry system of recording transactions, a comparable set of financial statements, and so on) there are many differences.

Some of these differences are fundamental. For example, the commercial accounting entity is the company, while the not-for-profit entity is the fund. Also, commercial accounting measures income, while not-for-profit accounting measures the flow of money (funds).

Other differences involve degrees of emphasis. For instance, while budget amounts and encumbrances (purchase orders) appear frequently in a not-for-profit organization's accounting records, they're rarely included in commercial accounting ledgers.

Because of these and other differences, not-for-profit and governmental organizations need an accounting system designed with their specific requirements in mind. The MIP Fund Accounting system meets those special requirements. It has all of the capabilities necessary for not-for-profit accounting.

06.201 STRUCTURE OF MIP FUND ACCOUNTING SYSTEM

The basic structure of the MIP Fund Accounting system, the chart of accounts, provides the flexibility and customization capabilities of an individually designed program. The MIP chart of accounts consists of the following items:

- Fund
- General ledger account
- Department

06.202 DATA ENTRY

Automatic offset generation allows the entering of the second half of a transaction by simply pressing a single key. The system completes the entry by entering the necessary accounts and amounts on the screen (Set up the appropriate offset accounts first.) This is beneficial when, for example, recording an expenditure. After entering the expenditure side of the entry, press the designated offset key to enter the credit side of the entry. The CPA can set up offsets for any general ledger account.

Automatic interfund transfers allow the recording of transactions across funds. For example, if fund A incurred an expenditure and fund B pays for it, the system can record the transaction automatically, generating the proper interfund payable/receivable (that is, due to/due from) entry.

06.203 FINANCIAL REPORTING

A summary of the financial reporting options available include:

1. A report based upon a specific fiscal year or years and a range of fiscal periods to be included.
2. A report based upon a range of funds, general ledger accounts, and departments to be included.
3. Any regular report (for example, a budget versus expenditure by line-item for a program) can be reprinted the following period without re-entering reporting options.

4. Reports on vendors, including presentation of information by check number, receipt number, or invoice number.

06.204 FUND ACCOUNTING MODULES

Fund Accounting is a modular system. The central core is the General Ledger module, which contains the accounting ledgers. The other modules in the system, including payroll and fixed assets, transmit information to and from the accounting ledgers. All modules permit the Tribe to enter transactions or budget entries, print related reports, and display account balances and posted entries on the screen.

Here's a list of the modules the Tribe may utilizes in the Fund Accounting System:

- General Ledger
- Budget Reporting
- Accounts Payable
- Accounts Receivable
- Fixed Assets
- Payroll

The general ledger module is used to enter transactions that do not involve accounts payable or accounts receivable. Generally, this means journal vouchers, cash receipts, and cash disbursements. Budgets can be entered with this module and general ledger amounts (balances and activity) can be displayed on the screen. This module allows the printing of journals for each type of transaction entered, plus a general ledger and a cash journal. This module includes the financial statements. The system produces both combining and combined financial statements.

The budget reporting module permits the creation of a worksheet based on either a previous budget's balances or actual account balances. That worksheet is a working budget. It can be modified; specific line-item amounts can be designated; and a budget worksheet report can be printed. Once budget amounts on the worksheet are final, the system creates entries to record the new budget based on the worksheet. This module produces reports comparing actual balances to budget balances for expenditures, revenues, or both. It displays on the monitor accounts' budget and actual amounts and differences between the two.

The accounts payable module is used to record invoices from vendors. Checks are printed utilizing an automated check writing system. Accounts payable balances and activity can be displayed on the monitor and accounts payable ledger, aged accounts payable ledger, cash requirements, selected invoices, and preliminary check register reports are generated from this module.

The accounts receivable module is used to print customer bills automatically or used to record bills that are prepared manually. This module produces past due statements for customers whose payments are late. This module is also used to record receipts on accounts receivable balances and credit memos issued. Accounts receivable ledger, aged accounts receivable ledger and expected cash receipts reports are generated from this module. Accounts receivable balances and specific account activity can be displayed on the monitor.

The fixed assets module is used to maintain a record of whether the asset was purchased or donated, to identify the location, to identify the custodian, to keep a maintenance listing, and to maintain a depreciation schedule (if applicable). This database provides asset management information required to identify and control all fixed assets. This module transmits fixed assets information to the general ledger module.

The payroll module integrates information with the general ledger module. The module produces and maintains all employee payroll data for distributing payroll costs to the proper budget, accounting for employee and employee payroll taxes, actual production of the payroll checks, and historical salary information.

06.300 CPA

The CPA is responsible for the overall accounting function. The automated financial management system is designed so that accounting functions are performed individually for the programs and all accounting records are networked in order for the Tribe to obtain combined or combining data. The CPA is in control of the networked financial management system.

The CPA performs the following duties for each program. (See additional duties in Chapter Two.)

1. Prepares a trial balance.
2. Prepares comparative report for budgeted expenditures to actual expenditures.
3. Prepares a comparative report of budgeted revenues to actual revenues.
4. Performs bank reconciliations.
5. Reviews the trial balance for reasonableness.

06.400 OVERVIEW OF RECORDING AND ACCEPTING RECEIPTS

IMPORTANT NOTE: By generally accepted accounting principles, governmental fund revenues and expenditures should be recognized on a modified accrual basis. The Tribe utilizes this method of accounting. Thus, revenues should be recognized in the accounting period in which they become available and measurable. Since most revenues received from the Federal government by the Tribe only become legally available after expenditure, it is not proper to establish a receivable at the time of a grant award. See chapter seven entitled "Structure of Accounts and Transactions" for proper accounting entries.

06.401 GENERAL POLICIES REGARDING CASH RECEIPTS

1. All cash receipts (checks and cash only) shall be deposited in a timely manner.

2. All checks shall be deposited to the unrestricted checking and recorded to the proper program receiving the funds. Since the automated accounting system provides for separate accountability by account number for all programs, a separate checking account for each federally funded program is not necessary.
3. The CPA or designee shall endorse all checks for deposit upon receipt.
4. The disbursing of undeposited funds shall be strictly forbidden.
5. All coin and currency shall be deposited by the CPA or designee.
6. The CPA or designee is responsible for receipting all money received. No cash shall be accepted without a receipt being issued.
7. All mail shall be opened by the Receptionist. The Receptionist through a formal daily listing of receipts shall track all receipts from incoming mail.
8. The CPA will maintain formal cash receipts journal for all receipts.
9. All cash receipts will be entered and posted to the general ledger in a timely manner.

06.402 DETAILED PROCESS OF ACTUAL RECEIPTING OF CASH

The Receptionist shall prepare a daily list of receipts and turn all checks over to the CPA or designee for deposit. Upon receipt of a check, the CPA or designee shall record the check number, source and amount and immediately stamp the check "For Deposit Only". The check is then mailed or carried to the bank for deposit to the checking account with a duplicate of the deposit slip retained.

After this is done, the CPA or designee records the receipt in the cash receipts journal.

The procedures for receiving coin or currency shall differ from those for checks. Coin and currency shall be received by the CPA or designee who shall enter on the money receipt the following information:

Name of the individual turning in the money
Amount of money being received
Source or origin for the money

The CPA or designee shall then initial the money receipt and give it to the person turning in the cash. The program director should retain his copies of the receipt until the closeout of the program year.

When the monthly bank statement arrives, the CPA compares the copies of the deposit slips and the list of checks received to the deposits listed on the bank statement.

It is noted that the CPA utilizes several different individuals on staff in the cash receipts function to enhance internal control through separation of duties.

06.500 OVERVIEW OF CASH DISBURSEMENTS

General policies regarding cash disbursements include the following:

1. All checks shall be prenumbered and accounted for.
2. Unused checks shall be in the custody of the CPA or assigned representative.
3. Checks shall be prepared only after receipt and verification of supporting documents.
4. Spoiled and voided checks shall be mutilated by removing the signature line and writing "void" across the face of the check. (All such checks shall be retained.)
5. All invoices shall indicate date, amount and number of check.
6. All checks shall be prepared on a timely basis.
7. All checks require the signatures of two individuals.
8. All cash disbursements are entered into the cash disbursements journal through the automated accounting system.

06.501 DETAILS ON CASH DISBURSEMENT PROCESS

The suspense files of all unpaid vouchers (for all programs) are maintained by Accounts Payable and checks are prepared primarily from this voucher file. Accounts Payable will process the checks if the proper documentation and signatures are attached. All vouchers must contain the following:

- Vendor Name
- Vendor Number
- Date
- Description
- Fund, General Ledger and Department Numbers
- Amount
- Appropriate Signatures – See section 10.430
- Copies of Purchase Order and Purchase Requisition, if applicable
- Original Invoices or Contracts, and/or other applicable documentation
- W-9, if applicable
- Fixed Asset form, if applicable

All exceptions to the above must be noted either in the "Remarks" or in a memo.

"Checks up front" will be processed on an as needed basis. If receipts are not provided, then the appropriate director or staff may be responsible for the amount of payment and will be deducted from their salary. The program director will not be allowed any new "checks up front" if receipts are not provided timely.

Checks will be processed from the appropriate checking accounts. In the accounting system, a daily batch will be created for each staff person processing checks. This batch will be open for the entire day. The following day the batch will be posted to the general ledger. For each check the following information will be entered:

Vendor Number
Vendor Name
Date
Amount
Description
Fund, General Ledger and Department Number

After the checks are printed, Accounts Payable will obtain the check signatures. All checks require two signatures. A copy of the check remittance will be attached to the voucher and documentation. Accounts Payable will be responsible for the mailing checks. The date the check is mailed will be written on the voucher or in a log. If the check is picked up, the recipient will sign and date the check remittance.

The check remittance with the attached voucher and documentation will be given to records to file in the appropriate vendor file. Additionally, the voucher and documentation should be scanned prior to the check issuance.

06.502 LOST/STOLEN CHECKS

Stop payments will be issued on lost/stolen checks. Checks will be re-issued 10 working days after the stop payment is issued or within 5 working days if original check date is at least 6 months old. This applies to accounts payable checks and to per capita checks. For payroll checks the payroll supervisor should follow the same policy, but may use his/her discretion to override and re-issue checks in less days. For per capita checks, the payee must wait 60 days before a check can be re-issued and after 10 days for stop payment. The enrollment supervisor on rare occasion may override this policy. A stop payment fee will be deducted from the amount of the re-issued per capita check.

06.600 PAYROLL COMPONENT OF THE ACCOUNTING CYCLE

General policies regarding payroll include the following:

1. The payroll system is part of the overall automated accounting system. The gross salary is accounted for as part of the primary cash disbursements. All deductions from gross

salary are reconciled each pay period and such deductions are automatically entered into the general ledger.

2. Payroll checks are distributed bi-weekly to the department directors or persons assigned to pick up. The Tribe has the option of distributing checks at other times upon the approval of the Chairman.
3. Timesheets are reviewed and approved by each program director to confirm labor assignment to proper code and total of hours worked. See section 06.603 for further detail
4. The CPA oversees the payroll generation.
5. Checks for payroll are written on a separate bank account.
6. The CPA is responsible for compliance with Federal and State wage and tax laws, payroll tax depository requirements, etc.
7. The CPA shall be responsible for maintenance of vacations and sick leave records.
8. Any change in the payroll master file shall be initiated by a properly executed form, such as a personnel action form, notice of an employee status change, a W-4 form, deduction form and an insurance application for group insurance.
9. Leave slips documenting approved absences must be submitted with the timesheet for the current pay period only.
10. Leave accruals for a given pay period may not be used until a subsequent pay period.

06.601 DETAILS OF PAYROLL

This section includes a discussion of procedures to maintain accurate payroll records and to prepare payroll checks. These procedures are developed to respond to both internal control requirements as well as to satisfy Federal and State regulations applying to wages, withholding, and timely submission of appropriate reports.

Each timekeeper shall submit timesheets for payroll and verify that hours reported are charged to the correct account. This includes time directly chargeable to a project, leave taken, holidays, time-off, etc. Timesheet preparation is discussed in detail in section 06.603. The approved employee timesheets are forwarded to the payroll department. The Payroll Department reviews the timesheets and leave forms for accuracy, and approves the data to be entered into the MIP Payroll module of the accounting system. When that step is complete, the payroll department processes and prepares the payroll checks. The payroll department reviews the checks for accuracy. If any discrepancies are found, corrections can be made at that time. Checks are then signed in accordance with general Tribal policies.

Payroll checks shall be available for pick-up by program directors at a designated time on paydays. Any check errors, which are discovered after distribution, shall be corrected with the next paycheck or upon the discretion of the Payroll Department.

The CPA is responsible for payment of the appropriate payroll taxes and other items withheld from the gross payroll. The deposit of Federal taxes is made electronically on the date due. Similarly, the other amounts due from deductions are remitted timely to the respective entities.

06.602 TIMESHEETS

Timesheets must be fully completed and submitted to the timekeepers by 5 PM Friday the week prior to payroll release. Timekeepers have until 10 AM the following Monday to review, make any necessary corrections, and turn into the Payroll department. Late or rejected time sheets will not be processed until all checks have been issued and may not be processed until the next payroll, depending upon the discretion of the Payroll department.

All signatures on the timesheet must be originals. The employee and appropriate supervisor/director must sign the timesheet. If the employees are not available to sign, the supervisor can sign on their behalf, but must initial the signature. The paycheck will be processed but the Payroll department will hold the employee's check until the employee comes in and signs the timesheet.

Timesheets containing Administrative, Annual or Sick Leave must have complete approval slips attached and must match the time and dates reported. Timesheets need to have the employee's correct employee number and position at the top of the timesheet. Timesheets that do not comply will only be processed for the hours properly documented. Docked hours will not be paid until correct documentation is provided. Docked hours may not be processed until the next pay period, depending upon the discretion of the Payroll department.

06.603 PAYROLL DEDUCTIONS

Payroll deductions for insurance, BIA credit, Housing, Direct Deposits, Tribal reimbursements, Liens, etc... must be submitted to the Payroll Department prior to or along with the timesheets. Once the deduction is added, it cannot be cancelled unless notified in writing by the employee or authorized individual. The appropriate individuals from those departments must authorize cancellation of Credit, Housing and Tribal reimbursement deductions. Liens served by the IRS, Child Support, etc... must be legally honored by the Tribe and cannot be cancelled without a written release from the agency that served the lien.

06.700 OVERVIEW OF CAPITAL ASSETS

Note in the Introduction that there is a self-balancing group of accounts (Fixed Assets Group of Accounts) not used exclusively by anyone fund. All capital assets are accounted for in this fund (separate ledger).

General policies on capital assets are described in Chapter 11, Property, Plant and Equipment. Highlights of these policies include the following.

1. A capital asset shall be defined as any item of non-expendable personal or real property which the cost exceeds \$5,000 and has a useful life of more than one year.
2. Computers and peripherals that cost less than \$5,000 will still be tracked by the computer department to insure proper distribution and control. These items will not be categorized as capital assets.
3. A bi-annual inventory of capital assets shall be conducted by the Property and Supply Director and verified through the annual audit.
4. The Property and Supply Director shall notify the CPA of any property dispositions for the CPA to properly record the disposition.
5. The CPA shall conduct a reconciliation of the ledger account to property control records at year-end.

06.701 RECORDING CAPITAL ASSETS

For each capital asset a Fixed Asset Form should be attached to the original voucher for payment. The Fixed Asset Form will be turned into the CPA or designated staff to enter the Asset into the subsidiary schedule. The originating document is called a Fixed Asset Form and shall include the following information:

Asset ID
Asset Type
Asset Description
Purchase Date
Cost
Estimated Useful Life
Category
Responsibility or Fund Code
Location Code
Serial Number, if applicable

Disposition of any capital asset requires the prior approval of the elected officials. The CPA shall make a general journal entry to remove the original amount paid from the account, which is posted to the general ledger.

06.800 CREDIT LOANS

Loans are approved and issued through the Credit Dept. The Credit Dept maintains the policies regarding issuance and collection of loans. The loans are tracked through the accounts receivable module of the MIP Accounting system. Duties and responsibilities regarding the loans are split between the Credit Department and the Accounting Department as such:

Credit Department

- a. Approve the loan and prepare the loan documents.
- b. Enter the debtor's information in the Customer maintenance.
- c. Enter the loan amount into accounting system.
- d. Post payments to the debtor's accounts receivable.
- e. Submit payroll deduction information to the appropriate organization.
- f. Monitor the loans and establish collections for past due loans.
- g. Issue loan statements or information.
- h. Retain the loan documents.

Accounting Department

- a. Issue the loan check for amount submitted by the Credit Department.
- b. Reconcile the general ledger accounts to insure customers accounts are properly debited for loans received and credited for payments received.
- c. Calculate and post the Interest on the loans monthly.
- d. Monitor the availability of funds to issue loans.
- e. Enter miscellaneous credit adjustments to clear out miscellaneous balances or make corrections to accounts as determined appropriate by the Credit Department.
- f. Reconcile the Credit Departments bank accounts.

CHAPTER SEVEN

TRAVEL

07.100 OFF-RESERVATION TRAVEL

All Off-Reservation travel requires prior approval. Prior to traveling a Travel Advance Form must be completed with the appropriate signatures. The Travel Advance Form is discussed in 07.200. When travel is completed a Travel Reconciliation Form must be submitted as discussed in 07.300. All Federal travel away from the reservation requires the prior approval of the program director, the Finance Office, and the Chairman. Tribal policies regarding travel off the reservation are detailed below.

07.101 USE OF PRIVATE VEHICLES – MILEAGE ALLOWANCE

Mileage allowance for use of a private vehicle on Tribal business shall be at the Federal approved standard mileage rate for all employees including elected officials. (However, see the exception noted below in 07.102). The standard mileage rate is utilized in lieu of reimbursing for the actual costs of operating the vehicle. The standard mileage rate covers the operational costs of the vehicle while on Tribal business. The standard mileage rate does not include incidental charges such as highway tolls and parking expenses. These incidental charges shall be reimbursed to the employee in addition to the standard mileage rate. Receipts are required for reimbursement of highway tolls, parking expenses, and other incidental charges. Receipts are not required for gasoline costs, or other vehicle operational expenses.

07.102 USE OF PERSONAL OR TRIBAL VEHICLES: ELECTED OFFICIAL EXCEPTION

Elected officials are required to be available for service twenty-four hours per day, seven days per week. The nature of the positions require tremendous amount of local travel for Tribal purposes. As a result, the four elected officials may either get reimbursed at the standard mileage rate or may purchase gas and actual expenditures to be reimbursed by the Tribe. The elected official may choose whichever method, but must stay with that method during the year without changing methods. If the elected official chooses to get reimbursed for actual expenditures, they should maintain a log of their business travel.

07.103 USE OF TRIBAL VEHICLES - MILEAGE ALLOWANCE

Travelers that utilize a Tribal vehicle rather than a personal vehicle may get reimbursed at \$.25 per mile to cover fuel expenses or get reimbursed for the actual fuel expenses. If actual expenses are used then original receipts must be attached. If no personal or Tribal vehicle is available, a vehicle may be rented from a commercial company. The fuel will be reimbursed at \$.25 per mile or the actual expense.

07.104 COMMERCIAL TRAVEL COSTS VS PERSONAL VEHICLE

If commercial forms of travel are used, such as airlines, buses, trains, or charter services, the actual cost is the basis for reimbursement. The form of transportation used should be the least expensive available, unless the loss of time or effectiveness is disproportionate to the monetary savings. If airlines are used, a standard coach class ticket will be purchased with the exception of the Tribal Officials. The Tribal Officials may purchase a First Class ticket pending budget availability. If the employee opts to drive a personal vehicle in lieu of a commercial carrier, and the cost of mileage allowance at the standard rate for use of a personal vehicle exceeds the regular coach 21 day advance fare of a commercial airline, then the employee shall be reimbursed for transportation costs at the regular coach 21 day advance fare of a commercial airline. If an airline reservation is changed due to personal reasons and there is a fee charged, the traveler is responsible to pay the fee. Airfare should be requested 21 days in advance. Travel may be denied because of the higher cost of purchasing airfare after the 21-day advance fare.

If the traveler opts to drive a personal vehicle and this extends the travel time, the traveler will be reimbursed for the lesser travel time that the commercial travel would require. Per Diem and lodging is reimbursed beginning twenty-four (24) hours prior to the start of his/her scheduled travel purpose and ending twenty-four (24) hours after the conclusion of the traveler's scheduled travel purpose. There are three exceptions to the 24-hour rule. One exception is if the savings on airfare for extending the travel time less the additional per diem and lodging costs were less than the airfare allowed with the 24 hour rule, then the traveler may get reimbursed for the additional per diem and lodging. The second exception is if there are no available flights within the 24 hours then per diem and lodging will be reimbursed until the next available flight is procured. The third exception is if a personal vehicle is utilized because there are no other forms of commercial travel and the travel can not feasibly be completed within the 24 hour period, then additional per diem and lodging will be reimbursed. If the traveler opts to drive a personal vehicle and this extends the travel time beyond the 24-hour rule, the traveler will not be reimbursed the additional per diem and lodging.

07.105 DIRECT ROUTE

An employee is entitled to travel reimbursement for the most direct route to and from the destination. The employee will pay any extra expenses incurred due to the interruption of the most direct route at the convenience of the employee. Employees who must travel to the Billings airport for airline travel are entitled to reimbursement either:

- A) Mileage for one round-trip to Billings plus the cost of long-term parking, or
- B) Mileage for two round-trips to Billings.

Long-term parking receipts must be attached to Travel Reconciliation Form.

07.106 OFFICIAL TRAVEL - COMMUTING

In cases where the employee must begin official travel from the employee's home, the employee will be entitled to reimbursement for mileage from their home rather than from the Tribe.

07.107 INSURANCE COVERAGE AND DRIVERS LICENSE

Employees who use a private vehicle for travel in connection with Tribal business must maintain automobile liability insurance coverage and have a current valid driver's license. Employees who use a Tribal vehicle must have a current valid driver's license.

07.108 LODGING AND PER DIEM/OVERNIGHT TRAVEL

Lodging and per diem is based upon the federal approved daily rate for a given destination as published in the federal register. The Lodging and Per Diem Schedule shall be distributed to all Tribal Departments. All employees will be subject to these rates regardless of position with the exception of the elected officials. The elected officials may get reimbursed for their actual expenses regardless of whether the expenses are less than or greater than the per diem rates. The only exception is that the lodging may not exceed 300% of the federal rate. If the officials do not provide receipts for meals, the meals will get reimbursed at the applicable federal per diem rates.

Travelers are entitled to a flat rate for each day that requires overnight travel regardless of the actual expense. The flat rate for overnight travel is the federal approved rate for lodging plus the federal approved rate for per diem.

Travelers are entitled to a flat rate for each day that does not require an overnight stay at the federal approved rate for per diem, excluding lodging, regardless of the actual expense. In instances where meals are provided by the conference/workshop the traveler's meal rate must be adjusted by deducting the appropriate amount allocated to that particular meal. Travel to/from days or same day travel are reimbursed at 75% of the full day per diem rate.

A sample reimbursement is given as such: If an employee travels to Billings on January 15 and returns January 17, the employee will receive 75% of the federal approved per diem rate for meals for the 15th and 17th. They will receive the full per diem rate for the 16th and two nights lodging for the 15th and 16th. The federal approved per diem rate for Billings is currently \$31 per day and \$60 for lodging. The total reimbursement will be \$197.50.

The traveler may get reimbursed for the actual lodging expense if greater than the federal approved rate under two conditions. The first condition is if the traveler is staying in the hotel that's hosting the travel purpose (i.e. seminar). The second is if no lodging near the traveler's destination can be obtained for less than the federal approved rate. The actual expense may be reimbursed if either of these two conditions is met at no greater than 300% of the established federally approved rate.

An employee who travels for a period that is equal to or less than four hours voids any right to per diem. For example, an employee who travels to Billings at 8:00 a.m. and returns at 12:00 noon would not receive per diem for the trip. If travel is less than 12 hours a reimbursement for the applicable lunch rate will be given. If the travel is the same day, but greater than 12 hours 75% of the full day rate will be given.

For overnight travel, per diem and lodging is reimbursed beginning twenty-four (24) hours prior to the start of his/her scheduled travel purpose and ending twenty-four (24) hours after the conclusion of the traveler's scheduled travel purpose. In instances where the employee's travel is extended beyond the 24 hours through no fault of their own, the traveler will be eligible for additional lodging or per diem reimbursement. To be reimbursed for the additional lodging and per diem, the traveler must state the reason for the extended stay in writing and obtain the signatures of the program director, CEO and Finance Office.

Failure to provide a properly documented lodging receipt for any night of travel voids the employee's right for lodging reimbursement for that 24-hour period. It does not void the employee's right to reimbursement for other days for which lodging receipts are provided.

Travelers who share lodging with another employee are entitled to a full daily rate provided that a lodging receipt is obtained bearing each traveler's name. The only exception is if the travelers are married. Married travelers will be required to share lodging and only one of the married travelers will be reimbursed for the lodging.

The traveler must provide the original lodging receipt issued by the hotel/motel that bears the traveler's name. A copy issued by the hotel/motel is acceptable if traveler loses the original, however, such copy must be sent directly to the Finance Office by the hotel/motel and must show the travelers name, dates of stay and final cost. Receipts are not required for meals and incidentals relative to per diem.

07.109 OTHER TRAVEL EXPENSES

The only travel expenses which will be reimbursed to the traveler, other than the cost of travel to and from the destination, lodging, and per diem for meals, is the cost of local transportation at the travel destination. A receipt for local transportation is required for reimbursement. There is no limit on reimbursements for local transportation provided receipts are submitted.

07.110 ENTERTAINMENT

Entertainment is not an eligible travel expense.

07.111 NON-EMPLOYEE TRAVEL

The elected officials may allow travel for non-employee Tribal members when the travel is deemed beneficial to Tribal operations. The elected official shall authorize travel for the non-employee through a signed memorandum and Travel Advance Form. For non-

employees who do not reconcile outstanding travel, the Tribe will deduct the outstanding amount owed from future payments to the non-employee such as committee stipends or contracted services. If the Tribe receives no reconciliation or payment within sixty (60) days after the trip has been completed, the Tribe may pursue any legal method of debt collection.

A Tribal employee funded from federal or state sources who travels at the request of the Elected Administration for purposes unrelated the employee's Federal or State program is required to take leave from the program for the travel.

07.200 TRAVEL ADVANCE FORM

Travelers must complete a Travel Advance Form prior to traveling. This form authorizes the travel. A valid and completed form should be submitted at least three days prior to travel. If the Travel Advance Form is not submitted three days prior to travel then the travel may be denied and/or an advance of funds may not be given. The steps to complete the form include the following:

1. Traveler must provide basic travel data on the Travel Advance Form and sign the request. Traveler shall provide back-up for registration fees and dates of required travel. If the traveler does not know the accounting line-items to be charged, the travel specialist should be contacted to obtain the correct account number.
2. Traveler must obtain the signatures of the program director, Finance Officer and elected official, if applicable prior to submitting to the Travel Specialist. The form must have dates by the signatures.

The Travel Specialist will first confirm that there is budget in the line items that the travel will be charged to. If budgeted funds are not available, the form is rejected and returned to the traveler. The Travel Specialist will write on the form: "Rejected due to lack of budgeted funds."

If the Travel Specialist notes any other reason why the travel should be rejected, the form will be returned to the traveler with the reason written on the form. The travel may get rejected due to traveler having outstanding travel that hasn't been reconcile.

The Travel Specialist will confirm all amounts to be advanced and make corrections as deemed necessary. If approved, the Travel Specialist signs and submits the travel advance form to accounts payable to process the advance payment. The Tribe will pay all airfare and registration fees directly to the vendor, not to the traveler. An Accounts Payable voucher must be submitted by the traveler to pay for the registration. The Travel Specialist or specifically designated staff are responsible for making and paying for all airline reservations.

07.300 TRAVEL RECONCILIATION FORM

All travelers should complete a Travel Reconciliation Form within fourteen (14) days after the Travel is completed. A validly completed Travel Reconciliation Form must be filled out and contain:

1. Hotel/motel receipt with travelers name
2. Airline ticket receipt (if applicable)
3. An agenda or other handout from the meeting evidencing attendance (if applicable)
4. Any other required receipts
5. Traveler's signature
6. Program director's signature
7. Finance Officer's signature

Original receipts must be attached. If traveler seeks reimbursement for expenses not included in his/her advance, he/she must provide receipts and must be applicable.

The Travel Specialist reviews the completed form for accuracy and indicates approval by signature. The travel specialist then forwards the travel reconciliation to accounts payable if a refund is due, accounts receivable if the traveler has submitted payment for a balance owed, or payroll if the balance owed is to be repaid through a payroll deduction. If there is a balance owed and payment is not attached, then the form is automatically forwarded to payroll for a payroll deduction from the traveler's paycheck. Once a deduction is forwarded to payroll, the travel is no longer considered outstanding. If no balance or refund is due, the form is filed in records.

If traveler fails to go on the intended travel, traveler shall void the travel advance and return the check not cashed. If traveler cashes his/her travel advance check without traveling, he/she shall reimburse the Tribe immediately. If traveler fails to reimburse the Tribe, the Tribe shall deduct the travel advance from the traveler's paycheck.

Failure to submit a valid Travel Reconciliation Form within 30 days after the travel is completed will result in the Tribe deducting the travel advance from the employee's paycheck. The only exception to the thirty days is for the elected officials. They may take up to 60 days to submit the Travel Reconciliation Form after the travel is completed.

Payroll deductions regarding travel advances will be deducted in full unless specifically requested to spread deduction evenly over 4 pay periods. Once travel is deducted from an employee's paycheck, it will not be reimbursed to the employee. A traveler may elect to have the payroll deduction deducted from their annual leave balance if greater than \$100. This will be taken in full, not spread over pay periods. If there is not enough annual leave, then the remaining balance will be deducted from the net paycheck as discussed above. Special pay back arrangements may be given if the total deduction is larger than \$400. If it is the traveler's last paycheck 100% of the travel advance will be deducted. If a traveler is no longer an employee and still has outstanding travel advances that are not reimbursed, then the amount will be added to the employee's gross W-2 wages and subject to income tax.

07.400 ON-RESERVATION TRAVEL

On-reservation travel is considered local travel within the reservation or a 100-mile radius from the Tribal Offices at Crow Agency. This travel does not include an overnight stay unless the Travel extends beyond a full business day or more or they have the option of driving back and forth. Travel must be authorized by the employee's program director or the appropriate supervisor. The request for reimbursement for this travel is submitted on a Mileage Report form to accounts payable.

07.500 VEHICLE RENTALS

When a program budget permits the rental of a vehicle for program personnel, the program director may secure a GSA rental or a tribally owned vehicle for the program through the procedures identified in the procurement management system. Programs are not permitted under any circumstances to rent a vehicle from an employee of the program.

CHAPTER EIGHT

MISCELLENEOUS EXPENDITURE POLICIES

08.100 PURPOSE

The following are expenditure policies specific to the Crow Tribe. They will be applied to all funds within the Tribe.

08.200 EMERGENCY ASSISTANCE

Emergency Assistance is available to Tribal Members on a limited basis through the general funds. The Tribal Member must qualify through an application process. Emergency assistance is defined as financial assistance given to Tribal Members on behalf of the Crow Tribe when an unusual occurrence gives rise to a financial need for that member. Members must complete an application and provide back-up for their specific need (i.e., death certificate, hospital admission slip). The financial assistance will be limited to \$100 per situation. The assistance will also be limited based on the amount of funds available per approved budget. Assistance given greater than \$100 requires special approval by the Tribal Chairman.

08.300 FOOD COSTS

Some federal programs require the purchase of food to meet the program's objectives. Menus are generally required prior to purchase. Refreshments and/or light meals may be approved for trainings, if applicable. Employee parties need to have prior approval by the Tribal Chairman.

08.400 BURIAL FEEDS

Expenditures may be allowed to provide assistance with Burial Feeds.

08.500 DONATIONS

Donations/sponsorships may be made to any individual, group or organization upon the approval of the Tribal Chairman.

08.600 COMMITTEE MEETINGS

Stipends will be paid to official members of official committees for meetings specific to their purpose. Stipends are limited to \$100 per meeting. Frequency of meeting will be based on available budget. Meetings will not be paid if there is not available budget. Meetings should be held after business hours. If a meeting is during business hours, the employee will have to take leave without pay for that day to receive the \$100 stipend. Sign-

in sheets and minutes are required for payment. Food and beverage will not be provided by the Tribe at the meetings. There may be exceptions to the \$100 limit as approved by the Tribal Chairman. One current exception is for the 107th committee. They will receive \$300 per meeting with one meeting per week.

08.700 CREDIT CARDS

Credit cards will be allowed for four specific uses only. The Tribal Officials may be issued credit cards for Tribal business purposes. The Travel Specialists will be issued credit cards to reserve airline tickets, car rentals and hotel arrangements. The rural domestic program has a credit card for use with the Purple Feather campaign. The last use is for the fire crews to make purchases while on location fighting fires, which includes meals. Itemized receipts need to be turned into Finance in a timely manner. Business meal receipts should include business purpose and attendees listed. A credit card user agreement will be signed and kept on file when the initial credit card is issued.

08.800 CELL PHONES

Cell phones will be provided on a limited basis. Cell phones will be provided to Tribal Officials and certain "qualified employees". The Qualified Employees are those employees that have special needs for a cell phone or it is beneficial and allowable under the funding agency. The cell phone will be issued by the Finance Department. The Finance Department is responsible for all phone issuance, phone maintenance and changes to service.

08.900 TELEPHONE USAGE

1. Telephone usage should be for business purposes only. On rare occasions it may be used for personal use. If an employee has excessive personal usage, it will be deducted from that employee's salary. Random calls will be made to determine if calls are for personal or business use.
2. Request for additional phone hook-ups need to be made through the Finance Department. The Tribe has a centralized phone system that requires special equipment and installation.

08.1000 LOANS

No personal loans are allowed. Personal loans may be obtained through the Crow Credit Department. See chapter 06.800 regarding the issuance of loans through the Credit Dept.

08.1100 FUEL PURCHASE / MILEAGE REIMBURSEMENTS

The gas requisition must be requested on a per time basis for Tribal Vehicles specifically assigned. The vehicles must be licensed and insured under the Tribal Insurance Policy. The vehicle driver must have a valid Montana's drivers license. Gas requisitions will not be

issued if budget is not available. Fuel purchases for GSA vehicles must follow the GSA guidelines and restrictions.

Mileage reimbursements will be made for Tribal employees that utilize their personal vehicles to conduct tribal business. The Tribal business must be pre-approved. Mileage will not be reimbursed for travel between the vehicle owner's home and their place of employment at the Crow Tribe. The employee must submit an auto mileage report to request reimbursement at the approved Federal Standard Mileage rate. The employee must report their beginning and ending odometer reading. If applicable, documentation needs to be attached proving their need to conduct the Tribal business. The employee may need to provide proof that they were physically at the destination. This can be a signed letter or statement from an individual at the destination. A copy of the employee's current valid Drivers License and proof of vehicle insurance for the specific vehicle driven need to be provided. A mileage reimbursement request needs to be submitted to Finance within 30 days of the conducted tribal business. The reimbursement is solely for the use of the vehicle. The reimbursement should be made to the vehicle owner listed on the proof of insurance. If the payee is different than the owner listed on the insurance, it should be explained and requested in memo form.

08.1200 COMPUTER EQUIPMENT/PERIPHERIALS PURCHASES

Computer equipment purchases must be made through the Tribe Information Technology Department. This is to guarantee that the equipment is compatible with our computer network and the specs are consistent with the Tribe's needs.

08.1300 SENIOR BENEFITS

Senior members of the Crow Tribe of Indians age 67 and older receive a \$200 benefit monthly. The checks are issued on the 1st day of the month. Back benefits will be paid from the period the member turned 67, if the senior member did not receive the benefits. Proof of age must be provided. If a check is not received by the senior for the current month a stop payment will be issued. A replacement check will be issued after 10 working days from the date of the stop payment. This benefit is subject to change or termination at the discretion of the Tribal Chairman at any time. It is not a required benefit.

CHAPTER NINE

RECORDS RETENTION

09.100 RESPONSIBILITIES

The Records Retention Supervisor is responsible for maintaining a catalogue by type and date of all records retained in satisfaction of OMB Circular A-102. Tribal policy requires the records to be stored for at least three years according to the following guidelines.

1. Financial records, supporting documents, statistical records, and all other records pertinent to a grant shall be retained for a period of three years, with the following qualifications:
 - a. If any litigation, claim or audit is started before the expiration of the 3-year period, the records shall be retained until all litigations, claims, or audit findings involving the records have been resolved.
 - b. Records for nonexpendable property acquired with Federal funds shall be retained for three years after its final disposition.
 - c. When records are transferred to or maintained by the Federal sponsoring agency, the 3-year retention requirement no longer applies to the Tribe.
2. The retention period starts from the date of the submission of the final expenditure report or, for grants that are renewed annually, from the date of the submission of the annual financial status report.
3. The Tribe may be authorized by the Federal grantor agency, if they so desire, to substitute microfilm copies in lieu of original records.
4. The Federal grantor agency shall request transfer of certain records to its custody from the Tribe when it determines that the records possess long-term retention value. However, in order to avoid duplicate recordkeeping, a Federal grantor agency may make arrangements with the Tribe to retain any records that are continuously needed for joint use.
5. The head of the Federal grantor agency and the Comptroller General for the United States, or any of their duly authorized representatives, shall have access to any pertinent books, documents, papers, and records of grantees and subgrantees to make audit, examinations, excerpts, and transcript; subject to restrictions on duplicate audits by the Federal grantor agency imposed by OMB Circular A-133.

6. Unless otherwise required by law, no Federal grantor agency shall place restrictions on the Tribe that will limit public access to the records of grantees that are pertinent to a grant except when the agency can demonstrate that such records must be kept confidential and would have been excepted from disclosure pursuant to the Freedom of Information Act (5 U.S.C. 522), if the records had belonged to the grantor agency.

09.200 CATALOGUE OF RECORDS

The catalogue of records retained by the Records Retention Supervisor includes index cards indicating the year the record was initiated and the type of record. For example, the court contract for fiscal year 2000 would include an index card stating, "FY 2000 Court Program" and list all applicable documents and location. Similarly, all accounting records for fiscal year 2000 would be indexed by subject matter i.e. general ledger, bank statements, accounts payable invoices, payroll, etc.

CHAPTER 10

PROCUREMENT & PURCHASING POLICIES

The Crow Tribe follows all Federal Procurement and Purchasing Policies as put forth in OMB Circular A-102, 25 CFR and A-87, as well as, specific requirements under each individual grant agreement. The following policies may be in addition to the above regulations, and are general policies of the Tribe.

10.100 POLICIES AND OBJECTIVES

1. It is the policy of The Crow Tribe to procure only those items, which are required to perform the mission and/or fill a bona fide, need. Procurements will be made with complete impartiality based strictly on the merits of supplier proposals and applicable related considerations such as delivery, quantity, etc.
2. The Program Directors, with the assistance of the Procurement Officer, are responsible for all functions related to the acquisition of supplies and services, including overall administration. In performing the functions, the acquisitions will adhere to the following objectives:
 - a. Obtain quality supplies/services needed for delivery at the time and place required
 - b. Buy from responsible sources of supply
 - c. Obtain maximum value for all expenditures
 - d. Deal fairly and impartially with all vendors
 - e. Document each transaction as required by the Internal Revenue Service
 - f. Avoid any conflict of interest
3. Purchase Orders must be issued prior to any Tribal purchases. The Purchase Order signifies authorization to make a purchase. This allows for pre-approval for budget and compliance. This means you may not charge any items on account with businesses prior to getting the approved Purchase Order. Any employee making purchases without this authority are subject to disciplinary actions and possible payroll deductions for the amount of purchases. Available budget is required for all expenditures whether a Purchase Order is required or not. Certain exceptions do not require a Purchase Order and they are as follows:

EXCEPTIONS:

- i. Recurring monthly bills such as Electricity, Water, Natural Gas, Telephone, Rent, Cable TV and authorized Postage Meters.
- j. Signed Contract Agreements

- k. Vendor Purchase Agreements as discussed in paragraph 10.410.
- l. Emergency Assistance, Support Agreements, Scholarships, Awards, Donations, Court Refunds, Senior Benefits, Per Capita, Fuel vouchers, Burial Assistance, Travel Advances/Reconciliations/Registrations, Mileage Reimbursements and Direct Services.
- m. Committee payments
- n. Maintenance agreements such as; fish tank cleaning, linen/rug cleaning, pest elimination, storage and telephone maintenance.
- o. Check up fronts as described in paragraph 06.501.
- p. Emergency Response situations including needed facility repairs.
- q. Specific exceptions for the Legislative Branch as discussed in paragraph 10.600 and any other exceptions as noted in other sections of this manual and/or written exceptions agreed to by the Finance Director/CPA for small dollar amount purchases.

10.110 STANDARDS OF CONDUCT

- 1. Business will be conducted ethically, in a manner above reproach and, except as authorized by statute or regulation, with the total impartiality and preferential treatment for none.
- 2. Tribal employees will not solicit or accept, directly or indirectly, any gift, favor, entertainment, loan or anything of monetary value, from anyone maintaining a business connection with The Tribe. Violations to the aforementioned will be grounds for disciplinary action.
- 3. Maintaining the integrity of the procurement process is of paramount importance; therefore, any person disseminating procurement information to persons who do not have a bona fide need to know, within or outside of the Corporation, are in violation of this trust and subject to dismissal.
- 4. The Tribe will apply sound business principles and procedures to all procurement actions and assure that their business methods are above reproach and the hint of suspicion.

10.200 RESPONSIBILITY OF THE PROCUREMENT OFFICER

The Procurement Officer and/or the Purchase Order Clerk will:

- a. Review each purchase order for proper item description and technical references or specifications such as approvals, clearances, etc., and all other necessary data to initiate the required purchase.
- b. Select a number of qualified suppliers, sufficient for meeting the competition criteria.

For the purpose of The Tribe, in most cases at least three (3) bids must be solicited for purchases greater than \$5,000. (*Please see Section 10.500*)

- c. Record all proposals/quotations.
- d. Document all negotiations/discussions and phone calls.
- e. Conduct price analysis and when necessary obtain cost analysis.
- f. Assure that funds are available for the purchase.
- g. Administer and modify or terminate purchasing agreements/contracts as necessary.
- h. The Purchase Order Clerk or Procurement Officer, with written comments will return purchase requisitions not in conformance with these criteria to the requestor.

10.300 PURCHASE REQUISITIONS

Program Directors will prepare a REQUISITION FORM to get a PURCHASE ORDER issued. All requisitions require signature by the Program Director and dated. Program Directors can email their Requisition Forms to the Procurement clerk. The email will provide proof of signature and date. Please list the Vendor and amount in the subject line of the email. The email should be sent from the Program Director's email or a designated employee from within the program. Requisitions must contain as a minimum:

- 1.) Cost estimate (as required) and source of funding (proper accounting code classification).
- 2.) A brief statement, in non-technical language, of the nature and purpose of the procurement.
- 3.) Provide date or period item is needed.
- 4.) Vendor preference (final vendor selection will be made by Procurement)

Purchase Requisitions will not be processed if information is missing. The Purchase Order Clerk may return the Requisition and provide comments in writing or may telephone or email requesting the needed information.

10.400 PURCHASE ORDER CLERK: INITIATION OF PURCHASE ORDER

Upon receipt of a valid and completed Purchase Requisition, the Purchase Order Clerk will enter the information from the Purchase Requisition into the Purchase Order Database. The database will generate a Purchase Order for approval from the appropriate CPA staff and/or Finance Director. The Purchase Order will print the name of the approving staff on the form. Once the Purchase Order is approved, the Purchase Order Clerk will print or forward the Purchase Order to the Program Director.

If the Purchase Order is rejected, the Purchase Order Clerk will forward a written notice as to why the Purchase Order was denied.

Purchase Orders will be processed in the order that they are received. The turn around time for processing a Purchase Order is 24 hours. In emergency situations, the processing time may be shortened. An incomplete Purchase Requisition may delay the Purchase Order issuance.

The Purchase Order should contain all the same information as required on the Purchase Requisition with the selected Vendor's name and address. Some additional information may be added to the Purchase Order as determined by the Procurement Officer and/or CPA staff.

10.410 VENDOR PURCHASE AGREEMENTS (VPA)

Vendor Purchase Agreements (VPA) may be utilized for repetitive purchases to a particular vendor from a particular program/fund. These eliminate the need to submit repeat Purchase Requisitions by the Program Directors and the corresponding issuance of Purchase Orders. An example of where a VPA would be utilized is with the Senior Citizens Program, in which, weekly food purchases are made. VPA's are allowed only for responsible Program Directors that are very familiar with their budget constraints and allowable purchases. The Finance Department may deny the use of VPA's without any reason. VPA's are issued at the discretion of the Finance Department. A copy of the current VPA for that vendor must be attached to the Accounts Payable Voucher, in order to initiate the payment. VPA must be renewed annually. Items required to be completed on the VPA forms:

- a. Vendor Name, ID and Address
- b. VPA number (the fiscal year, unless multiple agreements with Vendor)
- c. Fund, Department and General Ledger account coding
- d. Description of the products or services to be provided
- e. Purpose of the purchases
- f. Quantity, Dollar and Frequency limits.
- g. Expiration Date (usually the end of fiscal or program year)
- h. Program/Individuals Authorized to place orders on behalf of the Tribe under this VPA
- i. Signed and dated by the Program Director, CPA, Vendor representative and Tribal Chairman

10.420 OPEN PURCHASE ORDERS

Purchase Orders are open for 30 days only from the date issued unless specifically stated on the Purchase Order.

10.430 SIGNATURE AND REVIEW REQUIREMENTS

1. Each Program Director for the Tribe should be familiar with the Tribe's signature requirements for the Purchase Order and Accounts Payable process.
 - a. The CPA staff or Finance Director must approve all Purchase Orders.
 - b. All Accounts Payable Vouchers must have CPA staff or Finance Director's signature, as well as, Budget Officer and Requester's signature. CPA staff or Finance Director can act as Budget Officer in their absence. There are two exceptions. One is Credit Loans in which the Credit Department is the only signature authority. The second exception is payments posted to non-budgetary line items, such as a Payable Account. The Budget Officer is not required to sign in these situations.
 - c. The Tribal Chairman must approve all purchases over \$10,000 by signing the Requisition and/or Accounts Payable Voucher. If more than one payment is required for the purchase, the initial payment is the only payment that requires the Chairman's approval. The Tribal Chairman must sign all contracts, except miscellaneous service contracts under \$1,000. The Chairman can give signature authority to specific individuals in his absence or for certain projects. This transfer of authority must be in writing.
 - d. The program director or requester should sign on all Purchase Requisitions and Accounts Payable Vouchers.
 - e. Contracts and miscellaneous service agreements should be signed by person responsible for providing the service.

10.500 SELECTION OF SUPPLIERS

1. Even though the selection of competent suppliers is a basic responsibility of the Procurement Officer, there are no standards by which all suppliers can be judged, because of the wide variety of materials equipment and services required by The Tribe. There are, however, several major considerations and sources of information that the Purchasing Officer may use to locate sources and guide him/her in the selection of suppliers:
 - a. Master vendor's mailing list/procurement history file
 - b. Technical and business reputation of a company
 - c. Past performance of a company, if previously used by The Tribe
 - d. Recommended sources (input from the requesting organizational element)
 - e. Recommendations from other sources
 - f. Information obtained from trade fairs, catalogs, trade journals, sales literature and

other publications

- g. Published registers, such as the "Thomas Register"
 - h. Purchasing source lists
 - i. Classified sections of telephone directories
 - j. Buyer's knowledge and experience
 - k. Professional associations
 - l. Contacts with salespersons and vendor representatives.
2. Every supplier requesting an opportunity to render an offer will be given the opportunity to do so, unless there is supportable evidence that he or she cannot realistically be expected to provide the required item(s).
 3. If bids are requested and submitted, the selected supplier should be the lowest bidder. If the lowest bidder is not accepted, then it should be documented why the particular supplier was selected. A valid reason should be determined.
 4. If a supplier is an individual rather than an established business then steps must be taken to determine that a fair and competitive price is being charged by the individual. The price may be reviewed and approved by Finance for reasonableness. Finance may require a bid from an established business to verify the reasonableness. If the established business provides a bid lower than the individual, then the individual can be the selected supplier if it lowers its price to the same as the established business.
 5. Exceptions: Supplies or services may be procured on a noncompetitive basis under the following circumstances:
 - a. Only one responsible source and no other supplies and services will satisfy the requirement (example: replacement machine parts).
 - b. Certain professional contracts that require specific expertise in which the stability and reliability of the provider is of great importance, such as Attorneys, CPA's, Consultants and Auditors.
 - c. Circumstances are unusual or there is a compelling urgency, such as an emergency health or safety situation, major equipment in jeopardy or limited time to complete.
 - d. Vehicle or machinery repair in which it is difficult to transfer the item to different vendors, in order, to solicit bids or estimates. Bids may still be requested at the discretion of the CPA/Finance Director.
 - e. Continuation of an existing contract.

6. The Tribe is committed to a policy of full and open competition, and solicitation of offers will not stop at any minimum number of bidders/offerors. In circumstances other than noncompetitive awards, the Tribe will obtain at least the following number of bidders/ offerors:

Competitive Procurement

Procedure	Limits
a. Competition not required	< \$5,000
b. Solicit three (3) sources by phone or in writing.	> \$5,000 < \$25,000
c. Three (3) bids submitted in writing and possible Public Notice Required	Required for purchases over \$25,000. May be required for lesser amounts. Does not apply to Noncompetitive Awards as discussed above.

10.510 PREPARING A SOLICITATION OR BID

1. Solicitations/bids normally will be completed using the instructions in this part. Since there is really no such thing as a "standard" procurement action, this part will address the items required to be completed.
2. Phone solicitations should be documented with the vendor name, date prepared, description of goods or services requested and the price.
3. If phone or written solicitations are difficult to obtain, then other sources may be used as solicitations to confirm the reasonableness of the price. Advertisements for similar products may be used for a price comparison, as well as, Blue Book on vehicles or equipment.
4. If three solicitations or bids are difficult to obtain a public notice may be required. This may be requested at the discretion of the CPA/Finance Director.
5. All bids or solicitations should be for similar or comparable products or services. Bids must be in writing from the Vendor.

10.600 LEGISLATURE EXCEPTIONS

The Legislative Branch is not required to get Purchase Orders issued. They maintain a revenue subcommittee that monitors their budget and purchasing. The subcommittee reviews their budget and detailed expenditures frequently. Generally, the Speaker of the House will sign on all accounts payable voucher and travel advances, but some over a certain dollar limit may require the subcommittee specific written approval. Travel will not require the Chairman's approval. Contracts will require the subcommittee's approval or the majority of the Legislature's approval. In general, most other policies will be followed by the Legislature.

If the Legislature goes over their total budget for the fiscal year, the following year's budget will be reduced for this amount. If their spending is less than their total budget, these excess funds may be added to the following year's budget.

CHAPTER 11

PROPERTY, PLANT AND EQUIPMENT (PP&E) PROCEDURES

The Crow Tribe follows all Federal Regulations regarding the acquisition and disposal of fixed assets, as put forth in OMB Circular A-102 and A-87. The following policies may be in addition to the above regulations, and are general policies of the Tribe.

11.100 DEFINITION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (PP&E) is also referred to as capital assets or fixed assets throughout this manual. Capital assets are defined as non-expendable personal, real or intangible property which the cost exceeds \$5,000 and has a useful life of more than one year. Capital assets will be depreciated following GASB 34 by the required due date of implementation.

11.200 PP&E ACQUISITIONED

1. PP&E Acquisitions will be based on Approved Requests.

Before a purchase is made prior approval must be obtained. See chapter 10 for signature authority.

2. Internal Accounting Controls

- A. Separate Fixed Asset Form will be attached to all Accounts Payable Vouchers with the appropriate information filled in. Payments to Vendor should not be made until Form is attached. This applies mainly to computer equipment and peripherals. Other Fixed Assets may not have a Fixed Asset Form.
- B. Reconciliation of Fixed Asset Forms, the purchases posted to the Equipment line items and the items recorded in the fixed asset spreadsheet.
- C. Information on each fixed asset will be entered in the fixed asset spreadsheet. This information includes, but is not limited to: identification number, acquisition price, asset description, physical location of asset, and department/fund in possession of asset.

3. Donated tangible assets

- A. All tangible assets donated to the organization will be treated as owned by the organization.
- B. Each donated asset will be identified, tagged and entered in the fixed assets spreadsheet at the fair market value of the asset at the time of the donation of the asset.

11.300 RECORDKEEPING OVER PROPERTY, PLANT AND EQUIPMENT

The purpose of this control objective is to completely and accurately record fixed asset acquisitions, transfers and dispositions on a current basis.

1. Capitalization Policies

The Crow Tribe will observe its policies on the capitalization of equipment and distinguish between normal maintenance and betterments. The Crow tribe will also observe ARB 43 and FASB 34 regarding the capitalization of expenditures for capital assets under construction and the capitalization of interest expense. Items purchased in bulk purchases will be recorded as property, plant and equipment if items within the purchase exceed \$5,000 individually.

2. Fixed Asset Classification

Fixed assets will be maintained for the following classifications: land, buildings, equipment, furniture and fixtures, vehicles, livestock and infrastructure.

3. Procedures

- A. Asset acquisitions, transfers, dispositions and depreciation will be entered in the Fixed Assets Spreadsheet. A different Spreadsheet will be maintained for each fiscal year.
- B. The fixed assets spreadsheet will be reconciled with the general ledger for the original acquisition cost and accumulated depreciation.
- C. Any differences will be analyzed and resolved by the procurement officer in coordination with the Finance Office (CPA).
- D. The \$5,000 threshold for fixed assets was adopted October 1, 2005. Prior to that date the threshold was \$1,000. The items purchased for less than \$5,000 prior to October 1, 2005 will continue to be reported as fixed assets until fully depreciated and/or disposed of.

11.400 DEPRECIATION

The purpose of this control objective is to ensure that the depreciation of PP&E is correctly stated. The Tribe will record depreciation upon the due date of implementation as required by GASB 34.

1. Depreciation Policies

The same methods of depreciation, useful lives and residual values are to be used for all accounting purposes.

2. Depreciation of Assets

Detailed depreciation records will be maintained so that the organization's total depreciation amounts will be cumulative from each fixed asset's periodic and accumulated depreciation.

3. Procedures

- A. Each new capital asset will be properly classified according to the type of asset and useful life and entered in the Fixed Assets Spreadsheet.
- B. Annually, the Finance Office (CPA) will evaluate the useful lives of fixed assets. If a change is made, the remaining cost of the class of assets will be spread over their revised remaining lives.

11.500 INVENTORY OF PROPERTY, PLANT AND EQUIPMENT

The purpose of this control objective is to ensure that all recorded assets exist and are in use.

1. Internal accounting controls

- A. All applicable PP&E tagged when received
- B. Restricted access to facilities during non-working hours
- C. Physical inventories completed at least bi-annually

2. Procedures

- A. Inventory will be taken by those employees with responsibilities independent of the custody or record keeping of such assets.
- B. The inventory of fixed assets will be compared to the detailed fixed assets printout.
- C. Any differences will be resolved with the employee to whom the asset has been assigned.

11.600 DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

The purpose of this control objective is to ensure that assets no longer in use will be disposed of in accordance with existing policies.

1. Disposal Policies

The Crow Tribe has adopted policies on the disposition of PP&E.

2. Internal Accounting Controls

- A. Disposal or transfer of fixed assets only with proper authorization
- B. Periodic count of fixed assets that is reconciled with fixed asset records.

3. Procedures

- A. A determination will be made by the procurement officer, in coordination with the finance director, as to the necessity of keeping a fixed asset.
- B. An asset may be disposed of by: 1.) Trade-in on a similar asset; 2.) Sale to employees or third parties; 3.) Gift to a local charity/treatment as scrap/etc.
- C. Asset disposals will be documented and list of disposed assets will be maintained. The Finance Office (CPA) will enter the asset disposals as a reduction in the General Ledger control account/ the related accumulated depreciation account/ treatment of any proceeds from the disposition/ and the recognition of any gain or loss on sale of the disposed asset.

CHAPTER 12

INTERNET USAGE POLICY

12.100 POLICY OVERVIEW

This Internet usage policy is designed to help you understand our expectations for the use of resources in the particular conditions of the Internet, and to help you use those resources wisely.

The Crow Tribe's first concern is the security of our data and systems. An Internet user can be held accountable for any breaches of security or confidentiality.

The Internet is a business tool, provided to you at a significant cost. The Crow Tribe expects you to use your Internet access primarily for business related purposes, i.e., to communicate with customers and suppliers, to research relevant topics and obtain useful business information, except as outlined below. We insist that you conduct yourself honestly and appropriately on the Internet, and respect the copyrights, software licensing rules, property rights, privacy and prerogatives of others, just as you would in any other business dealings. All existing company policies apply to your conduct on the Internet, especially (but not exclusively) those that deal with intellectual property protection, privacy, misuse of company resources, sexual harassment, information and data security, and confidentiality.

The Crow Tribe System Engineer must take special care to maintain the clarity, consistency and integrity of the company's image and posture. Anything any one employee writes in the course of acting for the company on the Internet can be taken as representing the company's posture. That is why we expect you to forgo a measure of your individual freedom when you participate in newsgroups on company business, as outlined below.

12.200 DETAILED INTERNET POLICIES

1. User Ids and passwords help maintain individual accountability for Internet resource usage. Any employee who obtains a password or ID for an Internet resource must keep that password confidential. Company policy prohibits the sharing of user Ids or passwords obtained for access to Internet sites.
2. The Systems Engineer may monitor and record all Internet usage. We want you to be aware that all our security systems may record (for each and every user) each World Wide Web site visit, newsgroup or email message, and each file transfer into and out of our internal networks, and we reserve the right to do so at any time. No employee should have any expectation of privacy as to his or her Internet usage.
3. Employees may use their Internet facilities for non-business research, browsing, or

communication during mealtime or other breaks, or outside of work hours, provided that all usage policies are observed.

4. During business hours, employees with Internet access may download only software with direct business use, and must arrange to have such software properly licensed and registered. Downloaded software must be used only under the terms of its license. Under no circumstances are downloaded applications, files, or file attachments received in email to be saved to the server unless they are first checked for viruses.
5. During business hours, employees with Internet access may not use company Internet facilities to download entertainment software or games. Because of bandwidth restrictions, employees are never permitted to play games against opponents over the Internet.
6. Participation in Internet chat groups is not acceptable during business hours.
7. Video and audio streaming and downloading technologies represent significant data traffic, which can cause local network congestion. Video and audio downloading should be avoided unless necessary for business use.
8. We reserve the right to inspect any and all files stored in private areas of our network in order to assume compliance with policy.
9. The display of any kind of sexually explicit image or document on any company system is a violation of our policy on sexual harassment. In addition, sexually explicit material may not be archived, stored, distributed, edited or recorded using our network or computing resources.
10. The Crow Tribe's Internet facilities and computing resources must not be used knowingly to violate the laws and regulations of the United States or any other nation, or the laws and regulations of any state, city or province or other local jurisdiction in any material way. Use of any company resources for illegal activity is grounds for immediate dismissal, and will cooperate with any legitimate law enforcement activity.
11. No employee may use company facilities knowingly to download or distribute pirated software or data.
12. No employee may use the Crow Tribe's Internet facilities to deliberately propagate any virus worm, Trojan horse, or trap-door program code.
13. No employee may use the Crow Tribe's Internet facilities to disable or overload any computer system or network, or to circumvent any system intended to protect the privacy or security of another user.
14. Each employee using the Internet facilities of the company shall identify himself or herself honestly, accurately and completely (including one's company affiliation and

function where requested) when participating in chats or newsgroups, or when setting up accounts on outside computer systems.

15. Employees are reminded that chats and newsgroups are public forums where it is inappropriate to reveal confidential company information, customer data, trade secrets, and any other material covered by existing company secrecy policies and procedures. Employees releasing protected information via newsgroup or chat—whether or not the release is inadvertent—will be subject to all penalties under existing data security and procedures.
16. Since a wide variety of materials may be deemed offensive by colleagues, customers or suppliers, it is a violation of company policy to store, view, print, or redistribute any document or graphic file that is not directly related to the user's job or the company's business activities.
17. The company will comply with reasonable requests from law enforcement and regulatory agencies for logs, diaries, and archives on individuals' Internet activities.

CHAPTER 13

DISASTER RECOVERY

13.100 OVERVIEW

There are many aspects to Disaster Recovery. These policies will mainly cover the Tribe's contingency plans in regards to the financial computer systems in case of disaster, emergency and/or computer system failure. We will touch on a few other aspects in regards to emergency situations.

13.200 EMERGENCY CONTACTS

As soon as an emergency situation occurs, individuals should contact the appropriate emergency authority and then take the necessary steps to minimize property damage and injury to individuals in the vicinity.

<u>Type of Situation</u>	<u>Contact Person</u>	<u>Phone Number</u>
Computer Room or System Damage, such as electrical, water, fire, excessive heat, cold or humidity	Orrin Alden, Operations Supervisor	Office 638-3791 Home 638-2199
	Rhetta Rau, Computer Specialist	Office 638-3737
	Priscilla Hogan, Computer Assistant	Office 638-3819
Building Damage, such as air conditioning and heat, fire, electrical, plumbing and water	Orrin Alden, Operations Supervisor	Office 638-3791 Home 638-2199
	William Driftwood, Public Safety	Office 638-3832 Cell 620-2220
	Suzette Nanto, Public Safety	Cell 620-1643
	Source Refrigeration	406-248-7843
Phone System Down	Vodacom	406-665-1992
Phone Lines Down	Project Telephone	800-275-6004
	Quentin Whiteman, Project Telephone	

Electrical Outage	Big Horn Electric	406-665-2830
Physical Security	Executive Security	638-3722
	Finance Security	638-3869

13.300 PROCEDURES TO SAFEGUARD COMPUTER SYSTEM

In case of an emergency situation, the immediate steps to be taken are:

- a. Immediately power-down the computer
- b. In case of fire, use fire extinguisher to attempt to put out fire. A fire extinguisher is mounted on the wall next to the door of the computer room.
- c. Immediately contact Computer Specialist and Operations Supervisor. See phone numbers above.
- d. If time permits:
 - Remove current tapes
 - Detach Cables and Roll Cart Out

13.400 STEPS FOR CONTINUING OPERATIONS OF FINANCIAL SYSTEM

In case the current facilities/computer systems are destroyed or inoperable for a sustainable period, a plan is in place for a substitute facility/computer operation to be up and running within a short period. The following are the steps and/or plans in place:

- a. Check Stock – A substantial amount of check stock is located at the First Interstate Bank of Hardin's bank vault. We will be able to issue checks immediately without waiting for new check stock to be printed.
- b. Computer System Back-up – Weekly electronic back-ups of our financial accounting system and electronically stored documentation of transactions are made and stored in a safety deposit box at First Interstate Bank of Hardin. Additionally, the actual financial software is stored offsite. This can be restored and running within a day.
- c. Off-site Computer Systems – The Tribe has made arrangements with two separate facilities located in Billings, MT. We will use these facilities as temporary offices to run the Finance Department and any other needed departments or functions for the Crow Tribe until a permanent facility is secured.

CHAPTER 14

COMPUTER WORKSTATION BACK-UP

14.100 POLICY OVERVIEW

It is very important to be individually responsible for any computer files you create, maintain or store that is your responsibility under your employment position with the Crow Tribe of Indians. You must take steps to back-up this information, in case your computer or the network crashes or incurs a virus. This is for your protection, as well as, the Tribe's. Please follow the directions below to make sure you are backing up your files on a regular basis.

14.200 WHERE DO YOU BACKUP?

There are three mechanisms for storing your data:

- a. Jump Drive, Flash Disk, USB Storage
- b. CD/R or CD/RW
- c. To a folder on the server

You may choose the method you are comfortable with. Do not back-up to a floppy.

14.300 WHEN DO YOU BACKUP?

This depends on the frequency of changes to the files and the amount of effort, as well as, your comfort level. I would recommend at least a weekly back-up if not a daily back-up. You may want to back-up several times a day, if you are working on a big project.

Each Director should be responsible for collecting their department's backup on a weekly basis. They should either turn in an occasional copy of the back-up to the IT department to be stored offsite.