

## LEGISLATIVE SUMMARY SHEET

Tracking No. 0002-20

**DATE:** December 26, 2019

**TITLE OF RESOLUTION:** AN ACTION RELATING TO BUDGET AND FINANCE COMMITTEE; RESCINDING RESOLUTIONS BFJY-114-86, RELATING TO THE USE OF PROCEEDS FROM THE SALE OF TRIBAL VEHICLES AND BFD-37-14, RELATING TO PURCHASE CARD POLICIES; AMENDING RESOLUTION BFJA-01-02, RELATING TO THE EMPLOYEE TRAVEL POLICIES AND PROCEDURES; APPROVING THE POLICIES OF THE NAVAJO NATION OFFICE OF THE CONTROLLER

**PURPOSE:** The purpose of this resolution is approve revisions to the Policies for the Office of the Controller.”

This written summary does not address recommended amendments as may be provided by the standing committees. The Office of Legislative Counsel requests each Council Delegate to review each proposed resolution in detail.

5-DAY BILL HOLD PERIOD: 2855  
Website Posting Time/Date: \_\_\_\_\_  
Posting End Date: 1/08/20  
Eligible for Action: 1/09/20

PROPOSED STANDING COMMITTEE RESOLUTION  
24<sup>th</sup> NAVAJO NATION COUNCIL—Second Year, 2020

INTRODUCED BY



Primary Sponsor

TRACKING NO. 0002-20

AN ACTION

RELATING TO BUDGET AND FINANCE COMMITTEE; RESCINDING  
RESOLUTIONS BFJY-114-86, RELATING TO THE USE OF PROCEEDS FROM  
THE SALE OF TRIBAL VEHICLES AND BFD-37-14, RELATING TO PURCHASE  
CARD POLICIES; AMENDING RESOLUTION BFJA-01-02, RELATING TO THE  
EMPLOYEE TRAVEL POLICIES AND PROCEDURES; APPROVING THE  
POLICIES OF THE NAVAJO NATION OFFICE OF THE CONTROLLER

BE IT ENACTED:

**SECTION ONE. AUTHORITY**

- A. The Budget and Finance Committee is the oversight committee for the Office of the Controller. The Budget and Finance Committee is empowered to review, recommend or propose the adoption, amendment or rescission of Plans of Operation for divisions and offices over which it has oversight authority. 2 N.N.C. § 301(B)(13).
- B. The Budget and Finance Committee is empowered to promulgate policies and regulations concerning wages, expenditure reimbursement, and fringe benefits for Navajo Nation officials and employees. 2 N.N.C. § 301(B)(8).

**SECTION TWO. FINDING**



- 1 A. The Budget and Finance Committee previously approved resolutions relating to  
2 policies and procedures for the Office of the Controller including: BFJY-114-86  
3 Relating to The Use of Proceeds from the Sale of Tribal Vehicles, BFJA-01-02,  
4 Relating to The Employee Travel Policies and Procedures, and BFD-37-14,  
5 Relating to Purchase Card Policies.
- 6 B. The Budget and Finance Committee of the Navajo Nation held a work session on  
7 September 12, 2019 with the Office of the Controller to discuss the current and proposed  
8 policies.
- 9 C. The "Policies for the Navajo Nation Office of the Controller" (the "Policies") are  
10 attached as **Exhibit A**.
- 11 D. The Policies govern the following areas: Accounts Payable, Accounts Receivable,  
12 Cashiers, Contract Accounting, Financial Statement, General Accounting, Investment,  
13 Office Supply Center, Office of the Controller Administration, Payroll, Purchase Card,  
14 Property Management, Travel, and Systems.
- 15 E. Procedures for the Office of the Controller, to the extent they are internal  
16 processes of the Office of the Controller, may be promulgated by the Controller  
17 without further approval by the Budget and Finance Committee. However, any  
18 processes that detail the methods to be employed by customers, Navajo Nation  
19 government employees, contractors, or elected officials, are considered  
20 regulations.
- 21 F. All regulations for the Office of the Controller shall be approved by the Budget  
22 and Finance Committee.

23  
24 **SECTION THREE. RESCINDING RESOLUTIONS BFJY-114-86 and BFD-**  
25 **37-14.**

26 The Budget and Finance Committee rescinds the following previously approved  
27 policies of the Navajo Nation Office of the Controller: BFJY-114-86 "Relating to  
28 The Use of Proceeds from The Sale of Tribal Vehicles", and BFD-37-14, "Relating to  
29 Purchase Card Policies."  
30

1     **SECTION FOUR. AMENDING BFJA-01-02, THE EMPLOYEE TRAVEL**  
2     **POLICIES AND PROCEDURES HANDBOOK**

3     The Budget and Finance Committee amends Resolution BFJA-01-02, "The Employee  
4     Travel Policies and Procedures Handbook." The policies in Resolution BFJA-01-02  
5     are replaced by the Policies approved in **Exhibit A**. The procedures in Resolution  
6     BFJA-01-02 remain in effect until such time as the Budget and Finance Committee  
7     approves travel regulations to replace Resolution BFJA-01-02.

8  
9     **SECTION FOUR. DIRECTIVE TO THE CONTROLLER**

- 10    A. Any regulations, as defined in section 2, paragraph E, above, shall be approved by  
11       the Budget and Finance Committee.
- 12    B. The Controller is directed to review Resolution BFJA-01-02 and submit proposed  
13       travel regulations for approval by the Budget and Finance Committee within 90  
14       days from the date this resolution is approved.

15  
16    **SECTION FIVE. APPROVAL**

17    The Budget and Finance Committee approves the Navajo Nation Office of the  
18    Controller Policies as attached in **Exhibit A**.

Office of the Controller

# The Navajo Nation

Accounts Payable Policies Manual



## THE NAVAJO NATION – Office of the Controller

### Accounting Policies Manual

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### Accounting Policies Manual

|              |                    |                 |     |
|--------------|--------------------|-----------------|-----|
| DESCRIPTION: | Accounts Payable - | INDEX:          | 1.1 |
|              | Overview           | POLICY:         | X   |
|              |                    | PROCEDURES:     |     |
|              |                    | EFFECTIVE DATE: |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Internal Revenue Code Section 6041 and 6109(A)(3); Treasury Regulation Section 1.6041-6 and 301.6109-1.

#### PURPOSE:

To establish policies, guidelines, and procedures for documenting, recording, and issuing payments of the purchase order and non-purchase order procured goods and services otherwise known as accounts payable (AP). The AP Policies and Procedures Manual is designed for use by Nation departments and programs in fulfilling its responsibilities of AP functions and provides guidance on procedures and operational requirements.

#### RESPONSIBILITY:

##### *AP Department*

The Navajo Nation AP Department has many responsibilities to fulfill to ensure that payments to suppliers are made on time, and the needs for flexibility in the Navajo Nation are met:

- 1) **Managing Supplier Relationships** - The AP Department is responsible for creating and maintaining a partnership with each supplier to ensure that all terms and conditions of the relationship are met.
- 2) **Processing Invoices** - The AP Department receives invoices and records liabilities and corresponding expenses or assets. Often, the AP Department will have to match vouchers with invoices and purchase orders from other departments.
- 3) **Processing Payments** - The AP Department ensures that payments are made in the most timely, accurate, and efficient manner possible. Before paying its suppliers, the AP Department needs to consider several factors, such as the due date of the invoice, and the amount of cash on hand versus the amount due to suppliers.

#### POLICY:

The Navajo Nation (Nation)'s policy is to safeguard its funds and to conduct business according to the principles of accountability, completeness, timeliness, and accuracy. This means providing external, as well as, internal customers with the most efficient, precise, and prompt service. It is the Nation's policy to utilize the most effective and efficient means possible to process vouchers, whether that be through ACH payments, the Nation's Automatic Payment function, or 6B payment process.



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|              |                                  |                 |     |
|--------------|----------------------------------|-----------------|-----|
| DESCRIPTION: | Accounts Payable -               | INDEX:          | 1.2 |
|              | Request for Direct Payment (RDP) | POLICY:         | X   |
|              |                                  | PROCEDURES:     |     |
|              |                                  | EFFECTIVE DATE: |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 203, *et seq.*; 2 N.N.C. § 1704 (CO-39-10); 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

#### PURPOSE:

This section establishes policies and procedures related to the proper accounting and processing of Request of Direct Payment (RDP).

#### RESPONSIBILITY:

##### *AP Department*

- Issue a direct payment for goods or services upon approval of the RDP form.

##### *Departments/Programs*

- Ensuring the item being paid is allowable per direct payment.
- Obtain order form/renewal notice for such items as subscription or invoice from the vendor.

#### POLICY:

The Nation's policy is to issue a direct payment for goods or services when the transaction does not warrant the issuance of an official purchase order (PO), contract, or for which negotiation by the Purchasing Section adds no value. Specifically, the RDP is a method within the Nation to pay vendors electronically or by check when Purchase Requisition (PR)/PO, Purchase Card (P-Card), Travel & Expense (T&E), or any other payment methods are not appropriate. This method of payment is allowed for certain pre-approved categories of transactions. In addition, required documentation must be provided with the request.

##### *RDP Categories*

The RDP can be requested for the following categories:

1. Insurance premiums and bonding charges;
2. Registration fees for continuing professional education, training and seminars and related materials;
3. Financial assistance, veterans' assistance, and loan proceeds disbursements;
4. Postage, postage meter rental, and express mail services;
5. Real estate (land) lease payments;
6. Business-related licenses, permits, and dues;
7. Classified or print media advertising;
8. Refunds-background check, tax, and over payments on loans;
9. Subscription renewals;
10. Recurring payments such as rent (i.e. storage and booth rental fees);
11. Unplanned, emergency equipment repairs.
12. Telephone and Internet providers;
13. Utilities;
14. Payments for traditional ceremonies.



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All other purchases must be made by PO or contract in accordance with the Navajo Nation Purchasing Manual and procurement laws. Any RDP that do not meet these policy requirements will be returned to the requesting party and will not be considered legitimate obligations of the Nation.

Not all vendors are eligible for an RDP request. Active vendors for whom the Nation have opened a PO cannot be paid via RDP. For vendors with a PO, requests for payment must be initiated via a purchase requisition (PR).

A PO is generally required if:

- The price should be reviewed and could potentially be negotiated; or,
- Terms and Conditions are required to protect Nation (e.g., the right to recourse for failure to perform).

#### ***RDP Form***

The RDP form can be accessed via the [OOC's website](#) under OOC Forms link. It should be filled out and must have an authorizing signature by appropriate approving authority prior to the submission to the AP Section. Any RDP without a proper signature will be returned to the submitting department/program.

***RDP Supporting Documentation*** Before submitting an RDP, the department/program must verify that the RDP has the required supporting documentation. The RDP cannot be processed and will be returned to the department/program without the following:

- Vendor invoice/membership renewal form/subscription order form/registration document, etc.
- Any supporting documentation for proof of delivery (i.e., invoice).
- Description of business purpose (e.g., a brief but definitive description of the expenditure).





## THE NAVAJO NATION – Office of the Controller

### Accounting Policies

|                     |  |                        |            |
|---------------------|--|------------------------|------------|
| <b>DESCRIPTION:</b> | <b>Accounts Payable -</b>                      | <b>INDEX:</b>          | <b>1.3</b> |
|                     | <b>Form W-9: Request for Taxpayer</b>          | <b>POLICY:</b>         | <b>X</b>   |
|                     | <b>Identification Number and Certification</b> | <b>PROCEDURES:</b>     |            |
|                     |  | <b>EFFECTIVE DATE:</b> |            |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; Internal Revenue Service Form W-9: Request for Taxpayer Identification Number and Certification, Internal Revenue Code Section 6109(a)(2)-(3), Treasury Regulations Section 301.6109-1(b)(1).

#### **PURPOSE:**

This section establishes policies and procedures related to the proper processing of Form W-9.

#### **RESPONSIBILITY:**

##### ***Accounts Payable Department***

- Request and maintain Form W-9 for all vendors, contractors, and other payees.

#### **POLICY:**

##### ***Form W-9 and TIN***

A completed Internal Revenue Service (IRS) Form W-9 *Request for Taxpayer Identification Number and Certification* is required from any entity that receives a payment from the Nation as it may be subject to 1099 reporting. Accordingly, the AP Section should request the vendors and contractors to fill out and sign Form W-9 prior to paying any sums to the entity/person. A Form W-9 ensures that the AP Section have the correct Taxpayer Identification Number (TIN) and other related information to report accurate tax information to the IRS and determine if a vendor should receive a Form 1099. Once the AP Section obtains completed Form W-9 from a vendor or contractor, it should keep the form in its records and use the information on the form to prepare the 1099 reporting. The Nation must protect the information provided on Form W-9 and is not allowed to misuse or disclose the information provided it by a worker, contractor, vendor, landlord, or another person.

A vendor or contractor who received a proper request from the Nation to fill out a Form W-9 is required to fill out the form and return it to the Nation. The requirement is contained in the Internal Revenue Code Section 6109(a)(2)-(3) and accompanying Treasury Regulations Section 301.6109-1(b)(1). In addition, the vendor or contractor is obligated to send out a new Form W-9 whenever there is a change in tax payer name, business name, address, social security number (SSN), and/or employer identification number (EIN). By a vendor or contractor submitting a Form W-9, it certifies that the TIN is correct and accurate. There are penalties for failures to collect or furnish Form W-9; thus, proper completion of the Form W-9 protects Nation from tax and penalty. If the vendor or contractor neglects or refuses to provide an accurate and valid TIN when properly requested, then it may be subject to backup withholding at the rate of 28 percent.





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|              |                   |                 |   |
|--------------|-------------------|-----------------|---|
| DESCRIPTION: | Accounts Payable  | INDEX:          |   |
|              | FMIS Address Book | POLICY:         | X |
|              |                   | PROCEDURES:     |   |
|              |                   | EFFECTIVE DATE: |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

#### **PURPOSE:**

To establish policies and procedures for the maintenance and control of an accurate Address Book system within the JD Edwards EnterpriseOne Financial Management Information System (FMIS). This policy was created to maximize efficiency within the Accounts Payable (AP), Accounts Receivables (AR), Payroll, and Purchasing functions. In addition, to avoid the occurrence of duplicate vendor payments and inaccuracies in customer vendor information.

#### **RESPONSIBILITY:**

##### ***Office of the Controller (OOC) Address Book Section***

- Coordinate with the AP Section, AR Section, Purchasing Service Department, and Department of Personnel (DPM) and their Human Resources Information System (HRIS) and Payroll Department to perform the necessary validations and verifications of the customer and/or vendor.
- Create or update the Address Book record in the FMIS according to the Address Book Record Setup and Maintenance form.
- Perform a periodic review of the Address Book records to eliminate any duplicate Address Book records.
- Review the FMIS Address Book file on a periodic basis. Any unused or inactive customers and vendors should be hidden from the FMIS Address Book file.

##### ***OOC Systems Section***

- Set up Address Book access, as necessary.
- Terminate Address Book access of the OOC employees upon termination of employment.
- Perform periodic reviews of access to the Address Book to determine if users have appropriate access, based on their job description.
- Maintain exception reports of unauthorized access to the FMIS Address Book system.

#### **OVERVIEW:**

The Address Book system is the foundation for the FMIS. It is a database that serves as the central depository of data regarding customers, employees, participants (i.e., financial assistant recipient), and vendors/suppliers. The Address Book system is comprised of information such as names, mailing/billing/shipping addresses, tax identification, and phone numbers. Other FMIS components retrieve the up-to-date name and address information from the Address Book system. For example, the AP system uses Address Book information for supplier payments, and the AR system uses Address Book information to generate customer invoices and statements. The Address Book system includes:

- Maintenance of complete information for employees, customers, and vendors/suppliers.
- Notification of authorized users about special situations, such as credit warnings, hold messages, and other critical account information.
- Classification of entries by search type for inquiry and reporting purposes.



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- Ability to retrieve information by name, addresses, phone number, and search type.
- Management of tax information.
- Ability to associate multiple addresses with a single Address Book record.
- Supplemental data for organizing and tracking information that is not included in standard master tables.

The Address Book system integrates with the following systems from Oracle and allows the user to do the tasks described:

| System   | Task   |
|--|--|
| JD Edwards EnterpriseOne Accounts Payable          | Set up suppliers and tax entities.   |
| JD Edwards EnterpriseOne Accounts Receivable       | Set up customers and tax entities.   |
| JD Edwards EnterpriseOne General Accounting        | Set up companies and business units.   |
| JD Edwards EnterpriseOne Job Cost                  | Set up jobs and assign them to a project manager and superintendent in addition to suppliers and subcontractors. |
| JD Edwards EnterpriseOne Fixed Assets              | Set up employees who are responsible for assets and suppliers who provide assets.                                |
| JD Edwards EnterpriseOne Purchase Order Management | buyers, carriers, branch/plants, , and landed cost suppliers (duty brokers).                                     |
| JD Edwards EnterpriseOne Sales Order Management    | , sold-to addresses, carriers, salespersons, branch/plants, and customer billing instructions.                   |
| JD Edwards EnterpriseOne Inventory Management      | Set up planners, buyers, and branch/plants in the item master record.  |
| JD Edwards EnterpriseOne Contract Management       | Set up suppliers for progress payments and set up contract logs.   |
| JD Edwards EnterpriseOne Contract Billing          | Set up architects, customers, owners, and remit-to, alternate bill-to, and send-to addresses.                    |
| JD Edwards EnterpriseOne Service Billing           | Set up employees and customers (for work orders).  |
| JD Edwards EnterpriseOne Payroll                   | Set up employees and the name and address of W2 reporting entities.  |
| JD Edwards EnterpriseOne Human Capital Management  | Set up participants, beneficiaries, and applicants.  |
| JD Edwards EnterpriseOne System user profiles      | Set up Address Book records for user names and attach E-mail addresses for each user name.                       |
| JD Edwards EnterpriseOne Workflow Tools            | Set up destination of workflow messages and E-mail addresses for Address Book records.                           |

#### POLICY:

The Address Book system is required in processing financial transactions, inquiries and reporting activities. The Address Book system is integrated with other FMIS components including but not limited to AP, AR, Payroll, Personnel, Budgets, and Fixed Assets. To provide accurate and timely Address Book processing activities, the Address Book data must maintain its integrity and reliability standards.





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The integrity standards require the Address Book information be maintained to its utmost accurate and usable information in all its financial processing. The reliability standards require that the Navajo Nation Address Book information be available, safeguarded and continually updated for use in all the FMIS financial and data processing activities. The quality of information assures that information is reasonably free from error and represents what it purports to represent.

The Navajo Nation FMIS Address Book records of customers and vendors are managed and maintained by the Office of Controller (OOC) whereas the Address Book records of employees are managed and maintained by the Department Personnel Management (DPM).

#### **Creating a New Address Book Record**

If a new customer or vendor needs to be added to the FMIS Address Book, the department/program must submit a completed W-9 form, which can be accessed on the OOC's website. The process is administered by the Address Book Section Accounts Maintenance Specialist (AMS).

Access to the Address Book system, for anything but information lookup, is limited to the Address Book Section. Only the Address Book Section is able to enter information for setup or to make changes.

The Address Book system in FMIS uses user-defined codes (UDCs) to process information. Search type codes are one of UDCs used by the Address Book system in FMIS. Search type codes classify Address Book records and limit the number of records that the system locates when you search for Address Book records. Each address record is limited to a single search type code. In other words, an employee who is set up with search type "E" can also be paid as a contractor through AP. The same concept holds true for a vendor who is also a customer. Sharing the address book record reduces the number of records in the system. As such, the Address Book Section AMS should assign the search type that is most appropriate. Examples include:

- "C" - A/R Customers
- "E" - Employees
- "V" - Vendors

#### ***A New Customer/Employee/Vendor Setup***

It is important to note that the selection regarding which customers or vendors the Nation does business with, and the gathering of information about those customers or vendors, is a decentralized process. Other Nation departments or programs make decisions about which customers or vendors they want to hire or use. For example, the vendors are selected generally through the Nation's procurement and Request for Proposal (RFP) processes, and then forward their selections to the Purchasing Section along with the vendor's information (i.e., vendor application and Form W-9). Once goods and services are delivered/performed and accepted, the Receiving Record form and the Vendor's Invoice(s) are submitted to the AP Section for processing of the payment. If the Address Book record is not located in FMIS for the vendor, the requesting department/program must submit a completed W-9 form to the Address Book Section AMS. Before creating an Address Book record for the new customer or vendor, the Address Book Section AMS will coordinate with the AP, AR, Payroll, and Purchasing Sections as well as DPM to perform the following necessary validations and verifications:

- Ensure that the customer or vendor does not already exist on the FMIS;
- All required information is obtained from the customer or vendor (e.g., W-9/W-8BEN or equivalent form);
- Validate the customer or vendor's name, address, and phone number;



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- The vendor's Employer identification number (EIN) or social security number (SSN) is on file with the Internal Revenue Service (IRS) and pending no issues; and,
- Review of the Federal Government's Excluded Parties List.

Once the validations and verification process has been performed to satisfaction, the Address Book Section AMS should complete an Address Book entry in FMIS. As such, no payments should be made to the vendors with incomplete or inaccurate information in Address Book (i.e., no SSN or EIN).

#### **Changes or Additions to an Existing Address Book Record**

To update a customer or vendor's information on the Address Book system, the requesting department or program must complete the W-9 form. Provide the following information, then send the completed form and applicable supporting documentation to the Address Book Section AMS:

- Address Book Number
- Customer or vendor name
- All information that needs to be updated
- Name and phone number of the person completing the form
- If the vendor has a EIN or name change, request a new W-9/W-8BEN from the vendor.

The Address Book Section AMS will review the W-9 form and its applicable supporting documentation. The Address Book Section AMS will update the Address Book record once appropriate validations and verification process has been performed to the satisfaction.

#### **Address Book Maintenance**

##### ***File Maintenance***

As part of the Address Book file maintenance and monitoring process, the Address Book Section AMS should perform the following step on an annual basis.

Step 1: Identify inactive Address Book records.

Generate an FMIS report R550101 that shows receipts from customers and payments to vendors, over the past two years. Review the report, flag the customers or vendors with no activity during that time period. Hide the Address Book records of the flagged inactive customers or vendors in FMIS so that they cannot be found to enter transactions by changing the search type and row security applied to it.

Step 2: Eliminate duplicate Address Book records.

After the initial purge, review the Address Book file to eliminate duplicates. Start by looking at the most crucial record fields and tackle those first (i.e., record fields specifically related to compliance issues). Note that the process to eliminate duplicates will take multiple passes. Look at all possible variations on the name, address, and other pertinent fields within the Address Book record. For example, the searches should include, but not limited to:

1. Same/similar name,
2. Same/similar address,
3. Same/similar phone numbers, emails, contact names,
4. Same SSN/TIN, and
5. Any other pieces of data that are available.





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Once duplicate Address Book records have been identified, group the duplicates into one family using the Parent/Child function in FMIS, or determine which of these records to archive and flag them as not to be used again. Per unique SSN/TIN and physical address, one Address Book number should be assigned. The only exception to this situation is for customers or vendors that have Parent/Child records. If there are special payers for a vendor, based on the Parent/Child relationship, the special payer field should be set up and utilized in order to indicate the vendor has a Parent/Child relationship.

Standardization of name and address should be implemented to increase the accuracy of the Address Book file. This is help prevent duplicate and/or erroneous payments, which will increase the accuracy of aggregating paid amounts per vendor and vendor family. Name standardization may look something like the below example, where there are multiple spellings of Hewlett-Packard, all standardized to one common name:

| Before                | After                 |
|-----------------------|-----------------------|
| Hewlett-Packard, Inc. | Hewlett Packard, Inc. |
| H.P.                  | Hewlett Packard, Inc. |
| Hewlet-Packerd        | Hewlett Packard, Inc. |
| Hewllet Packard       | Hewlett Packard, Inc. |
| Hp Corp               | Hewlett Packard, Inc. |
| Hewlett Packard Corp  | Hewlett Packard, Inc. |

Refer to the *Coding Standards* section below for more information.

#### Step 3: Identify Potential Ghost Vendors

On a regular basis, generate a report for each Address Book record that shows every field being used in the Address Book file. Scan the report for missing information in the more important fields, such as SSN/TIN. Obtain any missing data so that the Address Book records are complete and accurate. If vendor fraud is suspected, then the AP Section should:

- Perform VIN or SSN match to the IRS data,
- Obtain the current W-4, W-9/W-8 or equivalent form from the vendor,
- Research for the physical address of the vendor,
- Put a stop payment on the check issued to the vendor,
- Inform the Controller,
- Prepare Fraud Incident Report Log and memo to report the suspected ghost vendors to the White Collar Crime Unit.

#### *Coding Standards*

##### Name

1. Enter the customer or vendor's official name (used to report earnings to the IRS) in capital letters, without periods, commas or other punctuation marks.  
*Example:* IBM, not I.B.M.  
*Example:* JOHN T SMITH, not John T. Smith
2. Eliminate "The" if it is the first word in the vendor/payee name.  
*Example:* Coca-Cola Company, not The Coca-Cola Company



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3. Replace "and" with an ampersand.  
*Example:* Ernst & Young, not Ernst and Young
4. Eliminate spaces before or after special characters, apostrophes, and initials.  
*Example:* B&B Enterprises, not B & B Enterprises  
*Example:* L'Italiano, not L' Italiano  
*Example:* 100% Incorporated, not 100 % Incorporated  
**Exception:** If a special character falls between two words, leave a space before and after.  
*Example:* Mickey & Co, not Mickey&Co
5. Don't use dashes or slashes. Split the name or use two lines instead.  
*Example:* Marks & Co (line one) Division of Lakewood Corp (line two) instead of Marks & Co/Division of Lakewood Corp.
6. Enter numbers in the name field as numbers, instead of writing them out.  
*Example:* 9 West, not Nine West
7. Do not abbreviate North, South, East or West.  
*Example:* East Coast Supply, not E. Coast Supply
8. Do not add a space between names with prefixes.  
*Example:* DeYoung, not De Young

#### Address

1. Use the following standard abbreviations for street addresses, without periods:

|            |      |
|------------|------|
| Avenue     | Ave  |
| Boulevard  | Blvd |
| Court      | Ct   |
| Drive      | Dr   |
| Expressway | Expy |
| Freeway    | Fwy  |
| Highway    | Hwy  |
| Lake       | Lk   |
| Lane       | Ln   |
| Place      | Pl   |
| Route      | Rt   |
| Square     | Sq   |
| Street     | St   |
| Terrace    | Ter  |
| Turnpike   | Tpke |
| Way        | Way  |

2. Abbreviate North, South, East and West in a street address, without periods.

*Example:* 120 S Baker, not 120 S. Baker or 120 South Baker

3. Spell out words in a city name in full.

*Example:* North Hollywood, not N. Hollywood

*Example:* Fort Myers, not Ft Myers

4. Use numbers in street abbreviation versus words.

*Example:* 1st St, not First Street

#### Address Book Access



## **THE NAVAJO NATION – Office of the Controller**

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### **Accounting Policies Manual**

Periodically, the OOC Systems Section FMIS Project Manager should review a listing of all authorized users who have access to the FMIS Address Book system in order to determine how many "Power Users" have access to the Action Security level in Address Book. If an excessive number of "Power Users" are identified or if "Power Users" has access to Address Book, but do not need access based on their job descriptions, this access should be removed.



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|              |                    |                 |   |
|--------------|--------------------|-----------------|---|
| DESCRIPTION: | Accounts Payable - | INDEX:          |   |
|              | Invoice Processing | POLICY:         | X |
|              |                    | PROCEDURES:     |   |
|              |                    | EFFECTIVE DATE: |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*, Navajo Nation Procurement Act.

**PURPOSE:** To establish policies and procedures for invoice submission, invoice verification, and submission for payment.

**RESPONSIBILITY:**

*Accounts Payable Section*

- Pays supplier invoices and issues payments to vendors/non-employees
- Monitors compliance with expense policies and procedures

**POLICY:**

**Vendor Invoice Content and Mailing Instructions**

***Required Invoice Content***

Best Practice:

Vendor invoices should have a valid purchase order (PO) or contract number and a unique invoice number.

Potential Delays and Problems:

*The vendor does not provide a PO or contract number:*

The AP Section sometimes can determine the correct PO or contract number based on information available internally. However, this is a time-consuming and error-prone practice. Invoices will be paid more rapidly and more accurately if the vendor provides the correct PO or contract number. If AP Section is not confident that it has identified the correct PO or contract number to be charged, the invoice will be returned to the vendor with a letter indicating it cannot be processed. This may further delay payment.

*The vendor does not provide an invoice number:*

All vendors should have a system that provides unique invoice numbers on their invoices. This allows their customers to distinguish between identical invoice amounts and allows the vendors to correctly determine which invoices are being paid when the customer mails a check.

***Invoice Mailing Instructions***

Best Practice:

All invoices should be mailed directly by the vendor to the AP Section at the following address:

Navajo Nation Office of the Controller  
Attn: Accounts Payable Section  
P.O. Box 1600





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Administration Building 1  
2559 Window Rock Blvd  
Window Rock, Arizona 86515

And due to the 6B implementation process (6B Purchasing and 6B Accounts Payable) it is important that invoices also be sent to the requesting department/program for 6B processing.

#### **Potential Delays and Problems:**

It is the department/program's responsibility to forward the original invoice to the AP Section immediately after reviewing and acknowledging receipt of the goods or services as part of the 6B process. This will facilitate payment within terms and will mitigate the risk of misplaced, lost, or held invoices, that cause delay in proper accounting and payment.

#### ***Invoice Requirement***

It is the responsibility of the department to provide an invoice or acceptable copies (i.e. vendor supplied PDF files, or photocopies with appropriate justification) in a timely manner.

#### ***Form W-9 Required***

A completed Form W-9 must be on file in the AP Section for all vendors before payment can be made. The department/program will be responsible for obtaining Form W-9 from new vendors. Only one vendor per Form W-9 or TIN. Use remit address of vendor invoices to handle different payment addresses.

#### **Vendor Invoice Processing and Authorizing Vendor Payments**

##### ***Preparing Invoices for Processing***

1. Upon receiving the vendor invoices, the AP Section will immediately stamp the documents with the current date.
2. Invoices will be sorted by alpha and distributed to the responsible Accounts Payable Specialist for processing.

##### ***Invoice Matching and Verification***

Adequate supporting documentation should be attached or otherwise matched to all invoices processed for payment by the AP Section. The following should be reviewed before an invoice or Request for Direct Pay (RDP) is processed for payment:

1. Calculations and price extensions shown on the vendor invoices should be reviewed to ensure their accuracy.
2. Vendor name, address, billing address, vendor number, TIN and all other pertinent information shall be reviewed against the information set up in the Financial Management Information System (FMIS) Address Book. All discrepancies shall be reported to the appropriate buying department/program and the Nation employee who authorized the transaction.
3. Vendor invoices shall not be processed for payment without completing the "Three-Way-Match" procedure. If one element is missing (for example there is no evidence of receipt of goods and services), the AP Section should contact the responsible Nation employee to obtain the appropriate documents or secure a signature of approval in accordance with the Nation approval authorization limits before payment.
4. Verify that the invoice has not already been paid by reviewing the previous payments to the payee.



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#### ***Discrepancy Resolution***

1. Discrepancies between vendor invoices and Nation's POs or contracts may arise due to:
  - Vendor invoicing errors.
  - Vendor invoice format that does not allow AP to make a match between the invoice and the purchase authorization.
  - Data entry errors made at the time the purchase information was entered into the FMIS.
2. When discrepancies are detected, an invoice will not be processed for payment. The AP Section shall report the errors to the appropriate buyer as well as the requestor of the goods and services.
3. AP Section should not contact vendors directly to resolve invoicing disputes, negotiate settlements, etc. AP Section may only provide factual information regarding payment status to vendors to verify unclear information provided on invoices or obtain missing information (e.g., TIN).
4. The coordination of corrective actions will be required between the Nation department/program requesting the goods or services, the Office of Controller employee approving the purchase, AP, and the vendor.
5. Problems that cannot be quickly corrected should be referred to the Controller or Designee for resolution.

#### ***Entering Invoice for Payment***

Once the "Three-Way-Match" is completed, enter the invoice in FMIS to generate a voucher for payment. Multiple vouchers can be entered in the same batch. The batch should be reviewed by the AP Section Supervisor along with its applicable supporting documentation.

#### ***Account Coding***

1. It is important that all expenditures are recorded in the appropriate accounts. To ensure that transactions are recorded correctly, account codes shall be entered on the purchase requisitions that initiate transactions and be included in the resulting procurement documents. Invoice transactions that are not supported by procurement documents (travel reimbursement report, check requests, etc.) must have the account code noted on the document requesting payment.
2. If there is any question regarding the assignment of an account code, the AP Section will contact the person who initiated the purchase requisition to confirm that the correct account is being charged.

#### ***Approving Invoice for Payment***

1. Designated Nation employee with payment approval authority shall review all invoices for:
  - Appropriateness of the transactions.
  - Accuracy of the records submitted.
  - Reasonableness of the expenditures.
2. Designated Nation employee shall act within the scope of their authority when approving invoices for payment. If the dollar amount or nature of purchase exceeds an individual's authority, the next level of authority shall be consulted and appropriate approval secured before releasing the invoice for payment.
3. Nation employee authorized to approve invoices shall not approve payment of their own purchases. Another level of approval will be required.



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4. Designated Nation employee shall ensure that there is both sufficient cash and available balances in the appropriate fund to issue payment.
5. Invoices that have been properly processed and approved according to the applicable criteria shall be forwarded to the AP Section for payment.
6. Email the Cashier's Section indicating what type of checks and amount of checks to be printed.
7. After paying from the original invoice, the document should be stamped as paid. This is a way of closing the PO so that it never gets paid again.

#### ***Duplicate Payment Monitoring***

Although vendors may not want to intentionally defraud an organization, there are instances where a vendor sends a duplicate invoice. Due to clerical errors, an invoice may be processed and paid twice for the same goods or services. As a monitoring process, the AP Section should generate the FMIS Suspected Duplicate Payment report (R04601) to review for any potential duplicate payment entries every Friday. The report should be verified against the supporting documentation to ensure proper payment.

If a duplicate payment is made, the payment made in error should be voided. If the duplicate payment is discovered after the check is cashed, the vendor shall be billed for overpayment.

#### ***Detecting Duplicate Invoices***

On a monthly basis, the AP Section should perform an audit of AP data. Invoice data can be extracted and run through a series of queries to check for possible duplicate payments. A few common methods include:

- Look for invoices with the same or comparable dollar amount.
- Look for invoices with invoice numbers which closely match, which could be a result of mis-keying.
- Look for invoices that have been paid out on both a PO and Non PO.
- Look for invoices that may have matching invoice & vendor numbers but have been paid from two different accounts.





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|              |                    |                 |   |
|--------------|--------------------|-----------------|---|
| DESCRIPTION: | Accounts Payable - | INDEX:          |   |
|              | Voucher Processing | POLICY:         | X |
|              |                    | PROCEDURES:     |   |
|              |                    | EFFECTIVE DATE: |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*, Navajo Nation Procurement Act.

**PURPOSE:** To establish policies and procedures for invoice submission, invoice verification, and submission for payment.

**RESPONSIBILITY:**

*Accounts Payable Section*

- Prepare vouchers listing invoice number, date, vendor address, item description, amounts and coding per accounting policies and procedures.
- Review and analyze expenditure vouchers for proper documentation coding and propriety.

**POLICY:**

*Voucher Processing*

A voucher must be created before Nation can issue payment to its vendors. Effective management of voucher processing is fundamental to the AP Department. Voucher processing assumes the organization has already set up its chart of accounts, general accounting constants, ledger types, fiscal and date patterns. Voucher processing is one example of three-tier processing. All JD Edwards EnterpriseOne systems use three-tier processing to manage batches of transactions.

The term *three-tier* refers to these standard steps:

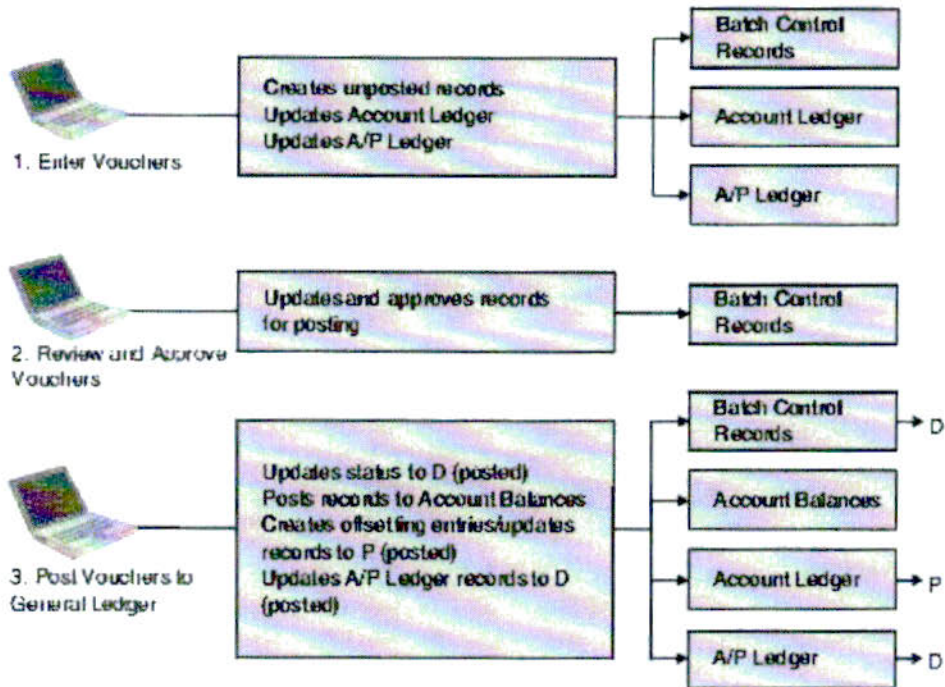
- Enter transactions.
- Review and approve transactions for posting.
- Post transactions to the general ledger.

This flowchart illustrates the three-tier process:



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|                     |                              |                        |   |
|---------------------|------------------------------|------------------------|---|
| <b>DESCRIPTION:</b> | Accounts Payable -           | <b>INDEX:</b>          |   |
|                     | Form 1099-MISC Tax Reporting | <b>POLICY:</b>         | X |
|                     |                              | <b>PROCEDURES:</b>     |   |
|                     |                              | <b>EFFECTIVE DATE:</b> |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 2 CFR 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 26 U.S. Code Section 6041 *Information at Source*, 26 U.S. Code Section 3406 *Backup Withholding*, Public Law 114-113, Division Q, Section 201.

**PURPOSE:** To establish guidelines for reporting on IRS Form 1099-MISC information returns and for performing backup withholding, in accordance with applicable regulations.

#### **RESPONSIBILITY:**

##### *AP Department*

- Issue 1099-MISC information return to the payees and file it with the IRS on an annual basis.
- If applicable, withhold backup withholdings of 28% of payments at the time of payment and deposit the withheld amounts with the IRS on a quarterly basis.

#### **POLICY:**

##### *Form 1099-MISC*

According to Internal Revenue Service (IRS) guidance, the Nation is required to file returns with the IRS for 1099-MISC Reportable Payments. Reportability for 1099-MISC returns is based upon the type of payment and type of payee. Reporting thresholds are for cumulative amounts paid during the calendar year. The following payments to non-corporate businesses and non-employees are reportable on the 1099-MISC:

- At least \$10 in royalties (Box 2) or broker payments in lieu of dividends or tax-exempt interest (Box 8).
- At least \$600 in:
  - Rent - includes real estate rentals (except if paid to a real estate agent) and lease payments for automobiles and equipment, and pasture rentals (Box 1).
  - Services performed by someone who is not an employee of Nation (including parts and materials) (Box 7).
  - Prizes and awards (fair market value) (Box 3 and 7).
  - Other income payments (Box 3).
  - Medical and health care services, including payments to corporations (Box 6).
  - Crop insurance proceeds (Box 10)
  - Cash payments for fish (or other aquatic life) that Nation purchase from anyone engaged in the trade or business of catching fish (Box 7).
  - Generally, the cash paid from a notional principal contract to an individual, partnership, or estate (Box 3).
  - Attorneys' fees (Box 7) or gross proceeds paid to an attorney (Box 14).
  - Any fishing boat proceeds (Box 5).
  - Commissions paid to a buyer for consumer products offered for resale of \$5,000 or more (Box 9).



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Reporting on 1099-MISC is also required for the following:

- Federal taxes withheld on payments, due to backup withholding requirements (thresholds do not apply to the payment amount if taxes are backup withheld).
- Forgiveness of debt of \$600 or more.

The following payments are not reportable by the Nation on the Form 1099-MISC:

- Corporations, except for medical and health care payments in excess of \$600.
- IRS section 501 exempt organizations (tax purposes), which are nonprofit groups organized for charitable or mutual benefit purposes and who are generally exempt from income taxation.
- Business travel allowances paid to employees.

Note: These lists are not all-inclusive as there are examples of common payments made by the Nation. For full lists, please refer to the applicable Internal Revenue Code.

#### ***Form W-9***

Certain types of payments made to vendors and contractors must be reported to the IRS. Having a signed IRS Form W-9 on file allows the Nation to report the correct combination of Tax Identification Number and name, thus avoiding IRS penalties.

#### ***Backup Withholding Taxes***

The IRS uses taxpayer identification number (TIN) to associate and verify amount reported by the Nation with the amount reported by the taxpayer on his/her tax return. In order to ensure that payments are reported to the IRS with the correct TIN, the Nation is required to withhold 28% tax from reportable payments if:

- The vendor or contractor fails to provide TIN in the manner required or
- The IRS notifies the payer that the TIN provided by the vendor or contractor is incorrect.

Office of the Controller

# The Navajo Nation

Accounts Receivable Policies Manual



# THE NAVAJO NATION – Office of the Controller

## Accounting Policies Manual

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|--------------|-----------------------|-----------------|-----|
| DESCRIPTION: | Accounts Receivable - | INDEX:          | 2.1 |
|              | Invoice Data Entry    | POLICY:         | X   |
|              |                       | PROCEDURES:     |     |
|              |                       | EFFECTIVE DATE: |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

### PURPOSE:

To establish policies and procedures related to the recording of receivable accounts.

### RESPONSIBILITY:

#### *Accounts Receivable (AR) Section*

- Responsible for entering all Navajo Nation (Nation) AR into the Financial Information Management System (FMIS).

### POLICY:

The Nation has the following receivables, which are classified below:

- Restitution
- Business Site Leasing
- Mission Site Leasing
- Grazing Fees
- Land Rent/Rights-of-Way
- Insurance Premiums
- Worker's Compensation
- Non-sufficient Funds Checks
- Allowance for Doubtful Accounts
- Surplus Vehicles Sales

The Nation's various tribal departments and programs deliver a good or provide a service via a written agreement, promissory note, loan application, etc.

The AR Section receives documentation supporting the receivable. The documentation is reviewed and determined whether terms and amounts are appropriate and complete. The receivable is classified according to the above classifications and forwarded to the assigned accountant. The invoice is prepared, and the following information is recorded; payers name and address, date, vendor name, contract number, description (terms of the agreement, etc.), amount, account to be debited and the signature of the preparer. The AR Section reviews the invoice and approves by signing.



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|              |                       |                 |     |
|--------------|-----------------------|-----------------|-----|
| DESCRIPTION: | Accounts Receivable - | INDEX:          | 2.2 |
|              | Archaeology           | POLICY:         | X   |
|              |                       | PROCEDURES:     |     |
|              |                       | EFFECTIVE DATE: |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 1004; Resolution BFMV-38-94; Resolution BFJN-243-77; and Resolution RCAP-096-94.

#### **PURPOSE:**

To establish policies and procedures related to the recording of Archaeology invoicing on AR accounts and related payment.

#### **RESPONSIBILITY:**

##### *AR Section*

- Responsible for invoicing and recording payments related to the services rendered by the Archaeology Department.

#### **POLICY:**

The Archaeology Department coordinates projects with various tribal departments, programs, and private entities to provide cultural resource inventory, survey, test excavation, monitoring projects, flagging projects, ethnographic, and traditional cultural properties (TCP) on the Nation trust land. After that, the Archaeology Department is responsible for providing the data on a drafted invoice with the Inter-office memorandum to the AR Section. The Archaeology Department is responsible for ensuring the charges are billed for services rendered by providing the billing information.





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|              |                       |                 |     |
|--------------|-----------------------|-----------------|-----|
| DESCRIPTION: | Accounts Receivable - | INDEX:          | 2.3 |
|              | Investment Custodian  | POLICY:         | X   |
|              |                       | PROCEDURES:     |     |
|              |                       | EFFECTIVE DATE: |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures related to the recording of custodian invoicing on AR accounts and related payments.

**RESPONSIBILITY:**

*AR Section*

Responsible for invoicing and recording payments related to the investment custodian monthly for Retirement and Investment funds.

**POLICY:**

The AR Section creates invoices based on the following three FMIS expense accounts:

1. Retirement Investment Manager Expense, business unit #714001 (GL by Object account).
2. Department of Retirement Service Program expense account, business unit #714002 (trial balance & comparison).
3. Department of Services Plan Administrative expense #714003 (trial balance by object).



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|              |                              |                 |     |
|--------------|------------------------------|-----------------|-----|
| DESCRIPTION: | Accounts Receivable -        | INDEX:          | 2.4 |
|              | Council Delegate Salary Loan | POLICY:         | X   |
|              |                              | PROCEDURES:     |     |
|              |                              | EFFECTIVE DATE: |     |

**LEGAL AUTHORIZATION:** 2 N.N.C. § 107, *et seq.*; Internal Revenue Service Publication 535, Chapter 2.

#### **PURPOSE:**

To establish policies and procedures related to Navajo Nation Council (NNC) Delegate Salary Loan accounts and payroll deduction process.

#### **RESPONSIBILITY:**

##### *AR Section*

- Process the NNC Delegate salary loan requests and payroll deduction for the repayment of the loan.
- Responsible for invoicing and recording payments related to the NNC salary loans.

#### **POLICY:**

The AR Sections works with the NNC Delegate requesting a loan. The AR Section receives the loan request and forwards it to the assigned accountant to determine eligibility and to complete the request and a loan eligibility form. The form documents the estimated payment, number of payments, and total interest. The estimated payment is compared to the recipient's disposable income, which is verified by the accountant. All loans must be repaid by the calendar year-end.



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|--------------|--------------------------------|-----------------|-----|
| DESCRIPTION: | Accounts Receivable -          | INDEX:          | 2.5 |
|              | Incoming/Outgoing Document Log | POLICY:         | X   |
|              |                                | PROCEDURES:     |     |
|              |                                | EFFECTIVE DATE: |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures related to the recording of documents and requests for AR Section.

**RESPONSIBILITY:**

*AR Section*

- Log all of the documents and requests received by the AR Section.

**POLICY:**

The AR Section logs multiple documents received. For example:

- Information requests (e.g., business site lease agreements and modifications)
- Procurement clearance
- Credit requests
- Executive and administrative review packets/check the log
- Profit and loss/miscellaneous deposits





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|              |                             |                 |     |
|--------------|-----------------------------|-----------------|-----|
| DESCRIPTION: | Accounts Receivable -       | INDEX:          | 2.6 |
|              | Business Site Lease Account | POLICY:         | X   |
|              |                             | PROCEDURES:     |     |
|              |                             | EFFECTIVE DATE: |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 4 N.N.C. 1501, *et seq.* (CJA-09-12); 16 N.N.C. § 2351 (CO-53-13).

#### PURPOSE:

To establish policies and procedures related to the recording of AR accounts for Business Site Leasing (BSL).

#### RESPONSIBILITY:

##### *AR Section*

- Responsible for invoicing and recording payments for amounts due to the Nation per approved BSL agreements.

#### POLICY:

The Division of Economic Development (DED), Real Estate Department, and Regional Business Development Offices initiate leasing process for approval by the President of the Nation. The Nation vested authority to the DED to promote self-determination, encourage economic self-sufficiency and increase business activity and employment on lands of the Nation. The AR Section is responsible for billing and collection of rental due to the Nation per approved leases.



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|              |                       |                 |     |
|--------------|-----------------------|-----------------|-----|
| DESCRIPTION: | Accounts Receivable - | INDEX:          | 2.7 |
|              | Tribal Ranches        | POLICY:         | X   |
|              |                       | PROCEDURES:     |     |
|              |                       | EFFECTIVE DATE: |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 3 N.N.C. § 509, *et seq.*

**PURPOSE:**

To establish policies and procedures related to the recording of receivable accounts for Tribal Ranches.

**RESPONSIBILITY:**

*AR Section*

- Responsible for invoicing and recording payments for amounts due to the Nation per approved Tribal Ranch Lease agreements.

**POLICY:**

The Nation's Department of Agriculture (DOA) and Tribal Ranches Program, initiates the leasing process for approval by the President of the Nation. The AR Section is responsible for billing and collection of rent due for those Nation Tribal Ranches Grazing leases.

The AR Section receives approved Tribal Ranch lease documents supporting the receivable.

The Tribal Ranch Program is responsible for determining the level of credit for each rancher to perform maintenance on the ranches, which is processed through a credit memo.



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|              |                                   |                 |     |
|--------------|-----------------------------------|-----------------|-----|
| DESCRIPTION: | Accounts Receivable -             | INDEX:          | 2.8 |
|              | Entity/Chapter Insurance Premiums | POLICY:         | X   |
|              |                                   | PROCEDURES:     |     |
|              |                                   | EFFECTIVE DATE: |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures related to the recording of AR accounts for Entity/Chapters Insurance Premiums.

**RESPONSIBILITY:**

*AR Section*

- Responsible for invoicing and recording payments for the insurance premium amounts due to the Nation.

**POLICY:**

The Nation's insurance broker provides the rate to the Risk Management Department (RMD) who initiates the insurance premium calculation based on the Exposure Summary, which is listed by Entities and Chapter properties. The rates are recorded in the Budget Instructions Manual.

The AR Section manages the billing and insurance premium amounts due to the Nation. The RMD will request for AR set up.





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|              |   |                 |    |
|--------------|---|-----------------|----|
| DESCRIPTION: | Accounts Receivable -                         | INDEX:          | 29 |
|              | Accounts Receivable Set Up Surplus Auto Sales | POLICY:         | X  |
|              |   | PROCEDURES:     |    |
|              |   | EFFECTIVE DATE: |    |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures related to the recording of AR accounts for surplus auto sales.

**RESPONSIBILITY:**

*Property Management Department (PMD)*

- Provide the vehicle sales notices, listing of vehicles for sale with bidding dates, Promissory Notes, and payroll deduction authorization forms to the AR Section.

*AR Section*

- Responsible for invoicing and recording payments for surplus auto sales.

**POLICY:**

The AR Section is responsible for billing and collection of surplus auto sales revenue due to the Nation from eligible employees of the Nation through the bid process by the PMD.

The AR Section receives vehicle sales notice and listing of vehicles for sale with bidding dates. The PMD determines bid winners and processes bid closing for winners.



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|              |                       |                 |      |
|--------------|-----------------------|-----------------|------|
| DESCRIPTION: | Accounts Receivable - | INDEX:          | 2.10 |
|              | Mission Sites         | POLICY:         | X    |
|              |                       | PROCEDURES:     |      |
|              |                       | EFFECTIVE DATE: |      |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

#### **PURPOSE:**

To establish policies and procedures related to the recording of AR accounts for Mission Sites (church and church affiliation school locations).

#### **RESPONSIBILITY:**

##### *AR Section*

- Responsible for invoicing and recording annual rental payments for the Mission Sites.

#### **POLICY:**

The AR section is responsible for maintaining the financial records of all Mission Sites on the Nation. It is the responsibility of the Nation to the bill and collects annual rental payments for each of these sites as they occupy various regions of the Nation.

The Nation's Mission Site permit rental payments are part of the General Fund revenue accounts. The Navajo Land Department processes permit through their agency offices. The AR section will receive a copy of the permit to record into the FMIS for annual billing. The Mission Site accounts have billed annually for the next calendar year on or after October 1<sup>st</sup> of each year.



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|              |                       |                 |      |
|--------------|-----------------------|-----------------|------|
| DESCRIPTION: | Accounts Receivable - | INDEX:          | 2.11 |
|              | Workers Compensation  | POLICY:         | X    |
|              |                       | PROCEDURES:     |      |
|              |                       | EFFECTIVE DATE: |      |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 15 N.N.C. § 1001, *et seq.* (CJA-03-12).

#### **PURPOSE:**

To establish policies and procedures related to the recording of AR accounts for Workers Compensation.

#### **RESPONSIBILITY:**

##### *AR Section*

- Responsible for invoicing and recording quarterly workers compensation insurance payments due to the Nation based on percentages allowed by the Insurance Commission.

#### **POLICY:**

Workers Compensation is a self-funded insurance program that reimburses medical institutions and/or employees for injury occurring in the course and scope of his or her employment. Employees covered are part-time, permanent, and seasonal employees. Also included are enterprises of the Nation, recognized Chapter Houses, and certain volunteers.

The AR Section works directly with the Worker's Compensation program to bill Nation chapter houses and Nation Enterprises on a quarterly basis. Payroll reports are submitted from these entities to the Worker Compensation Program. The Worker's Compensation program will bill according to approved percentages allowed by the Insurance Commission. The AR Section works to ensure that payments are received and properly recorded each month.





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|              |                          |                 |      |
|--------------|--------------------------|-----------------|------|
| DESCRIPTION: | Accounts Receivable -    | INDEX:          | 2.12 |
|              | Employee Benefit Program | POLICY:         | X    |
|              |                          | PROCEDURES:     |      |
|              |                          | EFFECTIVE DATE: |      |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures related to the recording of AR accounts for its third-party administrator (TPA).

**RESPONSIBILITY:**

*AR Section*

- Responsible for invoicing and recording administrative service payments due to the Nation by the TPA.

**POLICY:**

The Nation's Employee Benefits Office and the TPA provide the administrative service to oversee and administer the benefits of the Nation Employees. The administrative expense is billed to the TPA at each month-end for administrative expenses incurred by the Employee Benefits Office.



## THE NAVAJO NATION – Office of the Controller

### Accounting Policies Manual

|              |                                      |                 |      |
|--------------|--------------------------------------|-----------------|------|
| DESCRIPTION: | Accounts Receivable -<br>Restitution | INDEX:          | 2.13 |
|              |                                      | POLICY:         | X    |
|              |                                      | PROCEDURES:     |      |
|              |                                      | EFFECTIVE DATE: |      |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 2 N.N.C. § 3780(D).

**PURPOSE:**

To establish policies and procedures related to the recording of AR accounts for restitution.

**RESPONSIBILITY:**

*AR Section*

- Process the restitution requests.
- Responsible for invoicing and recording restitution payments

**POLICY:**

The AR restitution account has received restitution request from various Nation departments, chapters, and programs for employees that knowingly misused funds and are now required to repay such amounts as governed by the Nation's Ethics and Rules Office. The AR Section currently has delinquent accounts that have exceeded the retention limitation, and our office is not authorized to process write-offs. An MOU dated October 2007 was entered under and authorized by the Navajo Ethics in Government Law, 2 N.N.C § 3780(D). New restitution accounts procedures apply to current Nation employees. The restitution amounts will remain with the Payroll Section until the restitution is paid in full or employment ends. Then the remaining balance, if any, is set up in the FMIS as a receivable.



## THE NAVAJO NATION – Office of the Controller

### Accounting Policies Manual

|              |                                   |                 |      |
|--------------|-----------------------------------|-----------------|------|
| DESCRIPTION: | Accounts Receivable               | INDEX:          | 2.14 |
|              | Recording of Payment and Receipts | POLICY:         | X    |
|              |                                   | PROCEDURES:     |      |
|              |                                   | EFFECTIVE DATE: |      |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq*

**PURPOSE:**

To establish policies and procedures relative to the recording of payments for AR accounts.

**RESPONSIBILITY:**

*AR Section*

- Record customer payments based on a review of the bank statements on a daily, weekly, or monthly basis per assigned AR account.

**POLICY:**

The AR Section is responsible for the recording of payments made to the Nation. The AR accountants are assigned individual accounts will periodically check for payments on a daily, weekly, or monthly basis. Payments will be checked and processed onto the individual accounts.





## THE NAVAJO NATION – Office of the Controller

### Accounting Policies Manual

|              |   |                 |      |
|--------------|---|-----------------|------|
| DESCRIPTION: | Accounts Receivable -<br>Statements/Letter of Delinquency | INDEX:          | 2.15 |
|              |   | POLICY:         | X    |
|              |   | PROCEDURES:     |      |
|              |   | EFFECTIVE DATE: |      |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures for the notification to payers.

**RESPONSIBILITY:**

*AR Section*

- Prepare past due statements and/or letter of delinquency based on the aging.

**POLICY:**

The AR Section is responsible for providing past due statements to customers as a reminder of their receivable account being past due. The statements are generated per reports compiled from each account.

The accounting manager reviews the aging report. The statements are reconciled to the individual amounts in the customer files and processed as follows:

- 30 days - a letter asking for payment
- 60 days - 2nd notice
- 90 days - 3rd notice and
- Over 120 days - letter notifying customer, their account will be referred to the DOJ.

Copies of the statements and monthly reports are sent to the respective departments by the AR Section for their record and assistance in the collection process.



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|              |                       |                 |     |
|--------------|-----------------------|-----------------|-----|
| DESCRIPTION: | Accounts Receivable - | INDEX:          | 216 |
|              | Collection Process    | POLICY:         | X   |
|              |                       | PROCEDURES:     |     |
|              |                       | EFFECTIVE DATE: |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq*

**PURPOSE:**

To establish policies and procedures for the collection of receivables and the establishment of allowances.

**RESPONSIBILITY:**

*AR Section*

- Resolves collections by examining customer payment plans, payment history, and credit line.
- Coordinating with the affected Nation Program and the DOJ.

**POLICY:**

The AR section is responsible for collecting overdue amounts due to the Nation. They verify the account status in FMIS and determine if the account needs a past due notice. If no, the process ends. If yes, they generate a notice of non-payment and send it to the customer. Once the notice is sent out, payment may or may not be received.

An allowance for doubtful accounts will be established on a case by case basis. All receivables will be reviewed for collectability every quarter by the accounting manager and approved by the controller.



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|--------------|-----------------------|-----------------|------|
| DESCRIPTION: | Accounts Receivable - | INDEX:          | 2.17 |
|              | Procurement Clearance | POLICY:         | X    |
|              |                       | PROCEDURES:     |      |
|              |                       | EFFECTIVE DATE: |      |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 1501, *et seq.*

#### **PURPOSE:**

To establish procedures to protect the resources and integrity of the Nation and to promote sound governmental practices. Whereas no applicant individual, business, corporation, partnership or other entity shall be eligible to do any business with the Nation if they have an outstanding money judgment in favor of the Nation, delinquent AR, undesirable moral character, and criminal actions committed 10-year prior or at the present time.

#### **RESPONSIBILITY:**

##### *AR Section*

- Verify applicants do not have delinquent AR before providing procurement clearance.

#### **POLICY:**

The AR Section shall provide a Procurement Clearance to requesting departments that are doing business with vendors within the Nation's boundaries. The compliance with the Nation's Procurement Clearance Act is a condition precedent to transacting or granting any business opportunity, contract, procurement activity; or processing any easement, permit, lease transaction; or consideration of any loan application by or from the Nation to any individual, business, corporation, partnership or other entity other than the Nation.

Office of the Controller

# The Navajo Nation

Cashiers Policies Manual





# THE NAVAJO NATION – Office of the Controller

## Accounting Policies Manual

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| <b>DESCRIPTION:</b> | Cashiers –                           | <b>INDEX:</b>          | 3.1 |
|                     | Cash Receipts – Daily Recapitulation | <b>POLICY:</b>         | X   |
|                     |                                      | <b>PROCEDURES:</b>     |     |
|                     |                                      | <b>EFFECTIVE DATE:</b> |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures regarding the Bank Deposit Journal for the Navajo Nation (Nation).

**RESPONSIBILITY:**

*Cashiers Section*

- Reconciliations of daily cash activity.

**POLICY:**

The Cashiers Section is responsible for proper reconciliation of the Bank Deposit Journal from the FMIS to the Daily Recap Sheet. The Cashiers Section is responsible for preparing the Daily Recap Sheet, which is saved in the S: Shared Drive in Excel format. The Cashiers Section is also responsible for retrieving Daily Cash, Daily Credit Card Payment, and Check Payment totals for input on the Daily Recap Sheet.



## THE NAVAJO NATION – Office of the Controller

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| <b>DESCRIPTION:</b> | Cashiers –                    | <b>INDEX:</b>          | 3.2 |
|                     | Cash Receipts – Mailed Checks | <b>POLICY:</b>         | X   |
|                     |                               | <b>PROCEDURES:</b>     |     |
|                     |                               | <b>EFFECTIVE DATE:</b> |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

#### **PURPOSE:**

To establish policies and procedures for all Mailed Remittances for the Nation. For internal control purposes, Cashiers staff receives all checks mailed to the Office of the Controller, which are forwarded by Office Services to be deposited.

#### **RESPONSIBILITY:**

##### *Cashiers Section*

- Receive all payment remittances for the Nation.
- Reconcile the incoming check log to the general ledger and bank statement to ensure all amounts received have been recorded.

##### *Office Services Section*

- Log all incoming mailed checks received.
- Forward all logged incoming checks and money orders to the Cashiers Section.

##### *Accounts Receivable (AR) Section*

- Coordinate with the Cashiers Section to verify unidentifiable checks.

##### *Contract Accounting Section*

- Coordinate with the Cashiers Section to verify unidentifiable checks.

#### **POLICY:**

The Office Services Section is responsible for recording all incoming mailed checks on an incoming check log, then forwarding all checks and money orders received to the Cashiers Section. The Cashiers Staff will review and identify account numbers, emailing scanned copies of unidentifiable checks to either the AR Section or Contract Accounting for account verification. In addition, the log is reconciled to ensure all checks logged were recorded and deposited.





## THE NAVAJO NATION – Office of the Controller

### Accounting Policies Manual

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| <b>DESCRIPTION:</b> | Cashiers –                            | <b>INDEX:</b>          | 3.3 |
|                     | Cash Receipts –                       | <b>POLICY:</b>         | X   |
|                     | Speed Receipts – General Ledger Entry | <b>PROCEDURES:</b>     |     |
|                     |                                       | <b>EFFECTIVE DATE:</b> |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures for all incoming deposits and payments for the Nation.

**RESPONSIBILITY:**

*Cashiers Section*

- Responsible for receiving and recording all payments.
- Issue receipts for loan payments.

**POLICY:**

The Cashiers Section is responsible for receiving and recording all payments: Cash, Checks, and Merchant Card for the Nation. Speed Receipt general ledger entries are payments for loans (Home, Personal, Veterans, and other loans). Other types of payments processed as Speed Receipts entries include, but not limited to, Cost Reimbursements, Field Cash Collecting, and other revenue collected on behalf of the Nation.

Cashiers staff will input all payments in the FMIS and issue receipts for all Speed Receipt entries.





## THE NAVAJO NATION – Office of the Controller

### Accounting Policies Manual

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| <b>DESCRIPTION:</b> | Cashiers –                | <b>INDEX:</b>          | 3.4 |
|                     | Cash Receipts –           | <b>POLICY:</b>         | X   |
|                     | Standard Receipts Entry – | <b>PROCEDURES:</b>     |     |
|                     | Invoice Match             | <b>EFFECTIVE DATE:</b> |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures for all incoming payments for the Nation.

**RESPONSIBILITY:**

*AR Section*

- Process Standard Receipt entries in FMIS for invoicing.

*Cashiers Section*

- Identify all payments, input all payments in FMIS, and issue receipts for all Standard Receipt entries.

**POLICY:**

The Cashiers Section is responsible for receiving all payments: Cash, Checks, and/or Merchant Card, for the Nation. Standard Receipt (Invoice Match) entries are payments which are set up in the AR Section with an invoice.

Invoices are set up for the following, but not limited to, Grazing Fees, Business Site Leases, and Surplus Vehicle Sales, Mission Site Leases, Premium Insurance, and Workers Compensation.

The Cashiers Section will review and identify all payments, to ensure an invoice set up for the payer.

Cashiers staff will input all payments in the FMIS and issue receipts for all Standard Receipt entries.



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|---------------------|-------------------------------------|------------------------|-----|
| <b>DESCRIPTION:</b> | Cashiers –                          | <b>INDEX:</b>          | 3.5 |
|                     | JDE Bank Accounts                   | <b>POLICY:</b>         | X   |
|                     | Judicial, P&R, Livestock Program    | <b>PROCEDURES:</b>     |     |
|                     | Tuba City Industrial Laundry (TCIL) | <b>EFFECTIVE DATE:</b> |     |
|                     |                                     |                        |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures for the handling of Judicial Courts, Parks & Recreation (P&R), Livestock Program, and Tuba City Industrial Laundry for the Nation.

**RESPONSIBILITY:**

*Cashiers Section*

- Reconcile receipts with Wells Fargo Bank on a weekly basis.

**POLICY:**

District Courts, P&R, Livestock Program, and TCIL are responsible for depositing cash and money orders into their depository account with Wells Fargo Bank.

The Cashiers Section is responsible for reconciling these receipts on a weekly basis.



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|---------------------|------------------------------------|------------------------|-----|
| <b>DESCRIPTION:</b> | Cashiers -                         | <b>INDEX:</b>          | 3.6 |
|                     | Cash Receipts – Judicial Receipts, | <b>POLICY:</b>         | X   |
|                     | Tax and Minerals Revenue, and      | <b>PROCEDURES:</b>     |     |
|                     | Scholarship Refunds                | <b>EFFECTIVE DATE:</b> |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures for the handling and processing of Judicial, Tax and Minerals Revenue Receipts, and Scholarship Refunds for the Nation.

**RESPONSIBILITY:**

*Cashiers Section*

- Reconcile receipts with Wells Fargo Bank on a weekly basis.

**POLICY:**

The Nation District Courts, Office of the Navajo Tax Commission, Minerals Department, and the Nation Scholarship Office are responsible for the collection and logging of revenue payments, cash and checks/money orders, on behalf of the Nation.

The Cashiers Section is responsible for the reconciliation of cash and money orders submitted for deposit.



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| <b>DESCRIPTION:</b> | Cashiers –                      | <b>INDEX:</b>          | 3.7 |
|                     | Cash Receipts –                 | <b>POLICY:</b>         | X   |
|                     | Deposits Received After Cut-off | <b>PROCEDURES:</b>     |     |
|                     |                                 | <b>EFFECTIVE DATE:</b> |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures on deposits received after the cut-off time for the Nation.

**RESPONSIBILITY:**

*Cashiers Section*

- Inform customer of receipt cut off times.

**POLICY:**

The Cashiers Section is responsible for informing the customer that the Cashiers Section no longer provides receipts for deposits brought after the daily cut-off time.





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|---------------------|-------------------------------|------------------------|-----|
| <b>DESCRIPTION:</b> | Cashiers -                    | <b>INDEX:</b>          | 3.8 |
|                     | ACH Reports – WellsNet Report | <b>POLICY:</b>         | X   |
|                     |                               | <b>PROCEDURES:</b>     |     |
|                     |                               | <b>EFFECTIVE DATE:</b> |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures regarding ACH Reports for the Nation.

**RESPONSIBILITY:**

*Cashiers Section*

- Record and manage ACH reports on a daily basis.

**POLICY:**

The Cashiers Sections is responsible for the proper management and recording of ACH reports for the Nation.



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|---------------------|--------------------------|------------------------|-----|
| <b>DESCRIPTION:</b> | Cashiers –               | <b>INDEX:</b>          | 3.9 |
|                     | ACH Reports –            | <b>POLICY:</b>         | X   |
|                     | Incoming Wire Transfer – | <b>PROCEDURES:</b>     |     |
|                     | Contract/WIA Drawdowns   | <b>EFFECTIVE DATE:</b> |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish procedures regarding Incoming Wire Transfer – Contract Drawdowns for the Nation.

**RESPONSIBILITY:**

*Contract Accounting Section*

- Process all contract drawdown requests in a timely manner.

*Cashiers Section*

- Record all incoming wire transfers – contract drawdowns in a timely manner.

**POLICY:**

The Contract Accounting and the Cashier's Sections are responsible for the proper management and recording of incoming wire transfers – contract drawdowns for the Nation. The Cashiers Section will log on to Wells Fargo CEO Portal to print out the WellsNet report (Previous Day Composite). The following information will be emailed to the Contract Accounting Section: Payor Name, Dollar Amounts, and date of bank transactions.

The Contract Accounting Section initiates a "Notification of Drawdown." Each drawdown will be entered into the FMIS with the proper FMIS Account (10.0110.60) and Company Numbers. An ACH payment will not be entered without approval from Contract Accounting. Unless it's an unidentified payment, it will be deposit into the Misc. Holding Account temporarily (object code 10.0615).



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| <b>DESCRIPTION:</b> | Cashiers –               | <b>INDEX:</b>          | 3.10 |
|                     | ACH Reports –            | <b>POLICY:</b>         | X    |
|                     | Incoming Wire Transfer – | <b>PROCEDURES:</b>     |      |
|                     | Tax Revenues             | <b>EFFECTIVE DATE:</b> |      |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures regarding Wire Transfer - Tax Revenues for the Nation.

**RESPONSIBILITY:**

*Cashiers Section*

- Record all wire transfers – tax revenues in a timely manner.

**POLICY:**

The Cashiers Section will log on to Wells Fargo CEO Portal to print out the WellsNet report (Previous Day Composite). The following information will be emailed to the Office of the Navajo Tax Commission:

- Date of bank transactions
- Payer
- Wire amounts

The Office of the Navajo Tax Commission provides the Cashier Section with the appropriate general ledger account number.



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| <b>DESCRIPTION:</b> | Cashiers –                     | <b>INDEX:</b>          | 3.11 |
|                     | ACH Reports –                  | <b>POLICY:</b>         | X    |
|                     | ACH Bank Accounts – All Loans, | <b>PROCEDURES:</b>     |      |
|                     | Minerals, and Investments      | <b>EFFECTIVE DATE:</b> |      |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures regarding ACH payments for all loans, minerals, and investments for the Nation.

**RESPONSIBILITY:**

*Cashiers Section*

- Record ACH payments for all loans, minerals, and investments.

*Investment Section*

- Coordinate with the Cashier's Section to provide proper loan numbers for the customers and proper Business Units.

**POLICY:**

The Cashier's Section is responsible for notifying the Minerals Department and the Investment Section of any cash receipt activity and recording into the proper account number based on information received. The Office of Veterans Affairs and Credit Services Section provides proper loan numbers prior to the payment being received.





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|---------------------|----------------------------------|------------------------|------|
| <b>DESCRIPTION:</b> | Cashiers -                       | <b>INDEX:</b>          | 3.12 |
|                     | ACH Reports – Lockbox – Minerals | <b>POLICY:</b>         | X    |
|                     |                                  | <b>PROCEDURES:</b>     |      |
|                     |                                  | <b>EFFECTIVE DATE:</b> |      |

**LEGAL AUTHORIZATION:** 12 N.N.C § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures regarding the monitoring of lockbox receipts for minerals payments for the Nation.

**RESPONSIBILITY:**

*Cashiers Section*

- Monitor lockbox receipts and record payments into the FMIS.

**POLICY:**

The Cashier's Section will log on to Wells Fargo CEO Portal to print out the WellsNet report (Previous Day Composite). The Minerals Department program auditor will submit a Revenue Account Distribution Schedule for each day with proper Payor Name, Code Number, Business Unit and Subtotals by Subaccounts. Payments are entered into the FMIS in the appropriate general ledger account.



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| <b>DESCRIPTION:</b> | Cashiers –                    | <b>INDEX:</b>          | 3.13 |
|                     | Non-Cash Receipts –           | <b>POLICY:</b>         | X    |
|                     | New Investment Purchase/Sales | <b>PROCEDURES:</b>     |      |
|                     |                               | <b>EFFECTIVE DATE:</b> |      |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures regarding the new investment receipts for the Nation.

**RESPONSIBILITY:**

*Cashiers Section*

- Coordinate with the Investment Section to purchase or sell investments.

*Investment Section*

- Determine and record the purchase of new investments in the FMIS.

**POLICY:**

The Cashiers and Investment Sections are responsible for the proper management and recording of the new investment receipts for the Nation. The Cashier's Section will notify by phone Wells Fargo Bank after determining the type of investment to be purchased when there's an excess amount of cash or sell when the amount is less than the established minimum balance (see Investment Policies and Procedures – Internal Investment Purchases).

The Investment Section is responsible for recording the purchase in the FMIS as a journal entry (based on instructions from the Investments Section).



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| <b>DESCRIPTION:</b> | Cashiers -                      | <b>INDEX:</b>          | 3.14 |
|                     | Receipts – Credit Card Payments | <b>POLICY:</b>         | X    |
|                     |                                 | <b>PROCEDURES:</b>     |      |
|                     |                                 | <b>EFFECTIVE DATE:</b> |      |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures regarding credit card payments for the Nation.

**RESPONSIBILITY:**

*Cashiers Section*

- Collect and record credit card payments for the Nation.

**POLICY:**

The Nation departments and the Cashiers Section are responsible for the collection of credit card receipts. The Cashiers Section is responsible for running the credit card information, manually, for customers calling in their payments.



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| <b>DESCRIPTION:</b> | Cashiers -          | <b>INDEX:</b>          | 3.15 |
|                     | Disbursements –     | <b>POLICY:</b>         | X    |
|                     | Check Disbursements | <b>PROCEDURES:</b>     |      |
|                     |                     | <b>EFFECTIVE DATE:</b> |      |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures for the proper recording and disbursement of all non-payroll checks for the Nation.

**RESPONSIBILITY:**

*Cashiers Section*

- Record and disburse all non-payroll checks for the Nation.

**POLICY:**

The Cashiers Section has responsibility for sorting, filing, and disbursing all non-payroll checks for the Nation.





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| <b>DESCRIPTION:</b> | Cashiers -                     | <b>INDEX:</b>          | 3,16 |
|                     | Disbursements – Payroll Checks | <b>POLICY:</b>         | X    |
|                     |                                | <b>PROCEDURES:</b>     |      |
|                     |                                | <b>EFFECTIVE DATE:</b> |      |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures for the proper recording and disbursement of all payroll checks for the Nation.

**RESPONSIBILITY:**

*Cashiers Section*

- Record and disburse all payroll checks for the Nation.

**POLICY:**

The Cashiers Section is responsible for stocking the check printer and recording the appropriate information in the Payroll Checks Receipt log. The Cashiers Section is also responsible for verifying checks for MICR-encoding and proper signature(s) based on the dollar amount (checks over \$5,000 require a dual signature). The Cashiers Section staff will ensure each department has a register and attach it to the departments batch of payroll checks.



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| <b>DESCRIPTION:</b> | Cashiers -              | <b>INDEX:</b>          | 3.17 |
|                     | Outgoing Wire Transfers | <b>POLICY:</b>         | X    |
|                     |                         | <b>PROCEDURES:</b>     |      |
|                     |                         | <b>EFFECTIVE DATE:</b> |      |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies for the proper management and recording of outgoing wire transfers for the Nation.

**RESPONSIBILITY:**

*Cashiers Section*

- Process and record outgoing wire transfer for the Nation.

**POLICY:**

The Cashiers Section must not process an outgoing wire transfer until a Request for Direct Payment or a written statement with a required signature(s) and approval by the Controller is received. The Cashier's Section Accounting Manager must approve the wire transfer.



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### Accounting Policies Manual

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| <b>DESCRIPTION:</b> | Cashiers –                                    | <b>INDEX:</b>          | 3.18 |
|                     | Daily Cash Monitoring and Investment Activity | <b>POLICY:</b>         | X    |
|                     |   | <b>PROCEDURES:</b>     |      |
|                     |   | <b>EFFECTIVE DATE:</b> |      |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies for daily monitoring of cash balances and new investment purchases for the Nation.

**RESPONSIBILITY:**

*Cashiers Section*

- Coordinate with the Investment Section for daily monitoring of cash balances and investment activity.

*Investment Section*

- Coordinate with the Cashier's Section for daily monitoring investment activity.

**POLICY:**

The Cashier's Section is responsible for reviewing the daily cash report from Wells Fargo and determining whether purchase or sell investments based on the Nation's established cash minimum balance of \$10 million.



## THE NAVAJO NATION – Office of the Controller

### Accounting Policies Manual

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| <b>DESCRIPTION:</b> | Cashiers                                  | <b>INDEX:</b>          | 3.19 |
|                     | Returned Checks/Non-sufficient Fund (NSF) | <b>POLICY:</b>         | X    |
|                     | Checks                                    | <b>PROCEDURES:</b>     |      |
|                     |   | <b>EFFECTIVE DATE:</b> |      |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To explain the Returned/NSF check policy of the Nation and the procedures for processing all returned/NSF checks.

**RESPONSIBILITY:**

*Cashiers Section*

- Coordinate with the AR Section to monitor the status of the Returned/NSF checks.

*AR Section*

- Coordinate with the Cashiers Section to monitor the status of the Returned/NSF checks.

**POLICY:**

The Cashiers Section is responsible for the processing of check returned with a notice of “non-sufficient funds.”

Unlawful Acts

Issuing worthless checks is the issuing in exchange for anything of value, with intent to defraud, of any check, draft, or order for the payment of money upon any bank or other depository, knowing at the time of the issuing that the offender has not sufficient credit with the bank or another depository for the payment of such check, draft, or order in full upon its presentation.

**NOTE:** The AR Section collects on NSF for AR accounts only. All other NSF not applicable to AR will be returned to the program who accepted the payment for collection.



Office of the Controller

# The Navajo Nation

Contract Accounting Policies Manual



## THE NAVAJO NATION – Office of the Controller

### Accounting Policies Manual

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|              | Financial Information Setup | POLICY:         | X |
|              |                             | PROCEDURES:     |   |
|              |                             | EFFECTIVE DATE: |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 12 N.N.C § 501;

**PURPOSE:**

To establish policies and procedures regarding the establishment of budgets.

**RESPONSIBILITY:**

*Contract Accounting Section*

- The Nation is responsible for establishing balance sheets and income statement for all grants provided to the Navajo Nation (Nation) in accordance with the details from the funding agency.

**POLICY:**

Upon the award of a new grant, the Contracts and Grants Section (CGS) of the Office of Management and Budget (OMB) is required to set up a Company and Business Unit(s) for new grants and review to ensure they are established in accordance with the grant. Upon execution, the Contract Accounting Section receives a transmittal letter from the CGS.



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| <b>DESCRIPTION:</b> | Contract Accounting                   | <b>INDEX:</b>          |   |
|                     | Obligation and Liquidation Period for | <b>POLICY:</b>         | X |
|                     | Externally Funded Contracts           | <b>PROCEDURES:</b>     |   |
|                     |                                       | <b>EFFECTIVE DATE:</b> |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 12 N.N.C § 501; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

#### **PURPOSE:**

To establish policies and procedures regarding the obligation and liquidation period of contract funds.

#### **RESPONSIBILITY:**

##### *Contract Accounting Section*

- Obligate and liquidate funds within the required timeframes.

#### **POLICY:**

The Nation is responsible for complying with the requirement of the Single Audit Act, specifically the period of performance. The Nation must comply with the obligation and liquidation period specified in the individual award letter. The Nation must not obligate or liquidate any funds after the award period so as to comply with the period of performance.





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| <b>DESCRIPTION:</b> | Contract Accounting                | <b>INDEX:</b>          |   |
|                     | Contracts/Grant Standard Close Out | <b>POLICY:</b>         | X |
|                     |                                    | <b>PROCEDURES:</b>     |   |
|                     |                                    | <b>EFFECTIVE DATE:</b> |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 501; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

**PURPOSE:**

To establish policies and procedures regarding the closeout of external contract funds.

**RESPONSIBILITY:**

*Contract Accounting Section*

- Perform timely closeout procedures for contract funds.

**POLICY:**

Pursuant to the Terms and Conditions of the award letter, and in accordance with Generally Accepted Accounting Principles (GAAP), it is incumbent upon the programs, departments, and divisions to ensure a proper, complete, accurate, and timely closeout of all program activities and related financial transactions, so the OOC can expedite its final financial report. The OOC (Contract Accounting Section) will receive complete cooperation and assistance from all pertinent staff members to make a concerted effort to meet the reporting requirement of the Funding Agency within the specified time allowed.



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| <b>DESCRIPTION:</b> | Contract Accounting                     | <b>INDEX:</b>          |   |
|                     | Contract/Grant Standard Cash Management | <b>POLICY:</b>         | X |
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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 501; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

**PURPOSE:**

To establish policies and procedures regarding the cash management of external contract funds.

**RESPONSIBILITY:**

*Contract Accounting Section*

- Prepare all required reports in an accurate and timely manner to facilitate timely drawdown of funds.

**POLICY:**

The Nation is responsible for preparing SF 270, *Request for Reimbursement Reports and Invoices*, with the days specified in the signed agreement. The Nation is not able to be reimbursed until all reports required to complete this report are finalized.



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|                     | Contract/Grant Standard Reporting | <b>POLICY:</b>         | X |
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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 501; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

**PURPOSE:**

To establish policies and procedures regarding the submittal of required financial reports

**RESPONSIBILITY:**

*Contract Accounting Section*

- Prepare all required reports in an accurate and timely manner.

**POLICY:**

The Nation is responsible for preparing and submitting all required reports within the timeline specified in the signed agreements.



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| DESCRIPTION: | Contract Accounting     | INDEX:          |   |
|              | Monthly Journal Entries | POLICY:         | X |
|              |                         | PROCEDURES:     |   |
|              |                         | EFFECTIVE DATE: |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 501; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

**PURPOSE:**

To establish policies and procedures regarding the monthly closing procedures.

**RESPONSIBILITY:**

*Contract Accounting Section*

- Timely and accurate monthly closeout procedures.

**POLICY:**

The Nation is responsible for ensuring all Grant Fund companies are closed out each month. To accomplish this, the Nation will post a series of journal entries to accurately and completely close all accounts. This Nation will utilize checklists and tracking sheets to ensure this process is completed in an orderly fashion.





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| <b>DESCRIPTION:</b> | Contract Accounting             | <b>INDEX:</b>          |   |
|                     | Fiscal Year End Journal Entries | <b>POLICY:</b>         | X |
|                     |                                 | <b>PROCEDURES:</b>     |   |
|                     |                                 | <b>EFFECTIVE DATE:</b> |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 501; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

**PURPOSE:**

To establish policies and procedures regarding fiscal year end procedures.

**RESPONSIBILITY:**

*Contract Accounting Section*

- Timely and accurate yearly closeout procedures.
- Coordinate with the General Accounting to prepare and post year-end accrual entries.

*General Accounting Section*

- Run accrual automation at the end of every week in October until the last payroll for the month of September is posted.

**POLICY:**

The Nation is responsible for ensuring all Grant Fund companies are closed out at the end of the fiscal year. To accomplish this, the Nation will post a series of journal entries to accurately and completely close all accounts. This Nation will utilize checklists and tracking sheets to ensure this process is completed in an orderly fashion.



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| <b>DESCRIPTION:</b> | Contract Accounting                  | <b>INDEX:</b>          |   |
|                     | Post Edit Code "P" Close Out Process | <b>POLICY:</b>         | X |
|                     |                                      | <b>PROCEDURES:</b>     |   |
|                     |                                      | <b>EFFECTIVE DATE:</b> |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 501; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

**PURPOSE:**

To establish policies and procedures regarding the post edit code (PEC) process.

**RESPONSIBILITY:**

*Contract Accounting Section*

- Timely and accurate monitoring of all FMIS PEC activity.

**POLICY:**

The Nation is responsible for utilizing the PEC process to halt transactions/expenditures in the FMIS when the grant has expired or when no additional transactions should be posted to a particular grant/account. The Nation is responsible for monitoring the status of all PECs placed in the FMIS.



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| <b>DESCRIPTION:</b> | Contract Accounting | <b>INDEX:</b>          |   |
|                     | Disallowed Cost     | <b>POLICY:</b>         | X |
|                     |                     | <b>PROCEDURES:</b>     |   |
|                     |                     | <b>EFFECTIVE DATE:</b> |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 501; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

**PURPOSE:**

To establish policies and procedures regarding disallowed cost.

**RESPONSIBILITY:**

*Contract Accounting Section*

- Monitoring of all disallowed costs and preparing journal entries to charge to the General Fund, if necessary.

**POLICY:**

Based on audit(s) performed by external auditors, the Nation's Auditor General, or Funding Agency Review(s), the Nation is required to charge any disallowed cost to the Nation's General Fund. The disallowed expenditures could be for the current fiscal year or prior fiscal years. When it is determined that there is no further resolution in clearing the disallowed cost, the Nation will record the charge.



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| <b>DESCRIPTION:</b> | Contract Accounting       | <b>INDEX:</b>          |   |
|                     | Unearned Revenue Analysis | <b>POLICY:</b>         | X |
|                     |                           | <b>PROCEDURES:</b>     |   |
|                     |                           | <b>EFFECTIVE DATE:</b> |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201 *et seq.*; 12 N.N.C. § 50; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

**PURPOSE:**

To establish procedures regarding the regular analysis of unearned revenue accounts.

**RESPONSIBILITY:**

*Contract Accounting Section*

- Reconciling unearned revenue on a monthly basis and preparing journal entries when necessary.

**POLICY:**

The Nation is responsible for monitoring unearned revenue and reconciling the balance to cash, on a company by company and Catalog of Federal Domestic Assistance (CFDA) basis. This process is performed on a monthly basis. The Nation's policy is for unearned revenue to equal cash, except for companies with payable or accrued expense balances. In which case, unearned revenue will be lower than cash by the payable or accrued expense balance.





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| <b>DESCRIPTION:</b> | Contract Accounting | <b>INDEX:</b>          |   |
|                     | Accruals            | <b>POLICY:</b>         | X |
|                     |                     | <b>PROCEDURES:</b>     |   |
|                     |                     | <b>EFFECTIVE DATE:</b> |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*, 12 N.N.C. § 501.

**PURPOSE:**

To establish policies and procedures regarding the recording of the payroll expense accrual.

**RESPONSIBILITY:**

*Contract Accounting Section*

- Preparing and recording the payroll and non-payroll expense accrual.

**POLICY:**

The Nation is responsible for recording the payroll and non-payroll expense accrual for the Grant Fund monthly.



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### Accounting Policies Manual

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| <b>DESCRIPTION:</b> | Contract Accounting                    | <b>INDEX:</b>          |   |
|                     | Audit Adjusting Journal Entries (AJEs) | <b>POLICY:</b>         | X |
|                     |  | <b>PROCEDURES:</b>     |   |
|                     |  | <b>EFFECTIVE DATE:</b> |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*, 12 N.N.C. § 501.

**PURPOSE:**

To establish policies and procedures regarding the recording of audit AJEs.

**RESPONSIBILITY:**

*Contract Accounting Section*

- Accurate and timely posting of all audit AJEs.

**POLICY:**

The Nation is responsible for recording all AJEs identified during the preparation for the external audit and those from the external auditors that affect Grant Funds. The Nation must identify the appropriate business unit (K Account), Nation Sales Tax (if any), and offsetting accounts to ensure the entry balances and does not leave any net activity in the income statement.



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### Accounting Policies Manual

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| <b>DESCRIPTION:</b> | Contract Accounting                        | <b>INDEX:</b>          |   |
|                     | Schedule of Expenditures of Federal Awards | <b>POLICY:</b>         | X |
|                     |  | <b>PROCEDURES:</b>     |   |
|                     |  | <b>EFFECTIVE DATE:</b> |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 501; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

**PURPOSE:**

To establish policies and procedures regarding the annual preparation of the Schedule of Expenditures of Federal Awards (SEFA).

**RESPONSIBILITY:**

*Contract Accounting Section*

- Accurate and timely preparation of the SEFA.

**POLICY:**

The Nation is responsible for preparing the SEFA and related footnotes. This process must include all adjustments necessary to present the SEFA in accordance with the OMB Super Circular (e.g., allocation of indirect cost and recording of commodity expense).



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| <b>DESCRIPTION:</b> | Contract Accounting          | <b>INDEX:</b>          |   |
|                     | U.S. Treasury Offset Program | <b>POLICY:</b>         | X |
|                     |                              | <b>PROCEDURES:</b>     |   |
|                     |                              | <b>EFFECTIVE DATE:</b> |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 501, *et seq.*

**PURPOSE:**

To establish policies and procedures for the U.S. Treasury Offset Program (TOP).

**RESPONSIBILITY:**

*Contract Accounting Section*

- Timely monitoring, communication, and if necessary, reconciliation of TOP notices.

**POLICY:**

The Nation is responsible for monitoring the dedicated mailbox for any TOP notices and communicating the notices to the Nation's Employee Benefits Program for any notices originating from the Center for Medicare and Medicaid Services. Any notices from any other Federal Agency must be investigated and reconciled immediately.





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| <b>DESCRIPTION:</b> | Contract Accounting  | <b>INDEX:</b>          |   |
|                     | Indirect Costs (IDC) | <b>POLICY:</b>         | X |
|                     |                      | <b>PROCEDURES:</b>     |   |
|                     |                      | <b>EFFECTIVE DATE:</b> |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*, 12 N.N.C. § 501; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

**PURPOSE:**

To establish policies and procedures regarding the recording of IDC entries.

**RESPONSIBILITY:**

*Contract Accounting Section*

- Timely and accurate preparation of IDC monthly journal entries.

**POLICY:**

Contract Accounting is responsible for preparing monthly and annual closeout entries for IDC. The entries are based on monthly expenditures and the applicable IDC rate in place at the time. Adjustment to entries at year-end may be necessary when applicable IDC rate changes during the fiscal year. All approved expenses must be cleared out on an annual basis. Business units ready to be closed with remaining unapproved IDC must be reconciled immediately.

All external restricted fund agreements shall include a provision for recovery of IDC at the current negotiated and approved IDC rate.

The use of a lower IDC rate than the most current approved rate requires a waiver by the Naa'bik'iyakti; Committee pursuant to 2 N.N.C. §701(A)(10).

If a funding agency has a statutory cap on administrative costs, all indirect cost shall be budgeted and expensed to the administrative cost business unit(s) so as not to exceed the administrative cost ceiling.



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| <b>DESCRIPTION:</b> | Contract Accounting   | <b>INDEX:</b>          |   |
|                     | Commitment Processing | <b>POLICY:</b>         | X |
|                     |                       | <b>PROCEDURES:</b>     |   |
|                     |                       | <b>EFFECTIVE DATE:</b> |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*, 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

**PURPOSE:**

To establish policies and procedures for encumbrance processing.

**RESPONSIBILITY:**

*Contract Accounting Section*

- Committing all expenditures into the FMIS.

**POLICY:**

All expenditures are required to be committed prior to being incurred. This policy is to be used by all commitment sections regardless of the funding source. All expenditures are required to be committed for the following reasons:

- To ensure that the expenditures are in compliance with the budget, program goals, and objectives.
- If using contract funds, expenditures are reasonable, necessary, and allowable, according to 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
- To verify signature approval authority on all documents.
- To ensure funds availability for anticipated expenditures.
- To commit funds from the appropriate budgeted line item(s) for the anticipated expenditures.

In the FMIS, commitments are entered to set aside funds for anticipated expenditures. Contract Accounting is responsible for external projects/programs and employment and training programs.



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### Accounting Policies Manual

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| <b>DESCRIPTION:</b> | Contract Accounting | <b>INDEX:</b>          |   |
|                     | Prepaid Expenses    | <b>POLICY:</b>         | X |
|                     |                     | <b>PROCEDURES:</b>     |   |
|                     |                     | <b>EFFECTIVE DATE:</b> |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*, 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

**PURPOSE:**

To establish policies and procedures for recording prepaid expenses in FMIS.

**RESPONSIBILITY:**

*Contract Accounting Section*

- Coordinate with the AP Section to record prepaid expenditures into the FMIS.

*AP Section*

- Process payments to prepaid object codes as considered necessary.

**POLICY:**

For Nation purposes, a prepaid expense is a current fiscal year payment for goods or services which are to be received in the next fiscal year(s). Such amounts classified as prepaid expense items are not reflected in the expenses for the current fiscal year, but they are expensed to a subsequent fiscal year. Examples of prepaid expenses are: 1) advance travel payments trips to be taken on or after October 1; 2) advance payment for subscription or membership fees that begin in the next fiscal year(s); 3) advance payment for maintenance fees or contracts and software licenses with term date beginning in the next fiscal year.





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|                     | Fist in First Out (FIFO) | <b>POLICY:</b>         | X |
|                     |                          | <b>PROCEDURES:</b>     |   |
|                     |                          | <b>EFFECTIVE DATE:</b> |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 25 USC 4501 (c)(b)(9)

**PURPOSE:** To establish guidelines for the order and timing of the disbursement of certain grant funds.

#### **RESPONSIBILITY:**

##### *Contract Accounting Section*

- The OOC is responsible for reporting all unutilized funds to the Bureau of Indian Affairs (BIA) and Bureau of Indian Education (BIE) on an annual basis.

##### *Nation Programs*

- The program is responsible for utilizing the oldest available grant funds when making disbursements.

#### **POLICY:**

On occasion, the Nation does not utilize all budgeted grant funds. Per Federal guidelines (25 USC 4501 (c)(b)(9)), advanced funded grant monies are available until expended. In other words, these unused funds are not “reverted” back to the Federal government. They are the Nation’s to be used in accordance with the grant agreement.

Despite not utilizing certain funds, the Nation will normally receive a new round of funding for an upcoming grant period. It is the policy of the OOC to use the oldest available budget period funds to pay for grant expenditures. Once the oldest available grant period is fully utilized, the OOC will perform the necessary steps to close the grant.

The OOC prepares an internal quarterly report of actual expenditures versus expected expenditures based on budget. For example, for the second quarter ended March 31<sup>st</sup>, the OOC expects six months or one half of budgeted expenditures to have been made or accrued. Therefore, one half of the budget is compared to actual expenditures in the Financial Management Information System (FMIS) for the applicable business units. Instances where actual is less than expectation by more than five percent is reported to the applicable oversight committee.

Programs are prohibited from “saving” grant monies for future periods, as programs should abide by tribal funding plans approved by the federal funding agency.

The Nation is responsible for preparing an annual SF-425 report to document the level of unutilized grant funds. The final SF-425 report is due to the BIA/BIE on or before 90 days after expiration of the award. For awards requiring a matching contribution, an annual SF-425 is required and due to the BIA/BIE no later than 45 days following the end of the budget or reporting period. Specifically, the Nation should follow the terms and conditions stated in the award agreement.



Office of the Controller

# The Navajo Nation

Financial Statement Policies Manual



## THE NAVAJO NATION – Office of the Controller

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### Accounting Policies Manual

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|                     |                        | <b>PROCEDURE:</b>      |   |
|                     |                        | <b>EFFECTIVE DATE:</b> |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

#### **PURPOSE:**

To establish policies and procedures for the financial statement preparation process of the Navajo Nation (Nation). The purpose of the Financial Statement Policy and Procedures Manual is to assist the Nation in fulfilling its responsibilities of the proper presentation of all relevant financial information in accordance with U.S. Generally Accepting Accounting Principles (GAAP), Governmental Accounting Standards Board statements, and GAAP as modified by Nation Council resolutions.

#### **RESPONSIBILITY:**

##### *General Accounting Section*

- Monitoring and preparation of the Nation's financial statements, footnotes, and required supplementary information in accordance with GAAP.

#### **POLICY:**

This section sets forth the purpose, roles, and responsibilities of the Nation's financial reporting process. Financial reporting is the means of communicating financial information. For financial reports to be effective, the stated information must be understandable, reliable, relevant, timely, consistent and comparable. The Nation will meet all internal and external reporting requirements in a timely manner. The financial reporting process consists of the following sections:

- Close out entries
- Trial balance preparation
- Financial statement model
- Statements of cash flows
- Footnote disclosures
- Entity conversion schedules
- Other financial statement information
- Tie-outs
- Management's discussion and analysis



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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

#### PURPOSE:

To establish policies and procedures for the monitoring of the impairment of Nation assets.

#### RESPONSIBILITY:

##### *General Accounting Section*

- Monitor assets for possible impairment.

##### *Investment Section*

- Monitor assets for possible impairment.

#### POLICY:

Asset impairment arises when there is a drop in the fair value of an asset below its recorded cost or when the service utility of a capital asset has declined significantly and unexpectedly. The amount of the impairment is the difference between the cost and the fair value of the asset. This concept is important as the impaired amount must be written off or allowed for. Impairment only occurs when the amount is not recoverable. This happens when the carrying amount exceeds fair value (e.g. the sum of the undiscounted cash flows expected to result from the asset over its remaining useful life or term of the asset).

The Nation must test for the recoverability of an asset whenever the circumstances indicate that its carrying amount may not be recoverable. We evaluate prominent events or changes in circumstances affecting assets to determine whether impairment of assets has occurred. Under no circumstances are we allowed to reverse an impairment loss under GAAP.

Examples of such circumstances or events include:

| Situations                   | Description  |
|------------------------------|--|
| Cash flow                    | There are historical and projected operating, or cash flow losses associated with the asset (e.g., direct investments).  |
| Costs/ Construction Stoppage | Project halted prior to completion due to insufficient funds to complete (e.g., construction in progress).   |
| Disposal/ Damage             | The asset is more than 50% likely to be sold or otherwise disposed of significantly before the end of its previously estimated useful life (e.g., equipment damage). |
| Legal                        | There is a significant adverse change in legal factors or the business climate that could affect the asset's value.  |
| Technology or Usage          | There is a significant adverse change in the asset's manner of use, or its physical condition.   |



Office of the Controller

# The Navajo Nation

General Accounting Policies



# THE NAVAJO NATION – Office of the Controller

## Accounting Policies Manual

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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

### **PURPOSE:**

The purpose of General Accounting is to assist the Navajo Nation (Nation) in fulfilling its responsibilities of administering, accounting for and safeguarding the accuracy of the accounting records of the Nation.

### **RESPONSIBILITY:**

#### *The General Accounting Section*

- Responsible for the accounting and monitoring of the Nation's financial transactions and data.

### **POLICY:**

The Nation has several accounts and funds which it must account for. The integrity of financial data needs to be kept intact.

Due to the unpredictability and complexity of the Nation's accounting, exceptions may occur that are not covered directly in this policy manual. In these instances, the general procedures should be followed to the extent possible or until further application becomes unreasonable. The guiding authority over the policies should be Generally Accepted Accounting Principles. When unusual cases arise, which are not addressed in this manual, a presentation of the facts should be given to the Controller or his/her designee for guidance. Since policies and procedures are reviewed and changed from time to time, these exceptions should eventually be addressed herein.



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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies on performing monthly reconciliations between bank accounts (statements) and the general ledger.

**RESPONSIBILITY:**

*The General Accounting Section*

- Responsible for the timely reconciliation and review of all bank accounts.

**POLICY:**

The Nation has several accounts and funds which it must account for. The financial data integrity needs to be kept pure. There are several depository and disbursement accounts which are in the Financial Management Information System (FMIS) along with several smaller banks that need to be reconciled monthly to ensure the deposits and disbursements are accounted for. Any discrepancies between the bank statement and general ledger will need to be researched and corrected in a timely manner.





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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies on performing periodic account analysis of the general ledger.

**RESPONSIBILITY:**

*The General Accounting Section*

- Responsible for the period review and reconciliation of all non-grant balance sheet accounts.

**POLICY:**

The General Accounting Section is responsible for completing an account analysis on items on the balance sheet. The Nation has a number of accounts which it has to account for. Monthly, quarterly, and semi-annual review and account analysis is performed to review items and transactions in these accounts based on a risk assessment of the accounts.

Any discrepancies of transactions will need to be researched and corrected in a timely manner. The account analysis is performed to keep the data within the accounts in proper order. The accounting manager monitors the assignment and progress of this process.



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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies for reviewing and approving funds availability on ICR's.

**RESPONSIBILITY:**

*The General Accounting Section*

- Responsible for review and processing of ICR's.

**POLICY:**

The Nation has several service departments which charge revenue for their services. ICRs are the forms which transfer payment from one program to another for the services performed. These forms need to be reviewed by the General Accounting section to ensure there are available funds, proper accounts and object codes are used, and documentation is attached to the ICR.



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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies for charging out the flight tickets from the Air Transportation department for air travel by Nation programs.

**RESPONSIBILITY:**

*The General Accounting Section*

- Responsible for the review and processing of flight tickets.

**POLICY:**

The Nation has the responsibility for accounting for Air Transportation department flights taken by Nation departments. Flight tickets are received monthly to charge out from each department using Air Transportation services. General Accounting reviews to ensure revenue is being correctly credited to the Air Transportation department.



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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures for stop payment requests on Nation checks.

**RESPONSIBILITY:**

*The General Accounting Section*

- Responsible for stopping payments on checks, when necessary.

**POLICY:**

There comes the need to place stop payments on checks from time to time. These requests are completed by the General Accounting Section. General Accounting can research in FMIS, Wells Net (Wells Fargo) and bank reconciliations/stale date accounts to ensure stop payment are completed correctly.





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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures relative to check cancellation requests.

**RESPONSIBILITY:**

*The General Accounting Section*

- Responsible for processing check cancellations.

**POLICY:**

There comes the need to cancel checks. These requests are completed by the General Accounting Section. General Accounting can research in FMIS, Wells Net (Wells Fargo) and bank reconciliations/stale date accounts to ensure they are completed correctly.



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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish procedures for the proper management and recording of all reissued checks for the Navajo Nation.

**RESPONSIBILITY:**

*The General Accounting Section*

- Responsible for the reissuance of checks.

**POLICY:**

There comes the need to reissue checks. These requests are completed by the General Accounting Section. General Accounting can research in FMIS, Wells Net (Wells Fargo) and bank reconciliations/stale date accounts to ensure the reissuance is appropriate.



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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies for compiling the financial statements of the Navajo Nation.

**RESPONSIBILITY:**

*The General Accounting Section*

- Responsible for the periodic preparation of financial statements.

**POLICY:**

The General Accounting Section is responsible for compiling the financial statements for the Nation. Interim Financial Statements shall be compiled quarterly. This also includes covenant compliance for the issuance of the bond, which is required. A full set of Governmental Accounting Statements Board financial statements shall be compiled at year end (September 30).

The Nation's financial statements are generated within the General Accounting Section, in coordination with other departments within the Office of Controller (OOC).



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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 830(C).

**PURPOSE:**

To establish policies for compiling revenue projections for the Navajo Nation.

**RESPONSIBILITY:**

*The General Accounting Section*

- Responsible for the annual preparation of revenue projections and the periodic monitoring for accuracy.

**POLICY:**

Revenue projections are used to determine the next fiscal year's General Fund budget. The due date is the end of the second quarter. The Nation's revenue projections are generated and compiled within the General Accounting Section. In coordination with other departments within the Nation, these revenue projections are compiled on a yearly basis. The revenue projection is reviewed from time to time for inquiries on status, shortfalls, or excess.





## THE NAVAJO NATION – Office of the Controller

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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 24 N.N.C. § 701 (CO-40-10); 24 N.N.C. § 803 (CJY-31-10); 24 N.N.C. §§ 620(B) and 620(C) (CO-46-12); 24 N.N.C. § 1201, *et seq.* (CJY-31-15).

**PURPOSE:**

To establish policies for calculating revenue set asides for the General Fund.

**RESPONSIBILITY:**

*The General Accounting Section*

- Responsible for recording all statutory allocations and transfers and monitoring for accuracy.

**POLICY:**

The General Accounting Section is responsible for calculating and entering set asides in the FMIS. These include transfers to the Permanent Fund (12%), Veterans Fund (4%), Land Acquisition (2%), and General Fund tax revenue reserves (2%). The set aside calculations are completed monthly. This is to ensure that all the set asides are recorded into their respective funds correctly each month. The Nation must ensure all set aside and reserve percentages are up to date in the FMIS. In addition, for monitoring of changes because of new legislation.

Other transfers include sales tax transfers for Scholarship Economic Development, Judicial, Public Safety, and Fire and Rescue.



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### Accounting Policies Manual

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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies for processing TANF data port files.

**RESPONSIBILITY:**

*The General Accounting Section*

- Responsible for processing all TANF data port files.

**POLICY:**

The General Accounting Section is responsible for entering TANF uploads into the FMIS.



# THE NAVAJO NATION – Office of the Controller

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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

### **PURPOSE:**

To establish policies for the calculation of UUFB.

### **RESPONSIBILITY:**

*The General Accounting Section*

- Responsible for calculating and monitoring UUFB.

### **POLICY:**

A calculation of UUFB must be maintained by the OOC to quantify the amount of funds available to be appropriated. This calculation must take into consideration the following categories to calculate unassigned fund balance in accordance with GASB 54:

- Non-spendable
- Spendable
- Committed
- Assigned

In addition, the Nation must consider the following internal "assignments" to calculate UUFB:

- Supplemental appropriations
- Estimated expenses (accruals)
- Bond reserve
- Unbudgeted activity
- Minimum UUFB
- Contingencies



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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 12 N.N.C. §§ 1330 to 1350 (CAP-11-15).

**PURPOSE:**

To establish policies for the proper accounting and reporting of bonds.

**RESPONSIBILITY:**

*The General Accounting Section*

- Responsible for calculating quarterly bond covenants and making timely debt service payments.

**POLICY:**

The Nation is responsible to accurately account for its bond transactions. This is of importance given the public nature the transactions and the Nation's Standard and Poor's rating. The Nation is responsible for making all debt service payments, amortizing bond premiums, and accruing interest payable.

In addition, the Nation must prepare quarterly reporting to the trustee in accordance with the bond indenture.





## THE NAVAJO NATION – Office of the Controller

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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 820 (CO-44-11); Budget Instructions Manual.

**PURPOSE:**

To establish policies for the preparation of the appropriations.

**RESPONSIBILITY:**

*The General Accounting Section*

- Responsible for the preparation of the appropriations.
- The Controller shall identify recurring and non-recurring expenditure for classification.

**POLICY:**

The OOC is responsible for the preparation of the annual budget for the general fund. The controller shall identify and classify recurring or non-recurring revenue and expenditures. Recurring revenues cover recurring cost and non-recurring revenue cover non-recurring cost.



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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies for ensuring sufficient budget is available for all payments using General Fund monies.

**RESPONSIBILITY:**

*The General Accounting Section*

- Responsible performing budget availability checks.

**POLICY:**

All payments request (P.O., RDP, etc.) must be routed to General Accounting prior to payment. General Accounting is responsible for checking budget availability for the business unit in question. Payments will only be processed if sufficient budget is available.



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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 12 N.N.C. §§ 1003 and 1004 (BFMY-15-10); 12 N.N.C. § 1705, *et seq.* (CAP-29-12); 12 N.N.C. §§ 2501 to 2508 (CN-57-16); 12 N.N.C. §§ 2603 to 2605 (CO-54-16); 12 N.N.C. § 904 (CJA-15-17); 12 N.N.C. § 1162(B) (CAP-19-16).

**PURPOSE:**

To establish policies for the accounting for financial statement funds.

**RESPONSIBILITY:**

*The General Accounting Section*

- Responsible for creating new funds and making recommendations for the type of fund or if a new fund is necessary.

**POLICY:**

General Accounting is responsible for the monitoring of resolutions that create new funds. If new funds are created, General Accounting is responsible for the creation in the FMIS and day to day accounting. General Accounting is also responsible for the recommendation of whether to create new funds considering the number of funds already in place and the type of fund.



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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 2301, *et seq.* (CJY-41-12).

**PURPOSE:**

To establish policies for the grants made to Navajo Nation Higher Education.

**RESPONSIBILITY:**

*The General Accounting Section*

- Responsible for transfers to Higher Education Schools Funds.

**POLICY:**

The Nation is responsible for the accurate accounting and timely payments for grants made to Higher Education Schools such as Dine College. In addition, for monitoring of changes because of new legislation.





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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 1401, *et seq.*

**PURPOSE:**

To establish policies for the review, reconciliation, and recording of the probable litigation liability identified by the Department of Justice into the Contingency Management Fund (CMF).

**RESPONSIBILITY:**

*The General Accounting Section*

- Responsible for updating the litigation liability in the CMF.

**POLICY:**

The Nation is responsible for the accurate accounting and timely review and reconciliation of the accrual for contingent liabilities identified by Department of Justice.



## THE NAVAJO NATION – Office of the Controller

### Accounting Policies Manual

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**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 2 N.N.C. § 300(A) (BFF-07-17); 12 N.N.C. § 230(I) (BFJN-17-15); Resolution NNICJU-01-15.

**PURPOSE:**

To establish policies and procedures for the proper accounting for the Nation's notes receivable with the NNGE.

**RESPONSIBILITY:**

*Investments Section*

- See Section 4 of the MIP
- Prepare contributions to the defined benefit plan.

*Controller*

- See Section 4 of the MIP

*Investment Committee*

- See Section 4 of the MIP

**POLICY:**

Section 8.1(i) of the MIP states the Nation may make direct investments of Nation funds in various investment structures, either equity or debt based.

Under this section of the MIP, the Nation lent NNGE funds for the construction of casinos from 2009 to 2012. The notes had varying stated interest rates and maturity dates. However, the results of casino operations were not sufficient to cover debt service. As a result, forbearance agreements were entered into to amend certain terms of the note agreements.

The Investment Section must monitor the results of NNGE and properly accounts for the note receivable balance, including record debt service by fund and reviewing for possible impairment.

Office of the Controller

# The Navajo Nation

Investment Policies Manual



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**LEGAL AUTHORIZATION:** 12 N.N.C: Ch. 2, 4, 5, 7, 8, 10, 12, & 13; Master Investment Policy

#### **PURPOSE:**

To establish policies and basic procedures for the management of the Navajo Nations Investments Program and Cash Management.

#### **RESPONSIBILITY:**

##### *Investments Section*

- Navajo Nation Master Investment Policy (MIP)

##### *Controller*

- MIP

##### *Investment Committee*

- See Section 3 & 4 of the MIP

#### **POLICY:**

This policy applies to all investable funds of the Nation, being short, intermediate, long-term, managed internally or externally. The Investment Section of the Office of the Controller (“OOC”) shall perform the following functions:

- Aid in the cash management process by investing excess cash and providing liquidity to applicable funds/programs.
- Ensure up-to-date entries in the Financial Management Information System by preparing daily/monthly accounting journal entries through reconciliation and accounting.
- Prepare the quarterly investment report for the Investment Committee.
- Conduct Investment committee meeting preparations.
- Conduct administrative duties on behalf of the Investment Committee.
- Manage payments for Investment Managers, Oil Royalty Payments to the State of Utah, FASP recipients, Custodial Bank, and Financial Advisors.
- Perform year-end closeout procedures of the books and records.
- Prepare annual budgets for applicable Special Revenue, Fiduciary, Permanent, Proprietary and any other Governmental Funds.
- Manage and Administer the Finance and Accounting Scholarship Program (“FASP”).
- Process monthly drawdowns of Bureau of Indian Affairs funds.

Refer to the attached “The Navajo Nation Master Investment Policies” for further guidance (e.g., scope, permissible investments, allocation strategies).

Office of the Controller

# The Navajo Nation

Office Supply Center Policies Manual



# THE NAVAJO NATION – Office of the Controller

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## Accounting Policies Manual

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### Accounting Policies Manual

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| <b>DESCRIPTION:</b> | Office Supply Center | <b>INDEX:</b>          | 9.1 |
|                     | Overview             | <b>POLICY:</b>         | X   |
|                     |                      | <b>PROCEDURES:</b>     |     |
|                     |                      | <b>EFFECTIVE DATE:</b> |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures for the Navajo Nation Office Supply Center.

**OBJECTIVES:**

The Navajo Nation (Nation) Office Supply Center offers the Nation Government Programs/Departments and the public office supplies at reasonable prices.

**SCOPE:**

This policy applies to all Nation programs and departments.

**RESPONSIBILITY:**

*Office Supply Center*

- Maintain appropriate levels of office supply inventory.
- Safeguard all office supply inventory.
- Perform periodic inventory counts and reconcile to the records.

**POLICY:**

This policy governs the purchase of certain general office supplies with Nation funds. This Policy provides Nation approved methods which ensure that high quality office supplies are procured in a consistent, cost effective, and efficient manner to meet our needs. It is intended to enable Nation employees to spend the minimum amount of time shopping for supplies while receiving the best prices possible.





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| <b>DESCRIPTION:</b> | Office Supply Center | <b>INDEX:</b>          | 9.2 |
|                     | Supply Orders        | <b>POLICY:</b>         | X   |
|                     |                      | <b>PROCEDURES:</b>     |     |
|                     |                      | <b>EFFECTIVE DATE:</b> |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures for the purchase of office supplies by the Navajo Nation Office Supply Center and the completion of the Stationary Supply Order (SSO) form for purchases made by programs and departments.

**RESPONSIBILITY:**

*Office Supply Center*

- Maintain appropriate levels of office supply inventory.
- Safeguard all office supply inventory.

**POLICY:**

The Navajo Nation Office Supply Center offers the Navajo Nation Government Programs/Departments and the public office supplies at reasonable prices. The Office Supply Center follows the Nation's procurement code when purchasing office supplies for inventory purposes. For program/department purchases, the Office Supply Center utilizes the SSO form. These procedures will outline the process for completing the form. SSO Forms can be obtained from Office Supply Center located at the Property and Supply Warehouse in Fort Defiance, Arizona. The Office Supply Center issues a catalog of items that are in-stock in the warehouse store.



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|                     | Inventories          | <b>POLICY:</b>         | X   |
|                     |                      | <b>PROCEDURES:</b>     |     |
|                     |                      | <b>EFFECTIVE DATE:</b> |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures for the Navajo Nation Office Supply Center completion of periodic inventories.

**RESPONSIBILITY:**

*Office Supply Center*

- Perform periodic inventory counts and reconcile to the books and records.

**POLICY:**

The Office Supply Center shall perform physical inventory counts once every quarter. All variances must be sufficiently investigated, reviewed, and approved by the supervisor. The books and records must be appropriately updated.

Office of the Controller

# The Navajo Nation

OOC Policies Manual



# THE NAVAJO NATION – Office of the Controller

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| <b>DESCRIPTION:</b> | Office of the Controller | <b>INDEX:</b>          | 10.1 |
|                     | Merit Bonus Pay          | <b>POLICY:</b>         | X    |
|                     |                          | <b>EFFECTIVE DATE:</b> |      |

**LEGAL AUTHORIZATION:** Navajo Nation Department of Personnel Management (DPM), Personnel Policies Manual, Section VII, *Salary and Wage Administration*.

#### **PURPOSE:**

To establish guidelines for awarding Merit Bonus Pay in compliance with the Navajo Nation (Nation) law.

#### **RESPONSIBILITY:**

*Office of the Controller (OOC) Supervisors and Managers*

- Monitor employee performance and assess whether bonuses are warranted.

#### **POLICY:**

The OOC has established policies set forth below regarding Merit Bonus Pay. Any questions, concerns or suggestions should be addressed to the appropriate supervisor/manager.

Formal recognition programs, including lump-sum bonuses, incentive plans, and nonmonetary awards, offer mechanisms to effectively motivate and retain valued employees who provide exemplary performance or meet specified targets. These programs are intended to reward staff employees whose achievements have resulted in a benefit to the Nation. The Nation's Bonus Pay plan includes both monetary and non-monetary awards.

#### ***Monetary and Nonmonetary Awards:***

There are two types of monetary awards:

- A lump-sum bonus to recognize a specific achievement or cost-savings.
- An incentive plan with clearly defined goals, pre-established criteria and regular payouts when goals are met or exceeded.

Nonmonetary rewards can take the form of recognition awards, career development opportunities, and attendance/travel/time off for special lectures, training programs, and conferences. Nonmonetary rewards such as recognition awards cannot exceed a value of monetary awards.

These awards are not intended to replace informal and spontaneous recognition or praise of staff achievements and work performance. Informal recognition of employees should take place every day. Saying "thank you" to employees and complimenting an employee on a job well done are part of managers' and supervisors' responsibilities.

Managers should reward behaviors and results that are tied to the OOC's goals.

Specific selection criteria need to be established by the OOC, and all employees of the department must be eligible to participate. The DPM must approve the OOC criteria before a formal recognition program is implemented.

Funding of bonus expenses is subject to the OOC budget principles and practices.

#### ***Lump-sum Bonus:***

There are two ways the OOC can exercise this method of recognition:

- Establish an award review committee to determine award recipients.
- Permit a manager the discretion to initiate an award for a specific employee, with approval from the department director and human resources.
- All bonus award recipients must meet the following criteria:
  - The employee's accomplishments exceed the normal standards/expectations for the job.





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- The employee has fulfilled all normal job duties in addition to performing added duties to accomplish a special project or achieve a certain goal.
- The employee serves as a role model for others, displaying desirable characteristics such as outstanding customer service, positive attitude, and team leadership.

The amount of a lump-sum bonus may not exceed 5 percent of the employee's base salary. Decisions about the amount of a lump-sum bonus should be dependent on the nature and complexity of the accomplishment and the ability of the OOC to fund the award. (Documentation must be submitted to support such a request.)

The manager should clearly communicate to the recognized employee the specific outstanding achievements that led to the award.

#### *Incentive Plans:*

The OOC must develop specific targets to be achieved for the incentive plan. Goals, pre-established criteria, and regular payouts are essential components of this type of plan. Managers should clearly communicate to the employee what the expectations are and the outcome of the incentive period.

#### *Example Attributes:*

Examples of areas that may be rewarded include:

- Outstanding achievements and accomplishments. Demonstrated and sustained outstanding achievements that consistently exceed goals and job expectations.
- Teamwork. Acting as an exceptionally effective and cooperative team member or demonstrating superior interactions within and outside the company and the client population served.
- Length of service. A commitment to Navajo Nation through long-term service.



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| <b>DESCRIPTION:</b> | Office of the Controller              | <b>INDEX:</b>          | 10.2 |
|                     | Sensitive Information and Privacy Act | <b>POLICY:</b>         | X    |
|                     |                                       | <b>EFFECTIVE DATE:</b> |      |

**LEGAL AUTHORIZATION:** 2 N.N.C. § 85; Navajo Nation Personnel Policies Manual.

**PURPOSE:**

To establish guidelines for protecting sensitive information. Refer to the “Systems – Sensitive Information” policies and procedures for additional guidance.

**RESPONSIBILITY:**

*Office of the Controller (OOC) Employees*

- Ensure all sensitive information is appropriately secured.

**POLICY:**

The OOC and its employees are responsible for securely maintaining all information protected under the Navajo Nation Privacy Act. Examples of sensitive information include:

- Records concerning an individual's eligibility for social services, welfare benefits, or the determination of benefit levels
- Records containing data on individuals describing medical history, diagnosis, condition, treatment, evaluation, or similar medical data, including psychiatric or psychological data.
- Records concerning a current or former employee of or applicant for employment with a governmental entity that would disclose that individual's home address, home telephone number, social security number, insurance coverage, marital status, or payroll deductions.
- Records concerning a current or former employee of, or applicant for employment with a governmental entity, including performance evaluations and personal status information such as race, religion, or disabilities, but not including records that are public under N.N.C. § 84(A)(2) or (B)(11).

Refer to 2 N.N.C. § 85 for additional examples.

Employees are reminded that disclosing confidential information to the unauthorized person(s) may result in termination of employment. See the Navajo Nation Personnel Policy Manual, Section XIII, Part G. *Table of Penalties*.



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| DESCRIPTION: | Office of the Controller | INDEX:          |   |
|              | Gifts                    | POLICY:         | X |
|              |                          | EFFECTIVE DATE: |   |

**LEGAL AUTHORIZATION:** 2 N.N.C. § 1012; 2 N.N.C § 3741, *et seq.*; Navajo Nation Department of Justice Advisory Memorandum on Governmental Employees and Elected Officials Receipt of Gifts under the Navajo Nation Ethics in Governmental Law dated May 12, 2015.

#### PURPOSE:

To establish guidelines for accepting gifts.

#### RESPONSIBILITY:

*Office of the Controller (OOC) Employees*

- Ensuring the integrity of the OOC is not compromised by accepting inappropriate gifts.

#### POLICY:

All OOC employees are prohibited from accepting gifts from any person, organization, or group that is seeking or will seek a contract, financial relationship, or other business with the Navajo Nation (Nation) or that is regulated by the Nation. Employees may not solicit or accept for themselves or for any other person, gifts including economic opportunity, favor, or loan or any other benefit of an aggregate monetary value of one hundred dollars (\$100.00) or more in any calendar year.

During the course of business, employees will be offered gifts, such as coffee mugs, pens, food that are valued less than \$100.00. These gifts are not prohibited. These permitted gifts include luncheons that are available during meetings that are valued at less than \$100.00. However, if a meal is lavish and valued greater than \$100.00, the meal would be prohibited.





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| <b>DESCRIPTION:</b> | Office of the Controller | <b>INDEX:</b>          |   |
|                     | Conflict of Interest     | <b>POLICY:</b>         | X |
|                     |                          | <b>EFFECTIVE DATE:</b> |   |

**LEGAL AUTHORIZATION:** 2 N.N.C. § 3745; 12 N.N.C. § 201, *et seq.*; Navajo Nation Personnel Policy Manual.

#### **PURPOSE:**

To establish guidelines for conflict of interest.

#### **RESPONSIBILITY:**

##### *Office of the Controller (OOC) Employees*

- Ensuring the business of the OOC is conducted in a manner that maintains the proper level of ethical and legal standards, in fact, and in appearance.

#### **POLICY:**

It is the policy of the Navajo Nation (Nation) that its departments and staff conduct the affairs of the Nation in accordance with the highest ethical and legal standards. To avoid a conflict between personal or professional interests and the Nation's interests, individuals must not be in a position to act on behalf of or make decisions for the Nation if their personal economic gain or interest may directly or indirectly influence, or have the appearance of influencing, the performance of their Navajo Nation duties.

##### Conflict of Interest

Considerations of personal gain must not influence the decisions or actions of individuals in discharging their Nation responsibilities. Such incentives might create a perception of impropriety and, therefore, require that such conflicts be identified, and then managed, reduced or eliminated.

The following activities are examples of situations that may raise questions regarding an apparent or real Conflict of Interest:

- Undue personal gain from Navajo Nation funds or resources
- Excessive or unauthorized use of Nation time or resources for professional, charitable or community activities
- Exploitation for private gain
- Compromise of Nation priorities due to personal financial considerations
- Unfair access by an outside party to Nation departments, programs, information or technology
- Selection of an entity as a Nation vendor by an individual who has a personal or economic interest in that entity; this includes engaging a relative as an independent contractor, subcontractor or consultant

The Nation will exercise oversight and care in eliminating or managing Conflicts of Interest that do or may arise because of an individual's personal interest in Nation activities. The Nation will not accept or enter into agreements, contracts, gifts or purchases that give rise to a Conflict of Interest unless the conflict can be eliminated or appropriately managed through administrative oversight to protect the interests of the individual and the Nation.

Employees of the Navajo Nation shall maintain the highest standards of business ethics in transactions with the Navajo Nation, with state, federal, and with the public. Employees are expected to perform their duties faithfully and efficiently and never to give rise to suspicion of improper conflict with interests of the Navajo Nation. Subject to specific Navajo Nation administrative policies, employees must avoid any conflict of interest that may affect their independent judgment in the impartial performance of their duties and may not use their positions to enhance their direct or indirect financial interest or use confidential information learned as employees for anyone's private gain. Nation employees, as well as individuals and firms proposing business transactions with the Nation, shall disclose in advance and in writing any direct or indirect financial interest employees may have in a transaction with the Nation.

Any employee who violates this policy or related administrative policies shall be subject to disciplinary action, up to and including dismissal. The purpose of this policy is to set principles for identifying potential conflicts and required



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procedures for reviewing and addressing those potential conflicts that occur to assure that they do not improperly affect the Nation or violate state and federal laws.





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| <b>DESCRIPTION:</b> | Office of the Controller | <b>INDEX:</b>          |   |
|                     | Overtime                 | <b>POLICY:</b>         | X |
|                     |                          | <b>EFFECTIVE DATE:</b> |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; Navajo Nation Personnel Policy Manual.

**PURPOSE:**

To establish guidelines for overtime.

**RESPONSIBILITY:**

*Office of the Controller (OOC) Supervisors and Managers*

- Ensuring overtime pay is approved and timely processed.

**POLICY:**

Overtime for the OOC shall be paid in accordance with the Navajo Nation Personnel Policy Manual. The OOC shall utilize overtime in emergency situations. Overtime shall not be used in lieu of working the normal tour of duty hours. The OOC accounting managers shall be responsible for:

- Requesting overtime
- Employee supervision during overtime
- Ensuring completion of work during overtime
- Ensuring employees are not on annual or sick leave the same day as the requested overtime
- Overtime requests are based on workload
- Ensuring employees meet employee performance standards



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| DESCRIPTION: | Office of the Controller        | INDEX:          |   |
|              | Fraud Hotline and Investigation | POLICY:         | X |
|              |                                 | EFFECTIVE DATE: |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures

**RESPONSIBILITY:**

*Office of the Controller (OOC)*

- Monitoring, assessment, and investigation (if necessary) of all fraud hotline submissions.

**POLICY:**

The OOC must monitor the fraud hotline on a daily basis. The OOC will receive notification via email if a submission has occurred. The OOC will refer to the guidelines and procedures established in the Anti-fraud Program, which includes a Fraud Incident Report Log. The OOC must determine if the incident request further action and document the rationale for this decision in the "actions taken in response" section. All incident logs must be filed maintained following the Nation's document retention policy.

Office of the Controller

# The Navajo Nation

Payroll Policies Manual



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| <b>DESCRIPTION:</b> | <b>Payroll -</b>          | <b>INDEX:</b>          | <b>11.1</b> |
|                     | <b>Payroll Processing</b> | <b>POLICY:</b>         | <b>X</b>    |
|                     |                           | <b>PROCEDURES:</b>     |             |
|                     |                           | <b>EFFECTIVE DATE:</b> |             |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 15 N.N.C. § 1001, *et seq.*; Navajo Nation Personnel Policies Manual; Navajo Nation Budget Instructions Manual; Fair Labor Standards Act of 1938.

**PURPOSE:** To establish policies and procedures for the processing, proper management, recording, and reporting of all payroll activities for employees who have officially by Department of Personnel Management (DPM) been entered into Human Resource Information System (HRIS).

#### **RESPONSIBILITY:**

##### ***Payroll Section***

- Prepares the salary and wage payment for all departments and programs in the Navajo Nation (Nation) and manages related functions such as properly implementing and processing of all payroll activities and reporting thereof to comply with applicable federal, state, and Navajo Nation laws and regulations.

#### **POLICY:**

##### **Objectives of payroll processing are as follows:**

- Accurate processing of payroll checks
- Timely issuance of payroll checks
- Accurate reporting and distribution of payroll expenses to accounts
- Maintenance of complete and accurate records of employees' earnings, pay, and deductions
- Accurate calculation and timely payment of employees' withholdings and deductions
- Timely reporting to federal and state tax authorities, insurers, and other external parties

**This section describes policies for payroll processing which includes the following six categories of employees:**

- Regular status
- Temporary
- Youth/Adult (NDWD)
- Council Delegate
- Political-At-Will
- Professional-At-Will

##### **Navajo Nation employees:**

- Must be an 'active' status employee meaning a Personnel Action Form (PAF) was initiated by program/department and entered into the Human Resources Information System (HRIS) by the Department of Personnel Management (DPM) before the beginning of each payroll cycle and must not be employed without an approved DPM PAF.
- Are paid on a bi-weekly basis
- Are paid in accordance with their position classification, pay grade and pay step
- Must be included on program/department's time sheet by pay period(s)
- Must have sufficient amount budgeted.



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- Are paid overtime pay when occupying a non-exempt position when properly authorized and approved by the supervisor and verified through Contract and General Accounting.
- Are paid for Federal and Nation holidays
- Accrue annual and sick leave hours at a pre-determined rate per pay period (regular status employees only)

#### ***Pay Periods***

A payroll period is a period of service for which the Navajo Nation pays wages. Per IRS regulations employers are required to withhold income tax for that time period even if the employee doesn't work the full period (see Federal Tax Withholding Policy). Per IRS regulation, Navajo Nation is a bi-weekly taxpayer.

The Nation's pay period ends every other Friday. All departments are required to submit time sheets to the Payroll Section by 5:00 p.m. for that pay period. The Fair Labor Standards Act requires employers to maintain a record of working hours and leave hours to accurately pay employees.

#### ***Pay Check Information***

Payroll checks are distributed to employees every other Wednesday, twelve (12) days after the pay period ends. Payroll Section has four working days to perform the necessary functions of the Payroll Section after the pay period ends. All payroll deductions are entered into HRIS the last week of a pay period.

In accordance with federal and state law, the Nation withholds amounts from employees' gross pay for income taxes, and for social security and Medicare taxes (see Federal and state withholding policies). The Nation also maintains various benefit and retirement plans for its employees and allows a variety of voluntary deductions.

#### ***Back Pay Requests***

Back Pay Requests will be submitted for GWA, COLAs, Settlement Agreements, wage adjustments; any departments who do not meet the DPM Personnel Action Form (PAF) submission schedule per listed pay cycles and the employee is not updated in HRIS by the time Payroll processing commences will be moved into the next payroll PPE cycle. There will be no Salary Advances outside of the biweekly payroll cycle, as the Salary Advances are manual calculations causing double entry and double verification for the Payroll Technician. The DPM PAF submission schedule is available on the DPM website.



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| DESCRIPTION: | Earnings - | INDEX:          | 11.2 |
|              | Timesheets | POLICY:         | X    |
|              |            | PROCEDURES:     |      |
|              |            | EFFECTIVE DATE: |      |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; Fair Labor Standards Act of 1938.

**PURPOSE:** To establish policies and procedures for the proper time recording, timesheet submittal of employee's working hours, and processing and approval of department time sheets. Employees on the timesheet are approved through the Department of Personnel HRIS and have been assigned an AB# as the identifier, and these employees work hours will be processed with the current pay period.

**RESPONSIBILITY:**

*Payroll Section*

- Establishes policies for the accurate and timely recording of timesheets.

**POLICY:**

As an employer, the Navajo Nation, its program and department supervisors and timekeepers, and the Payroll Section are responsible for maintaining accurate and complete records, including, working hours, payroll records and certain employee information for every employee for both pay period and calendar year. Records of working hours and payroll records should be retained for a minimum of 3 years.

Penalties, sanctions, and audit findings may apply for failure to meet these recordkeeping requirements from Regulatory agencies.

Timesheets will be scanned by Pay Period and stored in DOC Record Prism Software for future reference and/or financial audits availability.





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| <b>DESCRIPTION:</b> | <b>Earnings -</b>       | <b>INDEX:</b>          | <b>11.3</b> |
|                     | <b>Overtime</b>         | <b>POLICY:</b>         | <b>X</b>    |
|                     | <b>Holiday Pay</b>      | <b>PROCEDURES:</b>     |             |
|                     | <b>Compensatory Pay</b> | <b>EFFECTIVE DATE:</b> |             |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; Navajo Nation Personnel Policies Manual (NNPPM); Judicial Branch of the Navajo Nation Employee Policies and Procedures (JBEPP); UMW Collective Bargaining Agreements (CBA); Fair Labor Standards Act of 1938.

**PURPOSE:** To establish and provide policies and procedures that authorize and compensate eligible employees for hours worked beyond the regular tour of duty (overtime).

### RESPONSIBILITY:

#### *Payroll Section*

- Processes overtime, holiday, and compensatory pay for Nation employees.

### ELIGIBILITY:

Nation employees eligible for overtime, holiday, and compensatory pay are non-exempt, non-supervisory, and office staff positions. Exempt positions do not qualify for overtime or compensatory time either through payroll or in-house at the department.

The Payroll Section will process all overtime, holiday, compensatory pay as approved by the department personnel in accordance with the applicable NNPPM, JBEPP, or CBA.

### DEFINITIONS:

|                        |  |
|------------------------|--|
| Exempt/Non-exempt:     | All positions will be classified as either exempt or non-exempt to determine eligibility for overtime compensation. Exempt: managerial, professional, and administrative positions. Employees assigned to exempt positions are not eligible for overtime and compensatory compensation. Non-exempt: non-supervisory or office staff positions. Employees assigned to non-exempt positions are eligible for overtime and compensatory compensation. Department of Personnel Management is responsible for determining the exempt or non-exempt status of each person. |
| Overtime:              | Hours worked in a workweek beyond the regular 40-hour tour of duty or the standard work hours.<br><br>Exception: For employees engaged in public safety or fire protection activities, overtime hours would be those that exceed 80 hours in two work weeks.   |
| Actual hours worked:   | Time an employee spends performing her/her job or job-related activities; includes time which an employee is necessarily required to be on the employer's premises, on duty or at a designated workplace.  |
| Work Week:             | A normal work week consists of five working days and two days off. It may also consist of a shift schedule of four ten-hour days, or other approved tour of duty totaling 40 hours. A work week will begin on Saturday and end on Friday.<br><br>Exception: For employees engaged in public safety or fire protection activities, a workweek shall consist of 10 work days or 80 hours. The work week will begin on a Saturday and end on a Friday.  |
| Compensatory Time Off: | Authorized time off in lieu of cash payment for overtime; an alternative method of compensation to an employee for overtime work; as with cash payments the rate of compensatory time is dependent upon the number of hours actually worked in a work week.  |
| Non-exempt:            | Non-supervisory or office staff positions. Employees assigned to non-exempt positions are eligible for overtime compensation.  |



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#### Holiday Pay:

Any employee who is required to work on a holiday and does work shall be paid at twice his/her regular rate of pay for hours worked. Holiday Pay will cover only those hours worked in one day. Early release of employees is not counted as a holiday when calculating holiday pay.

#### **POLICY:**

It is the Payroll Section policy to compensate the Nation's workforce for overtime, holiday, and compensatory pay of Nation employees consistent with the NNPPM, JBEPP, and CBA. It is the policy of the Nation to process overtime, holiday pay and compensatory pay when program approved and necessary to meet essential operating needs of the Nation, subject to existing funding, and contract requirements.

##### A. Authority to Approve Overtime

The Program Manager may authorize and approve overtime, holiday pay, and compensatory time consistent with the applicable NNPPM, JBEPP, or CBA. Program Manager should only authorize overtime and compensatory time when there are sufficient funds in the appropriate overtime account.

##### B. Employee Notification

1. The Program Manager shall notify the employee in advance that overtime necessary and the employee is expected to work. Program Manager will take into account employee preference for overtime assignments. To the extent feasible, overtime shall be distributed equally among full-time employees of the same classification.
2. Prior to working overtime, non-exempt employees must agree to the type of compensation preferred; cash payments, compensatory time off, or a combination of both and must be noted on the Overtime Authorization Form.

##### C. Compensation

1. Approved overtime and compensatory time will be processed with the next payroll cycle or next pay period as approved by the departments in accordance with the applicable NNPPM, JBEPP, or CBA.
2. Payment for overtime will be at the rate of one and one-half times their regular hourly rate for hours worked that exceed 40 hours of actual hours worked in a work week.
3. Employees engaged in public safety activities will be paid the rate of one and one-half times their regular hourly rate for hours worked that exceed 80 hours of actual hours worked in two work weeks or one pay period.
4. Payment for holiday pay will be at the rate of double the rate of their regular hours for actual hours worked during the holiday as identified in the NNPPM, JBEPP, or CBA.





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|--|------------------|-----------------|------|
|  | Earnings -       | INDEX:          | 11.4 |
|  | Back Pay Request | POLICY:         | X    |
|  |                  | PROCEDURES:     |      |
|  |                  | EFFECTIVE DATE: |      |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; NNDPM Personnel Policies and Procedures Manual; Fair Labor Standards Act of 1938.

**PURPOSE:** To establish policies and procedures that compensate employees who are officially in the HRIS system and have met the Department of Personnel Management (DPM) PAF schedule for Payroll Processing.

**RESPONSIBILITY:**

***Payroll Section***

- Establishes the policies for payments of back pay for Nation employees who are officially entered into the HRIS system via department PAF.

**ELIGIBILITY:**

Nation employees who have officially entered into HRIS via departments PAF processing through DPM. DO NOT submit a back pay request form for employees who are not assigned an AB# and have been entered into HRIS via DPM.

Each Nation department must meet DPM's PAF schedule; if the department misses the deadline and does not comply with the DPM PAFs schedule, the employee will be moved into the next pay period.

Each Nation employee must have hours entered on the timesheet at each PPE date, if the department does not enter hours worked for an employee, the employee will be moved into the next pay period for processing due to the incomplete timesheet.

**POLICY:**

***Backpay***

The Payroll Section receives requests to process back pay for Nation employees when the Personnel Action Form (PAF) was not entered or could not be entered in JDE/HRIS for the missed pay cycle or due to various reasons between DPM and the Department identifying the PAF as incomplete. The Payroll Backpay Request Form received after approval by General Accounting or Contract Accounting will be processed for Departments who have met both the PAF Submission Schedule and the Payroll Processing Schedule.

The Payroll Backpay Request Form should be used to request the following:

- Back Pay Request
- Annual Leave Payout
- Step Increase (COLA, GWA, Promotion, and Rate Adjustment)
- Short Pay of work hours and collection of overpayment
- Deferred Compensation
- Leave Adjustment
- Bonus Payment
- Settlement Agreement and Sanction Payment

It is Payroll Section policy to ensure that all requests shall be completed in its entirety, dated, and approved by the proper approver(s).



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|--|-----------------------|-----------------|------|
|  | Earnings -            | INDEX:          | 11.5 |
|  | Deferred Compensation | POLICY:         | X    |
|  |                       | PROCEDURES:     |      |
|  |                       | EFFECTIVE DATE: |      |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; NNDPM Personnel Policies and Procedures Manual; Fair Labor Standards Act of 1938. IRS American Jobs Creation Act of 2004, Section 409A,

**PURPOSE:** To establish policies and procedures that compensate employees for hours worked in a previous pay period but have not yet been paid and processing the deferred compensation payments

**RESPONSIBILITY:**

*Payroll Section*

- Navajo Nation Retirement establishes the policies for Deferred Compensation Plan for the current Navajo Nation Council Delegate, President, Vice President, Speaker, and the Political Appointees by the President, Speaker, and the Navajo Nation Council.
- The Payroll Section responsibility is to pay out the Deferred Retirement Compensation under Internal Revenue Service rules and to comply with Internal Revenue Code Section 409A of the American Jobs Creation Act of 2004.

**ELIGIBILITY:**

Nation employees through Navajo Nation Retirement Office, eligible for Deferred Compensation make the election on how the funds will be distributed upon termination from Office. Funds are currently invested via the Navajo Nation Retirement Office and held until payable to Navajo Nation employee.

**POLICY:**

*Deferred Compensation*

The Payroll Section receives deferred compensation request for Council Delegate or political at-will employees from the Navajo Nation Retirement Office. Council Delegates allowed to defer 20% of the salary, and the political At-will allows deferring 10% of the salary.

It is Payroll Section policy to ensure that all requests shall be completed in its entirety, dated, and approved by the proper approver(s). General Accounting will have final approval – funds verifiability to ensure funds are available for deferred compensation payment to the employee.



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|---------------------|------------------------------|------------------------|------|
| <b>DESCRIPTION:</b> | Earnings -                   | <b>INDEX:</b>          | 11.6 |
|                     | Family Emergency Pay Advance | <b>POLICY:</b>         | X    |
|                     |                              | <b>PROCEDURES:</b>     |      |
|                     |                              | <b>EFFECTIVE DATE:</b> |      |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; Navajo Nation Personnel Policies and Procedures Manual, Section VII (M).

**PURPOSE:** To establish policies and procedures for processing family emergency pay advance request in accordance with the Navajo Nation Personnel Policies Manual (NNPPM).

**RESPONSIBILITY:**

**Payroll Section**

- Establishes and enforces the family emergency pay advance policies and procedures for Nation employees.

**POLICY:**

The Payroll Section receives family emergency pay advance requests for Nation full-time employees as authorized by the NNPPM, Section M. The NNPPM excludes the Council Delegates, Political At Will and temporary employees from requesting a family emergency pay advance. Approval of the advance will be authorized for Nation full-time employees only on a limited basis. The following restriction will apply:

**On an annual basis, i.e., Calendar year and/or fiscal year, Emergency Advance requests will not exceed 2 in total.**

An advance equal to or less than the amount of the last net paycheck will be granted to a full-time regular status Nation employee as a result of:

- 1) Serious illness in the immediate family. An immediate family member is defined as yourself (employee), your spouse, your children, your parents, your spouse's parents, your siblings, your spouse's siblings, your grandmother, and your grandfather.
- 2) Advances for traditional ceremonies will be granted only if it involves serious illness in the immediate family as defined above. Such requests will be dealt with on a case-by-case basis.
- 3) Death in the immediate family. Immediate family is defined as your spouse, your children, your parents, your spouse's parents, your siblings, your spouse's siblings, your grandmother, and your grandfather.

It is Payroll Section policy to ensure that all requests shall be completed in its entirety by the employee, signed, dated, and approved by appropriate approver(s).





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| <b>DESCRIPTION:</b> | <b>Earnings -</b>          | <b>INDEX:</b>          | <b>11.7</b> |
|                     | <b>Council Pay Advance</b> | <b>POLICY:</b>         | <b>X</b>    |
|                     |                            | <b>PROCEDURES:</b>     |             |
|                     |                            | <b>EFFECTIVE DATE:</b> |             |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 2 N.N.C. § 107.

**PURPOSE:** To establish policies and procedures for the processing of deduction from Nation Council Delegates' pay or any monies or credits which the Nation owes to a council delegates, for travel or salary advances made to a council delegate.

**RESPONSIBILITY:**

***Payroll Section***

- Establishes the council pay advance and loan interest procedures for the Nation.

**POLICY:**

The Payroll Section receives requests to process the payroll deduction for travel or salary advances made to a council delegate, as authorized by 2 N.N.C. § 107. It is the policy of the Payroll Section to promptly and accurately process these deductions as authorized.





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|              |                     |                 |      |
|--------------|---------------------|-----------------|------|
| DESCRIPTION: | Earnings -          | INDEX:          | 11.8 |
|              | Council Claim Forms | POLICY:         | X    |
|              |                     | PROCEDURES:     |      |
|              |                     | EFFECTIVE DATE: |      |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 2 N.N.C. § 106(B); NABIAP-29-11; 2 NNC § 101, *et seq.*; Navajo Nation Council Travel Policies and Procedures Handbook; and Internal Revenue Service, Rev. Rul. 59-354, 1959-2 C.B. 24, as amended.

**PURPOSE:** To establish policies and procedures for processing Council Delegates' claim forms for meeting attendance, such as:

- Navajo Nation Council agency caucus meetings
- Regular chapter and special chapter meetings
- Chapter planning meetings
- Agency council meetings
- District council meetings
- Council and Standing committee meetings
- Navajo Nation board meetings
- Navajo Nation commission meetings

#### RESPONSIBILITY:

##### *Payroll Section*

- Processes Council Delegates claim forms for meeting attendance (meeting attendance fees) as they are received on a biweekly basis.

#### POLICY:

Upon submittal of a claim form approved by the Speaker of the Navajo Nation Council, Council Delegates shall be compensated for meeting attendance authorized in NABIAP-29-11. Council Delegates seeking compensation for meeting attendance shall submit claim forms promptly, accurately, and with the proper approvals and supporting documentation to the Payroll Section. Included in the submittal shall be meeting sign-in sheets with the signature of the delegate as evidence of meeting attendance.

Council Delegates shall not be compensated for the meeting attendance fee unless he/she is in official attendance for the meeting. Council Delegates are common law employees for Federal employment tax purposes. Meeting attendance fees are considered income by the IRS and therefore subject to Federal income tax withholding, and social security and Medicare tax withholdings.



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|--------------|---------------------------------------|-----------------|------|
| DESCRIPTION: | Deductions-                           | INDEX:          | 11.9 |
|              | Federal Employment Wage Reporting and | POLICY:         | X    |
|              | Tax Payments (Form 941)               | PROCEDURES:     |      |
|              |                                       | EFFECTIVE DATE: |      |

**LEGAL AUTHORIZATION:** 12 N.N.C § 201, *et seq.*; Current Tax Payment Act of 1943, Pub. L. 68, Ch. 120, 57 Stat. 126 (June 9, 1943); 26 U.S. Code § 3102, *et seq.* Internal Revenue Service Circular E Publication 15.

**PURPOSE:** To establish procedures for processing and submitting to the Internal Revenue Service (IRS) Form 941 Employer's Quarterly Federal Tax Return (Form 941) and bi-weekly Federal tax transfer payments electronically, on behalf of the Nation and its employees.

#### RESPONSIBILITY:

##### *Payroll Section*

- Records, reports, and pays applicable federal taxes related to employees' wages.

#### POLICY:

The Payroll Section reports employees' wages and pays tax liabilities as authorized by 26 U.S. Code § 3102, *et seq.* It is the policy of the Payroll Section to comply with the IRS's Publication 15, Employer's Tax Guide in regards to not limited to the biweekly payroll processing taxes, the following:

- Payroll Periods
- Withholding from employees' wages
  - Federal income tax
  - Social security tax
  - Medicare tax
- Quarterly filing of Form 941
- Bi-weekly electronic depositing of taxes
- Recordkeeping
- An annual reconciliation of electronic tax deposits
- Production of annual W2s to employees after reconciliation
- Submission of W2 reporting to Social Security Administration



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|---------------------|--|------------------------|--------------|
| <b>DESCRIPTION:</b> | <b>Deductions-</b>                         | <b>INDEX:</b>          | <b>11.10</b> |
|                     | <b>State Employment Wage Reporting and</b> | <b>POLICY:</b>         | <b>X</b>     |
|                     | <b>Tax Payments</b>                        | <b>PROCEDURES:</b>     |              |
|                     |  | <b>EFFECTIVE DATE:</b> |              |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*, Arizona Revised Statutes Title 43 *Taxation of Income*, Colorado Revised Statutes Title 39 Article 22 *Income Tax*, Maryland Tax Law and Regulations Title 3 Subtitle 4 *Income Tax*, Section 7-3-3 NMSA 1978, Utah Code Title 59 Chapter 10 Part 4 *Withholding of Tax*.

**PURPOSE:** To establish procedures for the processing and submitting to the applicable states for wage reporting and State Tax Electronic Transfer Payments.

**RESPONSIBILITY:**

***Payroll Section***

- Records, reports and pays applicable state taxes related to employees' wages.
- An annual reconciliation of state taxes before W-2s are issued.

**POLICY:**

Generally, the employer must withhold income tax in the state where work is performed. If an employee who resides in another state works exclusively in that state (different from the employer's state), then taxes are usually withheld only in the employee's state. If the employee resides in the employer's state, tax for that state must be withheld even though the employee works exclusively in another state. And there may be additional withholding obligations in the state in which the employee works.

The Nation has remote employees residing in the states of Arizona, Colorado, Maryland, New Mexico, Virginia, Utah, and District of Columbia. Thus, it is the Payroll Section policy to report wages and pay withholding taxes to the applicable states.





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|--------------|---------------------------------------|-----------------|-------|
| DESCRIPTION: | Deductions-                           | INDEX:          | 11.11 |
|              | State Unemployment Wage Reporting and | POLICY:         | X     |
|              | Insurance Tax Payments                | PROCEDURES:     |       |
|              |                                       | EFFECTIVE DATE: |       |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; State Unemployment Insurance Acts.

**PURPOSE:** To establish policies and procedures for processing of and submittal to the states of Arizona, Colorado, Maryland, New Mexico, Utah, and District of Columbia Quarterly Unemployment Wage and Tax Reports on behalf of employees.

**RESPONSIBILITY:**

***Payroll Section***

- Reports wages and pays state unemployment insurance (SUI) taxes to the five states mentioned above for purposes of unemployment benefits.

**DEFINITIONS:**

- HRIS stands for Human Resources Information System which is the part of FMIS that processes data and stores data for human resources purposes.
- Function Scripts are step-by-step guides to perform processes and to generate reports in HRIS.

**POLICY:**

To fund unemployment compensation benefit programs and as an employer, the Nation is subject to state unemployment taxes. It is Payroll Section policy to report state wages and pay tax liabilities accurately, completely, and timely to the states of Arizona, Colorado, New Mexico, Maryland, Utah, and to the District of Columbia.





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|--------------|-------------------------------------|-----------------|-------|
| DESCRIPTION: | Deductions-                         | INDEX:          | 11.12 |
|              | IRS Tax Levies and Wage Garnishment | POLICY:         | X     |
|              |                                     | PROCEDURES:     |       |
|              |                                     | EFFECTIVE DATE: |       |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 26 U.S.C. § 6331, *et seq.*; 28 U.S.C. § 3001 *et seq.*

**PURPOSE:** To establish policies and procedures for proper implementation and recording of Federal tax levies imposed on Nation employees.

**RESPONSIBILITY:**

***Payroll Section***

- Complies with IRS regulations for collecting tax liabilities by processing tax levies against Nation employees.

**DEFINITION:**

- An IRS tax levy is a garnishment of wages, additional assessment of income taxes, or government payments like Social Security or disability. A tax levy is an IRS procedure to claim monies owed to them by seizing bank account, selling assets, or garnishing wages. IRS sends the employee a tax levy when tax liabilities are not paid to the IRS, or proposed payment plans are not adhered to.

**POLICY:**

The Payroll Section receives federal tax levies to collect tax debt and court orders to collect the non-tax debt, through garnishment of Nation employee wages. Federal law at 26 U.S.C. § 6331 *et seq.* authorizes the Secretary of the Treasury to collect tax debt by a levy on a debtor's wages. Federal law at 28 U.S.C. § 3001 *et seq.* authorizes the United States Department of Justice (USDOJ) to collect a non-tax debt owed to the federal government by wage garnishment and other means. It is the policy of the Payroll Section to verify and accurately process tax levies issued by the Secretary of the Treasury and non-tax wage garnishment orders obtained by the USDOJ.



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| DESCRIPTION: | Deductions-                              | INDEX:          | 11.13 |
|              | Navajo Arts and Crafts Enterprise (NACE) | POLICY:         | X     |
|              |  | PROCEDURES:     |       |
|              |  | EFFECTIVE DATE: |       |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; Resolution ACN-112-79 Navajo Arts and Crafts Enterprise (NACE) Payroll Deduction Plan.

**PURPOSE:** To establish policies and procedures for the processing of payroll deductions of purchases from Navajo Arts and Crafts Enterprise (NACE) made by Nation employees.

**RESPONSIBILITY:**

*Payroll Section*

- Processes payroll deduction of purchases from NACE made by Nation employees.
- Per Resolution ACN-112-79; Navajo Nation Office of the Controller will withhold 5% service charge prior to remitting bi-weekly payment to NACE.

**POLICY:**

The Payroll Section collects payment of NACE sales made to Nation employees by payroll deduction as authorized by Resolution ACN-112-79. The Nation will charge NACE up to 5% service charge for the processing of all payroll deductions.

When a Nation employee terminates employment; NACE will initiate their collection directly from the terminated employee, and the arrearage amount will be zeroed out of JD Edwards EnterpriseOne (JDE) Payroll system. Except for individuals on leave (such as FMLA) will be deducted the biweekly deduction amount upon return and not the entire arrearage balance.



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|--------------|------------------------------------|-----------------|-------|
| DESCRIPTION: | Deductions -                       | INDEX:          | 11.14 |
|              | Veterinary Livestock Program (VLP) | POLICY:         | X     |
|              |                                    | PROCEDURES:     |       |
|              |                                    | EFFECTIVE DATE: |       |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:** To establish policies and procedures for the processing of payroll deductions of purchases from VLP made by Nation employees.

**RESPONSIBILITY:**

*Payroll Section*

- Processes payroll deduction of purchases from VLP made by Nation employees.

**POLICY:**

The Payroll Section receives the request to begin collecting payments of VLP fees made to the Nation's employees by payroll deduction. It is Payroll Section policy to ensure that the payroll deduction request shall be completed in its entirety, signed, dated, and approved by the proper approver(s).

When a Nation employee terminates employment; VLP will initiate their collection directly from the terminated employee, and the arrearage amount will be zeroed out of JD Edwards EnterpriseOne (JDE) Payroll system. Except for individuals on leave (such as FMLA) will be deducted the biweekly deduction amount upon return and not the entire arrearage balance.





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| <b>DESCRIPTION:</b> | <b>Deductions -</b> | <b>INDEX:</b>          | <b>11.15</b> |
|                     | <b>Union Dues</b>   | <b>POLICY:</b>         | <b>X</b>     |
|                     |                     | <b>PROCEDURES:</b>     |              |
|                     |                     | <b>EFFECTIVE DATE:</b> |              |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; Collective Bargaining Agreements (CBA) between the Navajo Nation and United Mine Workers of America (UMWA). CBA between Navajo Nation Head Start and International Union, UMWA is currently active.

**PURPOSE:** To establish policies and procedures for the payroll deduction of union dues for Nation employees who are Union members covered by the CBA.

**RESPONSIBILITY:**

*Payroll Section*

- Complies with the CBA by establishing a procedure to collect the union dues through payroll deduction.

**POLICY:**

The Nation employees who have elected to become members of the UMWA agree to pay a membership cost or union dues which are collected through payroll deduction from the bi-weekly paycheck.

It is the Payroll Section policy to comply with the CBA, therein conforming to:

- Payroll deduction for union dues from Nation employees whose written check-off authorization form has been signed, dated, and received by the Payroll Section.
- The deduction amount will be an amount as certified to the Nation by the UMWA' designated officer or their designee.
- The union dues will be payroll deducted and remitted to UMWA from each bi-weekly payroll check.
- Remittances to the union shall be accompanied by Doing Business AS (DBA) register which lists each employee's name, social security number, and amount of deduction.

Note: The following Collective Bargaining Agreements expired:

- United Mine Workers of America and Navajo Nation Executive Branch, executed 08/08/15
- United Mine Workers of America and Navajo Nation Division of Public Safety, executed 11/09/15





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|--------------|--------------------------|-----------------|-------|
| DESCRIPTION: | Deductions -             | INDEX:          | 11.16 |
|              | Credit Services Loans    | POLICY:         | X     |
|              | Personal Loan Program    | PROCEDURES:     |       |
|              | Navajo Home Loan Program | EFFECTIVE DATE: |       |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; Personal Loan Program Operating Policies and Guidelines (Resolution BFN-45-13); Navajo Home Loan Program Operating Policies and Guidelines (Resolution BFAP-11-08).

**PURPOSE:** To establish policies and procedures for the proper collection of personal and home loan payments through Navajo Nation payroll deduction.

**RESPONSIBILITY:**

*Payroll Section*

- Receives the Credit Services Section's Initial Deduction List and enter it into JDE/HRIS bi-weekly (Employee DBA Instructions application) as a mandatory payroll deduction to guarantee repayment of the personal loan and/or home loan.

**POLICY:**

The Payroll Section collects repayments of home loans made to the Nation's employees by payroll deduction, as authorized by Section 13 of the Navajo Home Loan Program Policies and Guidelines approved by Resolution BFAP-11-08.

The Payroll Section collects repayments of personal loans made to the Nation's Program Operating Policies and Guidelines approved by Resolution BFN-45-13. It is the policy of the Payroll Section to promptly and accurately process these deductions as authorized.



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|--------------|-----------------|-----------------|-------|
| DESCRIPTION: | Deductions -    | INDEX:          | 11.17 |
|              | Housing Rentals | POLICY:         | X     |
|              |                 | PROCEDURES:     |       |
|              |                 | EFFECTIVE DATE: |       |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:** To establish procedures for the processing of housing rental payroll deduction.

**RESPONSIBILITY:**

*Payroll Section*

- Establishes the housing rental deduction procedures for the Nation.

**POLICY:**

The Payroll Section receives the request to begin collecting payments for the housing rental made to the Nation's employees from Navajo Nation Employee Housing, Navajo Housing Authority, and BIA Employee Housing by payroll deduction.

It is Payroll Section policy to ensure that the payroll deduction request or cancellation form with rental information shall be completed in its entirety, signed, dated, and approved by the proper approver(s).

Upon employment termination or eviction, the payroll deduction cancellation request form must be submitted to the Payroll Section to end the payroll deduction for housing rental.



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|--------------|---------------------------|-----------------|-------|
| DESCRIPTION: | Deductions -              | INDEX:          | 11.18 |
|              | Child Support Enforcement | POLICY:         | X     |
|              |                           | PROCEDURES:     |       |
|              |                           | EFFECTIVE DATE: |       |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 9 N.N.C. § 1701, *et seq.*; 45 CFR 300, *et seq.*

**PURPOSE:** To establish policies and procedures for the processing of child support orders through payroll deductions and wage assignments.

**RESPONSIBILITY:**

*Payroll Section*

- Establishes the child support payroll deduction procedures for the Nation.

**POLICY:**

It is the policy of the Payroll Section to promptly and accurately process wage garnishments and wage assignments that are ordered pursuant to the Nation's laws.

The Payroll Section receives requests to enforce child support orders through garnishment or assignment of Nation employees' wages. Pursuant to the Nation's Child Support Enforcement Act, the Nation may enforce child support orders by wage garnishments or wage assignments, including orders entered by the Nation's courts, orders submitted by State agencies in Arizona, New Mexico and Utah if the state has entered into an agreement with the Nation for enforcement of child support, and orders of other Indian nations, states, or federal agencies, all pursuant to 9 N.N.C. § 1701 *et seq.*



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|---------------------|---------------------------------|------------------------|--------------|
| <b>DESCRIPTION:</b> | <b>Deductions -</b>             | <b>INDEX:</b>          | <b>11.19</b> |
|                     | <b>Purchase Cards (P-Cards)</b> | <b>POLICY:</b>         | <b>X</b>     |
|                     |                                 | <b>PROCEDURES:</b>     |              |
|                     |                                 | <b>EFFECTIVE DATE:</b> |              |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; Navajo Nation Employee Travel Policy and Procedures Handbook; Navajo Nation Personnel Policies Manual; Resolution BFD-37-14, approving the Navajo Nation Purchase Card Policies and Procedures.

**PURPOSE:** To establish policies and procedures for the payroll deduction of unauthorized P-Card charges and any costs related to the collection of such charges by Nation employees and/or the P-Card holder.

**RESPONSIBILITY:**

*Payroll Section*

- Complies with the P-Card Policies.

**POLICY:**

The P-Card Policies state that one option, among others, for unauthorized use, charges, and any costs related to the collection of such charges, will be payroll deducted for the full amount of the unauthorized charges/uses.

Unauthorized charges/uses include meals, loading items for personal use, contracted services, gift cards, alcoholic beverages, and non-meal snacks.

Payroll deductions can be from salary, wages, or annual leave pay to the extent allowed by law.





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|--------------|--------------------------|-----------------|-------|
| DESCRIPTION: | Deductions -             | INDEX:          | 11.20 |
|              | Property Acknowledgments | POLICY:         | X     |
|              |                          | PROCEDURES:     |       |
|              |                          | EFFECTIVE DATE: |       |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:** To establish policies and procedures for unreturned property.

**RESPONSIBILITY:**

*Payroll Section*

- Establishes the property acknowledgment procedures for the Nation.

**POLICY:**

In the event of employment termination, all Nation government personal property should be returned upon the last day of work (or as specified by the Property Management Department).

Pursuant to 2 N.N.C.57(c) “[t]he sale, gift, loan, exchange, or other disposition of any of the Navajo Nation’s property not specifically authorized by regulations or other directives issued by the Navajo Nation Council is illegal.”

It is the terminating department’s responsibility to ensure the Nation employees return the Navajo Nation property issued to them for use while employed with the Nation. The information must be noted on the clearing PAF to Department of Personnel Management. The Nation Department must take inventory annually of assigned Nation Property.



## THE NAVAJO NATION – Office of the Controller

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|              |                                 |                 |       |
|--------------|---------------------------------|-----------------|-------|
| DESCRIPTION: | Reporting -                     | INDEX:          | 11.21 |
|              | Request for Wage and Employment | POLICY:         | X     |
|              | Verification                    | PROCEDURES:     |       |
|              |                                 | EFFECTIVE DATE: |       |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*, 2 N.N.C. § 81, *et seq.*, *Navajo Nation Privacy Act*

**PURPOSE:** To establish policies and procedures for the proper compliance, processing of Wage Verification Requests, and responses to requests for wage and employment verifications from external parties.

**RESPONSIBILITY:**

***Payroll Section***

- Maintains wage and employment information on the Nation employees received through the MAIL, the information is forwarded to the Department of Personnel Management for processing.

***DPM***

- Officially responsible as stated in the Department of Personnel Policy and Procedures at the website: [www.dpm.navajo-nsn.gov](http://www.dpm.navajo-nsn.gov).

**POLICY:**

The Payroll Section receives requests to verify employment and wages for current and former Nation employees from a variety of sources, including prospective employers, government agencies, mortgage lenders, collection agencies, and others. The Payroll Section forwards all requests received to the Department of Personnel Management for processing. The Payroll Section shall comply with the provisions in the Navajo Nation Privacy Act at 2 N.N.C. §81 *et. seq.* when releasing information to employees at all times.



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| <b>DESCRIPTION:</b> | <b>Reporting-</b>                          | <b>INDEX:</b>          | <b>11.22</b> |
|                     | <b>Direct Deposit, Payroll PayCard,</b>    | <b>POLICY:</b>         | <b>X</b>     |
|                     | <b>Request for Check or Direct Deposit</b> | <b>PROCEDURES:</b>     |              |
|                     | <b>Advice Copies</b>                       | <b>EFFECTIVE DATE:</b> |              |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:** To establish policies and procedures for processing payroll direct deposit or PayCard for payroll, including setting up of new deposits, changing or adding accounts, terminating the deposit, and providing payroll checks or direct deposit advice copies.

### RESPONSIBILITY:

#### *Payroll Section*

- Processes direct deposit requests from eligible Nation employees in a timely manner.
- Provides copies of payroll checks and direct deposit advice to the Nation employees.

#### *Programs/Departments*

- Ensure that each employee receives his/her payroll checks or direct deposit advice after distribution from the Cashiers Section.
- Properly and timely distribute the payroll check or direct deposit advice to the employees.

### POLICY:

A regular and full-time employee of the Nation is eligible to request for a direct deposit or Prepaid Card Solutions Card (PayCard) by submitting the Direct Deposit Form or Cardholder Enrollment Form to the Payroll Section.

#### *Direct Deposit*

The Payroll Section receives requests for direct deposit of payroll to Nation employee's bank account(s) using the Direct Deposit Form available at the Office of Controller's website under the Payroll Section. It is the Payroll Section policy to ensure the following:

- The Direct Deposit Form shall be completed in its entirety by the employee, signed, and dated.
- A new direct deposit is allowed upon cancellation of previous direct deposit.
- No more than two changes per the calendar year to direct deposits (i.e., adding an account, changing banking information, cancellation of an account) is allowed.
- Direct deposit is maintained and processed until the cancellation thereof or termination of employment. All direct deposit information shall be confidential and secured. Direct Deposit guarantees that Nation employee's payroll will be deposited automatically to his/her bank account each payday without the worry of cashing or depositing paper checks.
- Direct deposit may be routed to U.S. financial institutions.
- Payroll may be split between primary and secondary bank accounts.

#### *Payroll PayCard*

The Payroll Section receives the Cardholder Enrollment Form for the issuance of the PayCard. Each payday, the PayCard is loaded with the Nation employee's wages for that pay period, which can be used as a debit or automated teller machine (ATM) card. It is the Payroll Section policy to ensure the following:

- The Cardholder Enrollment Form shall be completed in its entirety by the employee, signed, and dated.
- Electronic transfer to PayCard is maintained and processed until cancellation thereof or termination of employment.



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### Accounting Policies Manual

- All PayCard information shall be confidential and secured.

#### *Request for Payroll Check or Direct Deposit Advice Copies*

The Payroll Section receives requests to provide copies of payroll checks and direct deposit advice from the Nation employees. It is the policy of the Payroll Section that the Payroll Section will ensure that the Request for Check Copy form shall be completed in its entirety by the employee, signed, and dated. Also, the Payroll Section will identify the employee through proper identification documentation before the copy is released to the employee.





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|              |                           |                 |       |
|--------------|---------------------------|-----------------|-------|
| DESCRIPTION: | Reporting -               | INDEX:          | 11.23 |
|              | Form W-2                  | POLICY:         | X     |
|              | Request for Form W-2 Copy | PROCEDURES:     |       |
|              |                           | EFFECTIVE DATE: |       |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 26 U.S. Code § 6051, *et seq.*

**PURPOSE:** To establish policies and procedures for requesting copies of Form W-2.

**RESPONSIBILITY:**

*Payroll Section*

- Provides IRS Form W-2 copy to the Nation employees annually and upon request.

**POLICY:**

The Payroll Section will issue a Form W-2 at the end of each calendar year to each Nation employee who earned wages, including employees who serve on Commission and Boards and receive stipend payments from the OOC Accounts Payable Section. It is the policy of the Payroll Section to ensure that all such requests and its responses thereto shall comply with the Federal law at 26 U.S. Code § 6051 *et seq.*

Nation employees can request copies of his/her Form W-2 to the Payroll Section. It is the policy of the Payroll Section to ensure that all requests shall be completed in its entirety by the employee, signed, and dated. Proper identification of the employees required to be presented before the copy of the Form W-2 is released by the Payroll Section.



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|              |             |                 |       |
|--------------|-------------|-----------------|-------|
| DESCRIPTION: | Reporting - | INDEX:          | 11.24 |
|              | Void Checks | POLICY:         | X     |
|              |             | PROCEDURES:     |       |
|              |             | EFFECTIVE DATE: |       |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:** To establish policy and procedures for the processing of voiding payroll checks.

**RESPONSIBILITY:**

*Payroll Section*

- Accurately processes the void payroll checks.

**POLICY:**

The Nation employee, the department/program timekeeper, and the department/program director who approves the timesheet has the responsibility to ensure hours worked and leave hours are correct on time sheets. It is the Payroll Section policy to process the time sheet without error to avoid the potential of voiding a check.



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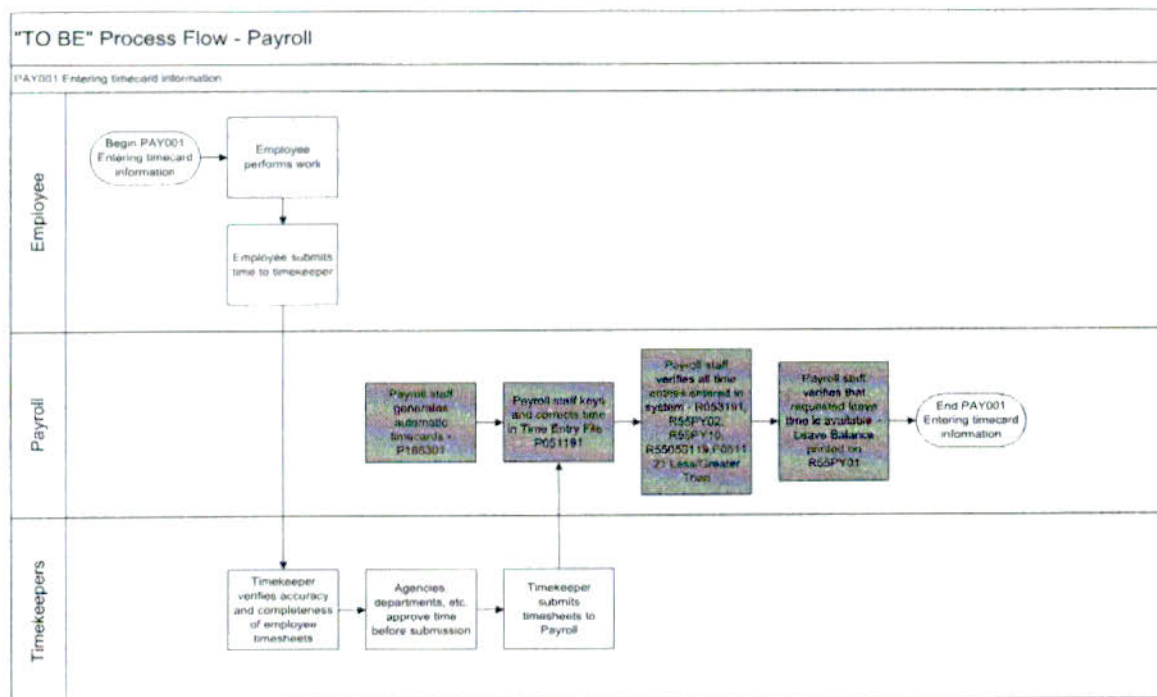
|              |                    |                 |       |
|--------------|--------------------|-----------------|-------|
| DESCRIPTION: | Payroll            | INDEX:          | 11.25 |
|              | Process Flowcharts | POLICY:         |       |
|              |                    | PROCEDURES      |       |
|              |                    | EFFECTIVE DATE: |       |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*

**PURPOSE:** To establish flow charts to supplement the policies and procedures for Payroll of the Navajo Nation (Nation).

**RESPONSIBILITY:** Payroll Section

**PAY001 Entering timecard information**

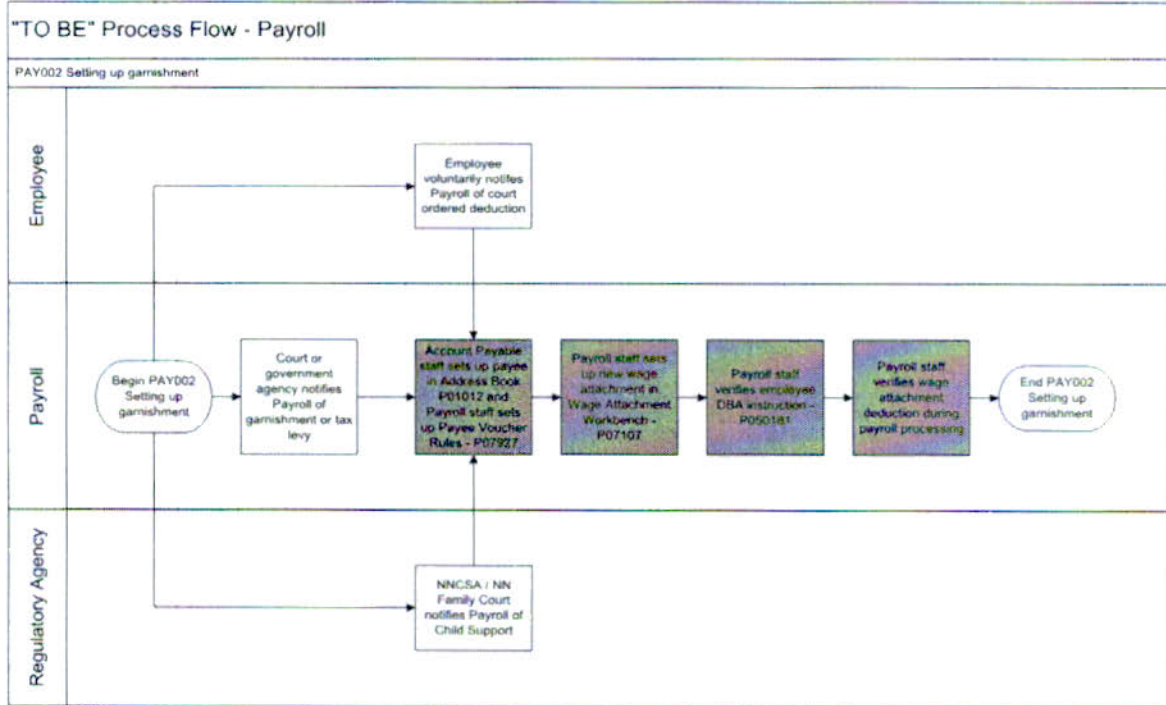




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### PAY002 Setting up garnishment



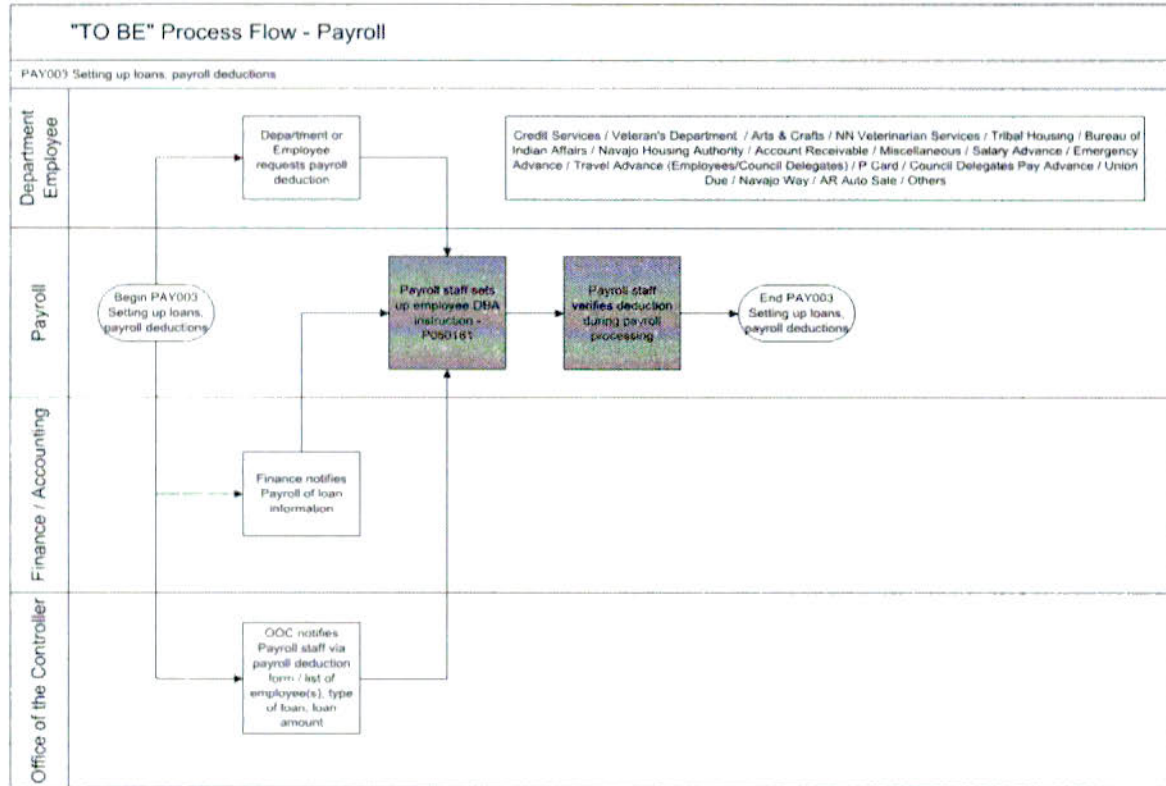




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### PAY003 Setting up loans, payroll deductions

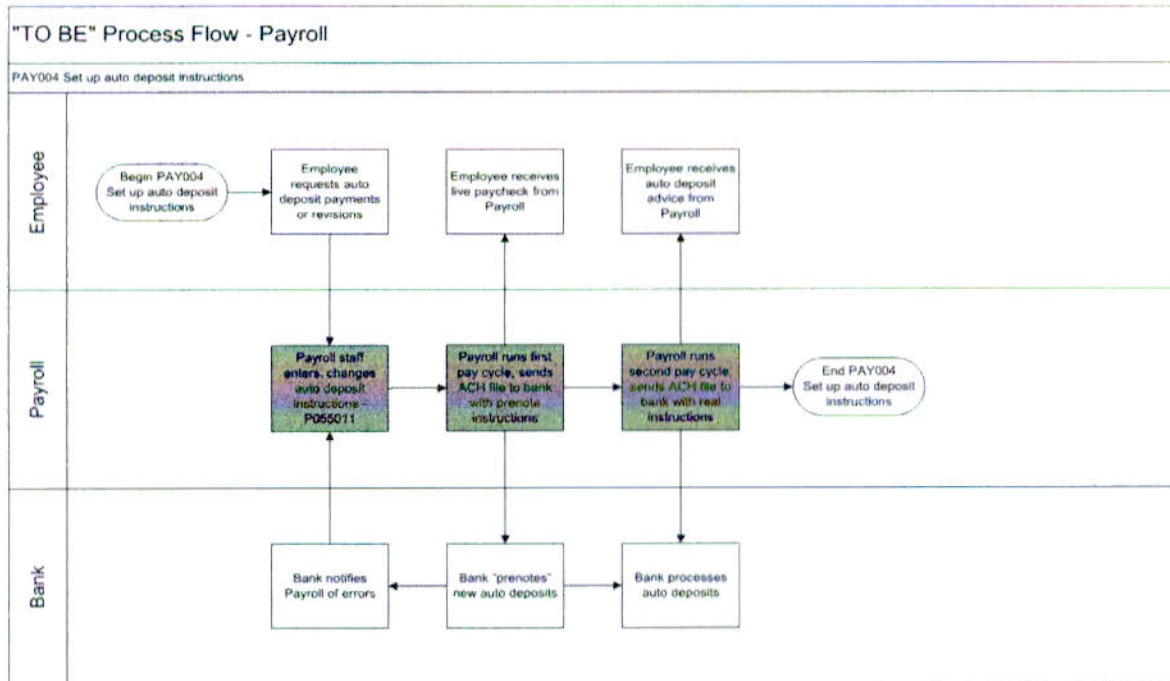




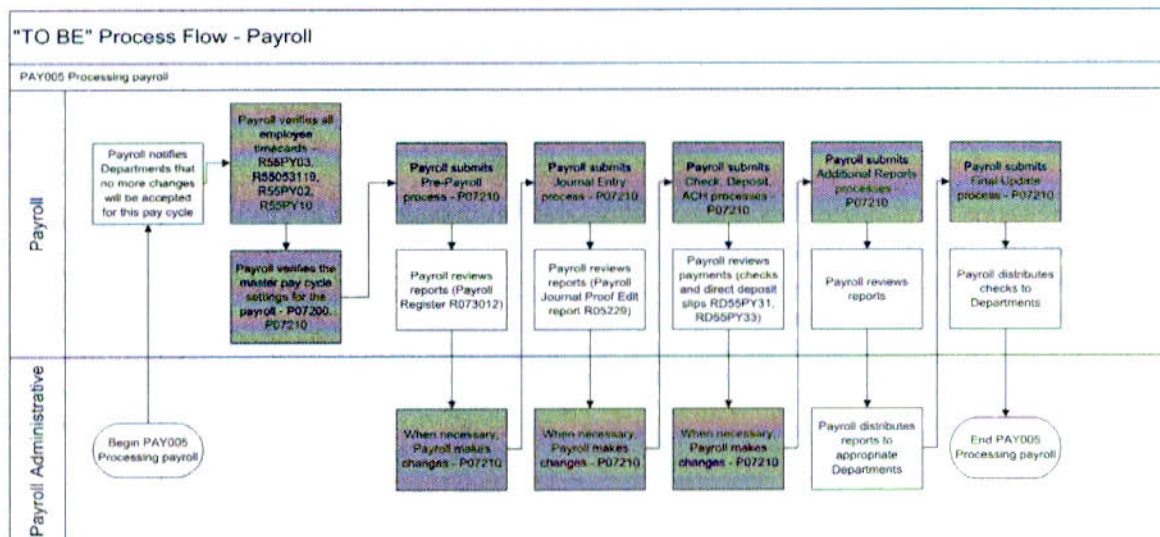
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### PAY004 Set up auto deposits instructions



### PAY005 Processing payroll

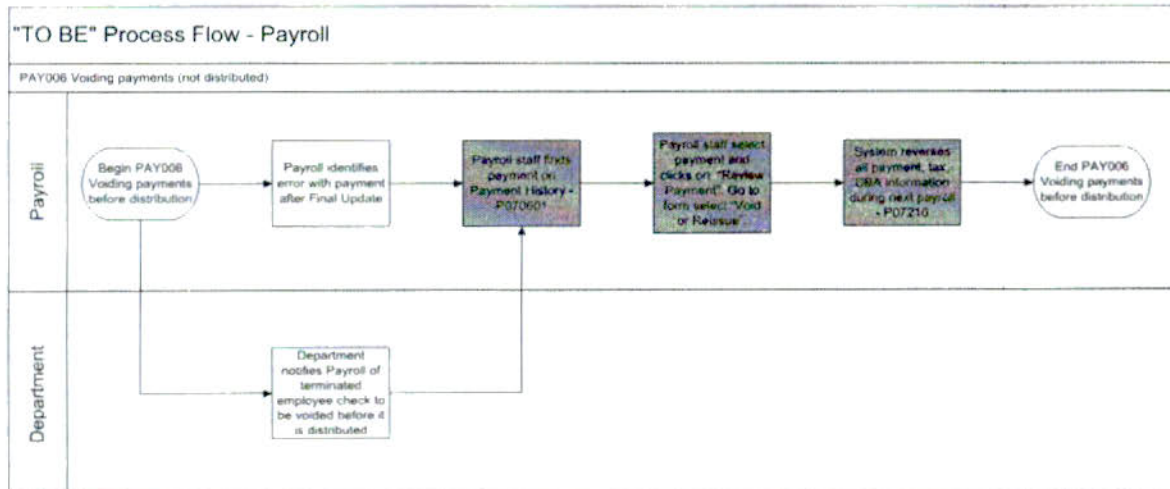




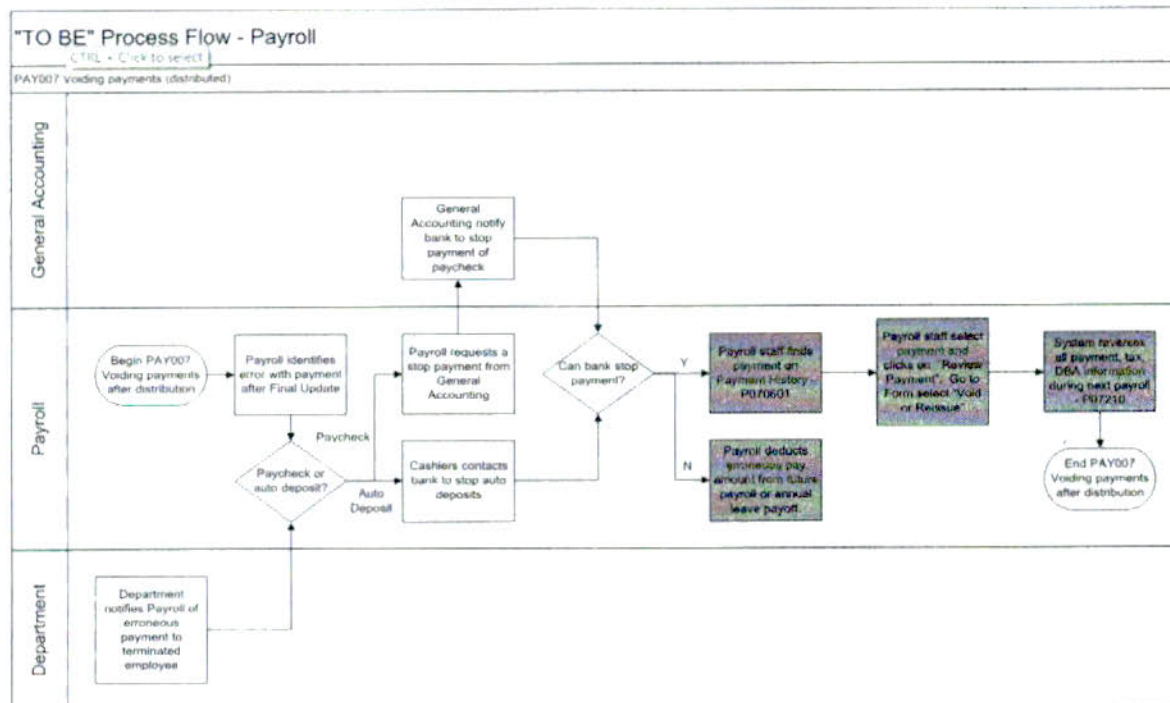
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### PAY006 Voiding payments (not distributed)



### PAY007 Voiding payments (distributed)

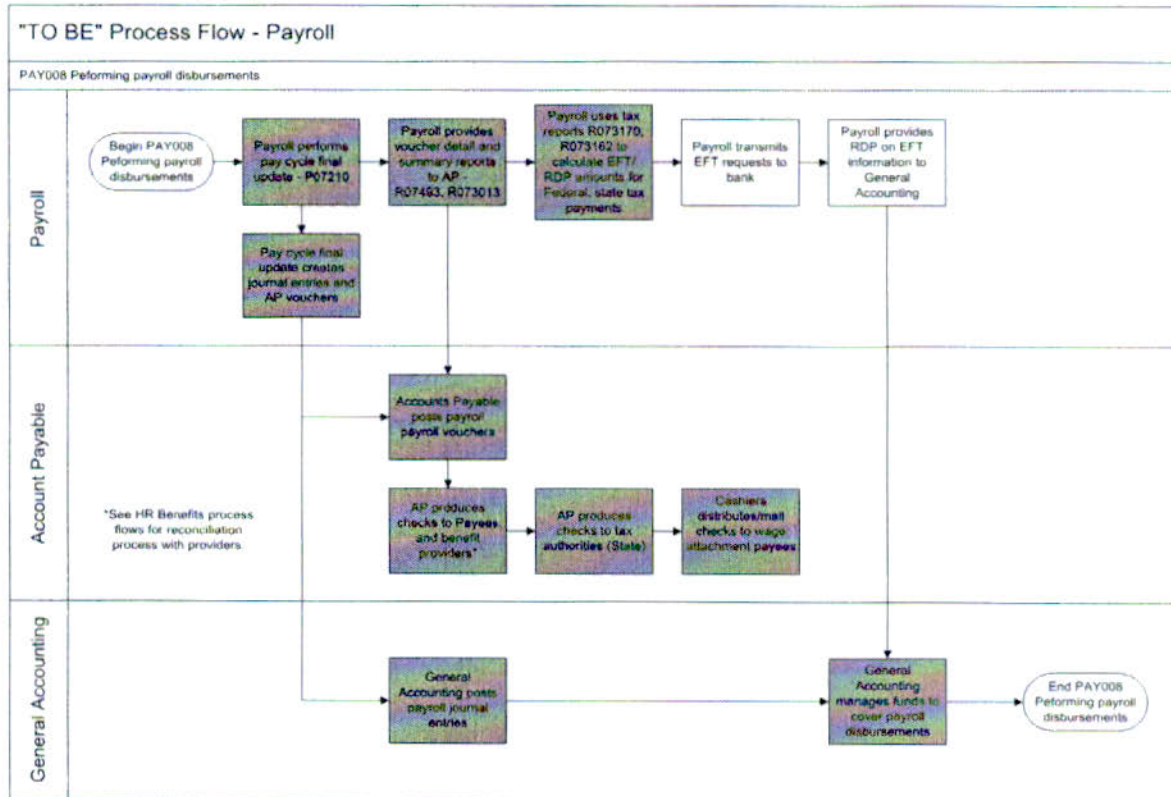




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### PAY008 Performing payroll disbursements



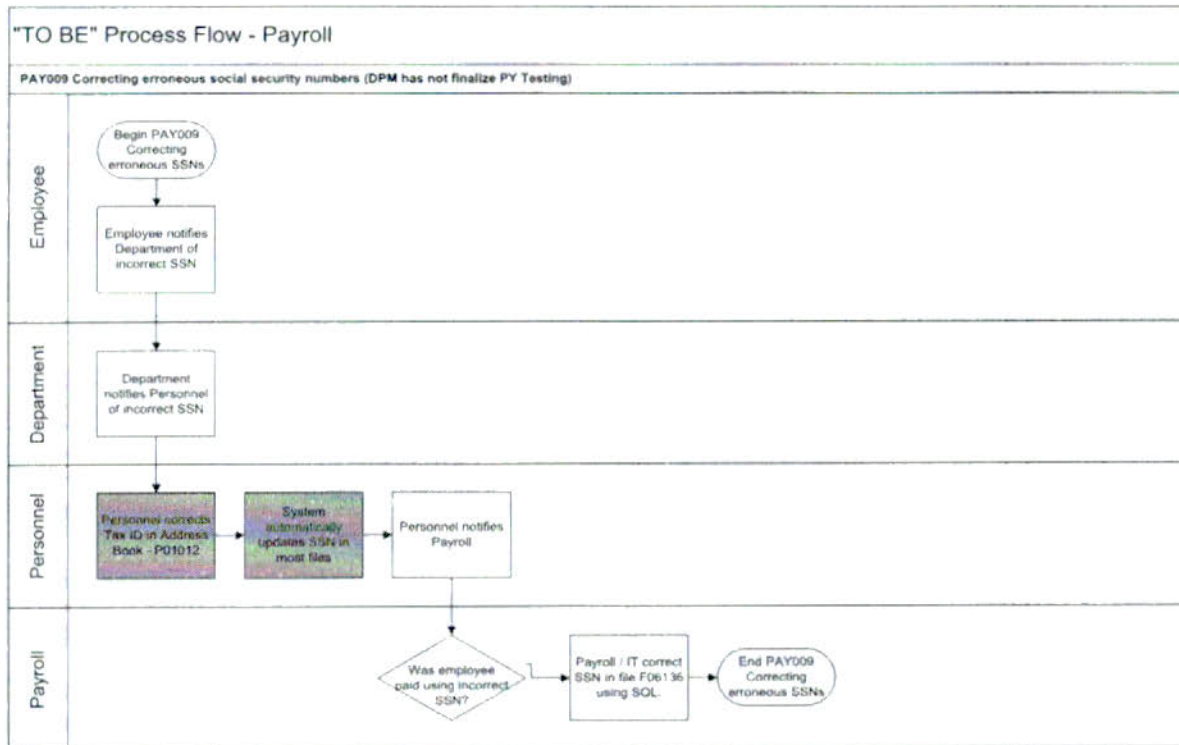




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### PAY009 Correcting erroneous social security numbers (DPM has not finalized PY Testing)

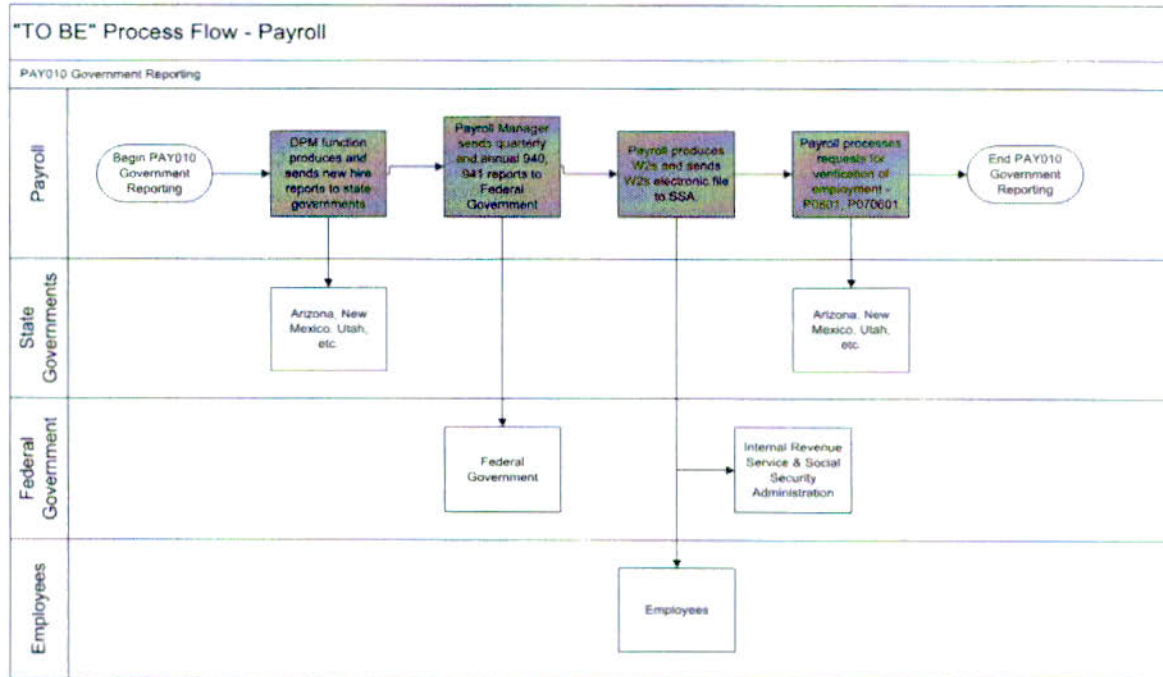




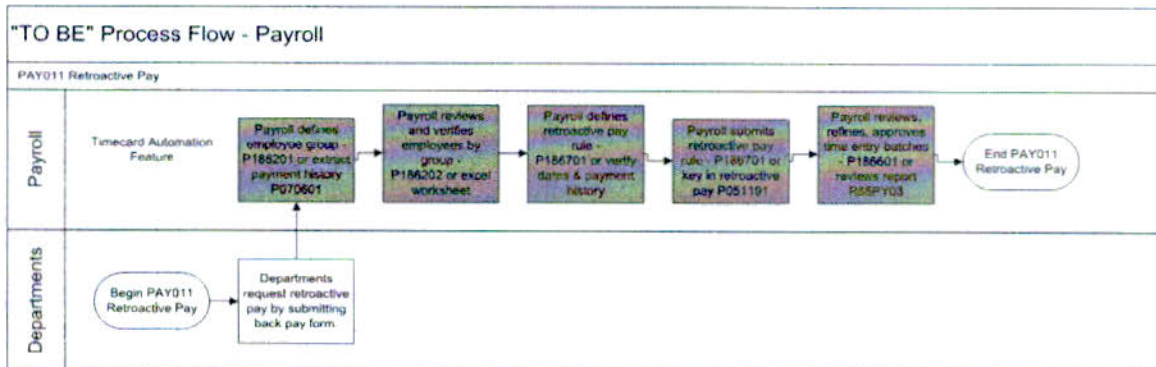
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### PAY010 Government Reporting



### PAY011 Retroactive Pay



Office of the Controller

# The Navajo Nation

P-Card Policies Manual



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|---------------------|-------------------|--------------------|------|
| <b>DESCRIPTION:</b> | P-Card            | <b>INDEX:</b>      | 12.1 |
|                     | P-Card Operations | <b>POLICY:</b>     | X    |
|                     |                   | <b>PROCEDURES:</b> |      |
|                     |                   | <b>POLICY:</b>     |      |

**LEGAL AUTHORIZATION:** 2 N.N.C. § 372; 12 N.N.C. § 203; BFD-37-14; 2 CFR Part 200, Navajo Nation Procurement Act, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

#### **PURPOSE:**

To establish policies and procedures for the management and use of Purchase Card (P-Card) to guarantee that Navajo Nation (Nation) funds are reasonably and ethically expended for legitimate government purposes and that the use of such funds is properly documented and accounted for.

#### **POLICY:**

The P-Card policy is to provide a convenient means with which to make purchases and, at the same time, reduce costs associated with initiating and paying for those purchases; and to monitor the usage of all P-Cards to ensure compliance with policy and procedures.

Regular status employees (full time) who are authorized to purchase goods may request a P-Card. P-Cards are assigned to Nation employees. The employee whose name appears on the card is ultimately responsible for all charges. Only the cardholder named on the P-Card is authorized to make purchases.

The Nation's P-Card Program provides a more cost-efficient payment method. With the P-Card you can quickly receive goods and supplies.

The P-Card's efficiency and ease of use reduce administrative burdens on the Nation but also exposes the Nation to risk. Potential risks associated with the P-Card program include inappropriate card use, internal and external fraud, inappropriate general-ledger-coding allocation, non-compliance with IRS rules, and reputational damage to the Nation. This policy ensures that sufficient controls are in place to mitigate these risks.

#### Introduction to the P-Card Program:

The P-Card program was created to manage and monitor P-Cards on behalf of the Nation. The P-Card provides a more cost-effective payment method, but it is not intended to bypass proper procurement and travel procedures.

#### General Requirements:

All employees participating in the P-Card program are expected to comply with the following Nation laws, policies and procedures:

1. Navajo Nation Procurement Rules and Regulations
2. Navajo Nation Employee Travel Policy and Procedures Handbook
3. Navajo Nation Appropriations Act
4. Navajo Nation Business Opportunity Act
5. Navajo Preference and Indian Preference Act
6. Navajo Nation Ethics in Government Act
7. Title 17 of the Navajo Nation Code
8. Navajo Nation Budget Instruction Manual.



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P-Cards are required to be used in accordance with the requirements of the specific funding source as specified on the P-Card application.

#### Eligibility

1. Regular status Navajo Nation Employee (three branch government), Navajo Nation At-Will employee, Navajo Nation President and Vice President, Navajo Nation Political Appointee, Navajo Nation Council Delegate, and Navajo Nation Chief Justice.
2. Applicants must complete:
  - P-Card Application;
  - Obtain appropriate signatures as defined on the Expenditure Authorization Form.
3. Applicants must be current on all financial obligations to the Nation as set forth in the Nation's Business Procurement Act.
4. Employees must certify knowledge and understanding of the following:
  - P-Card Policies & Procedures;
  - Navajo Nation Employee Travel Policies & Procedures Handbook;
  - Nation Procurement Policies & Procedures.
5. Commercial Card Expense Reporting (CCER) users must complete the P-Card navigation training.
6. Funds available in primary Business Unit.
7. Complete Cardholder Agreement form upon card issuance.

#### Roles and Responsibilities

##### *Program Administrator*

- Manage and monitor the use of all P-Cards.
- All expense claims are subject to corrections and/or adjustments during the review pursuant to these policies.

##### *P-Card Holder*

- Cardholder is not allowed to request a Travel Advance if their assigned P-card is suspended.
- Read and understand the P-Card Policy.
- Responsible for all P-Card charges incurred.
  - Disputes should be resolved promptly between vendor and cardholder;
  - Failure to resolve may result in payroll deduction.
- Attend periodic training and testing.
- Safeguarding the P-Card by protecting from theft and loss, not allowing others to use the card, and immediate notification to the banking institution of loss or theft.
- Original, itemized receipts for all purchases are required.
  - Lost receipts are subject to payroll deduction.
- The receipt must include the following information:
  - Date of transaction and time;
  - Name of merchant;
  - Transaction detail;
  - The amount of purchase;
  - The form of payment used (P-Card, personal credit card, cash, etc.).





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- Originals are preferred when a paper receipt is issued. Electronic/mailed receipts are also acceptable. Examples of receipts are below:
  - Detailed sales receipts;
  - Subscription or dues invoice;
  - Conference registration invoice;
  - Sign in sheets and agendas for approved meeting group meal purchase.
- Lost receipt for Out of Pocket expenses (OOP) is not reimbursable.
  - Lost receipts are subject to payroll deduction.

#### *Reconciler*

- Review transactions via Wells Fargo CCER website.
  - Ensures expenditures are properly coded (i.e., business units and object codes).
  - All applicable receipts are received.
- Attend periodic training.

#### *Approver*

- Review transactions via Wells Fargo CCER website.
- Will monitor transactions of cardholder.
- Final approval of all P-Card and OOP transactions.
- Attend periodic training and testing.
- When card holder employees leave employment, immediately notify the P-Card Section of card holder separation from employment.
- Authority to recommend suspension or cancellation of a P-Card to P-Card program.

#### *Department Approval*

- Ensure that someone in the department other than the cardholder reviews P-Card activity receipts on a regular basis. If the Department Manager is the cardholder, their supervisor or someone designated by their supervisor should review the log.
- Review the cardholder's transaction log. Ensure all receipts are attached and that there is a detailed business purpose for each purchase.
- Log onto Wells Fargo and compare the manual log to transactions recorded in the system. Ensure the correct account number is applied to the expenditure.
- Sign and date the P-Card log to indicate a review.
- Authority to recommend suspension or cancellation of a P-Card to P-card program.
- Enforce timely submission of CCER packets.
- Attend periodic training.

#### *Financial Bank Institution*

- Credit card, reporting, and monitoring.

#### Operations P-Card

- One Operation P-Card will be issued only to an Administrative/Support staff per Department/Program.



## THE NAVAJO NATION – Office of the Controller

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### Accounting Policies Manual

- Electronic Purchase Requisition (PR) is required for goods and supplies.
- P-Card holder must comply with all applicable Navajo Nation laws, policies and procedures as set forth above in the General Requirements section. Complete Procurement Rules & Regulations training.
- Items for personal use, Contractual Services, Gift Cards, and Alcoholic beverages are not allowed.
- Only the cardholder named on the card is authorized to make purchases.
- Operations card are primarily for small purchases and recurring bills (i.e. subscriptions, utilities, telephone, etc.)

#### Travel P-Card

- P-Card holder must comply with all applicable Nation laws, policies and procedures as set forth above in the General Requirements section.
- P-Card holder will not be permitted to receive a travel advance.
- All incurred expenses while on travel should be for only the authorized cardholder named on the P-Card.
- All actual meal, lodging, and other allowable travel expenses require itemized receipts.
- Meals incurred during travel defined as local travel are not allowed (50-mile radius).

#### Unauthorized Transactions

- The general type of unauthorized transactions includes:

- Abuse
- Misuse
- Negligence
- Fraud

Abuse, misuse, and negligence are violations for personal gain results. Fraudulent violations are those in which deception was deliberately practiced for unfair or unlawful gain.

- Examples of unauthorized use include the following:
  - Cross distribution of funds (i.e. utilizing General Funds P-card for Externally funded activities and vice-versa);
  - Alcoholic beverages;
  - Cash advances;
  - Contractual services;
  - Fuel for Nation vehicle;
  - Gift cards;
  - Non-meal snacks;
  - Paying on behalf of another employee;
  - Purchases for family members;
  - Pyramid charges (use of multiple transactions to circumvent per-transaction limits);
  - Personal items.





## THE NAVAJO NATION – Office of the Controller

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- Unauthorized use can result in the following actions:
  - Suspension of P-Card use privileges for the cardholder.
  - Cancellation of P-Card privileges for the cardholder.
  - Payroll deduction for the full amount of the unauthorized use.

#### P-Card Transactions and Credit Limits

The P-Card Section has established daily transaction and monthly credit limits. The P-Card Section will make the final determination on the credit limit increase request.

- A credit limit increase will only be considered by original memo request and must include the proper business unit number, amount, approval and purpose of the increase.
- Cardholder with delinquent CCER packets will not be considered for credit limit increases until all delinquent CCER packets have been received.

#### Month End Reclassification and Approval

Completed CCER packets shall be submitted to the P-Card Section by the end of the down load period. Failure to do so will result in temporary suspension of P-Card privileges for cardholder, reconciler, and approver until all delinquent CCER packets have been received.

The P-card Section shall deploy a risk-based approach to its review of monthly packets. The risk levels are as follows:

| <b>Risk</b> | <b>Criteria</b>   | <b>Frequency</b> |
|-------------|---|------------------|
| Low Risk    | This designation is reserved for departments or programs that have demonstrated a historical pattern of compliance and timely submission of supporting documentation.   | Semi-annual      |
| Medium Risk | This designation is reserved for departments or programs whose submission of supporting documentation is at times incomplete or late. However, they demonstrate a pattern of compliance with P-card policies. | Quarterly        |
| High Risk   | This designation is reserved for departments or programs that have demonstrated a pattern of both untimely submissions of supporting documentation and non-compliance with P-card policies.                   | Monthly          |

In addition to the risk-based approach, the P-Card Section shall use a sampling methodology to select packets for testing each frequency period above.

| <b>Risk</b> | <b>Frequency</b> | <b>Sample Methodology</b>       | <b>Sample Size</b> |
|-------------|------------------|---------------------------------|--------------------|
| Low Risk    | Semi-annual      | Low-risk sample                 | 25                 |
| Medium Risk | Quarterly        | Medium risk sample              | 40                 |
| High Risk   | Monthly          | Known non-compliant cardholders | Not applicable     |



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The P-Card Section will select a random sample of departments or programs for each risk level based on the sampling methodology. The P-Card Section will review all transactions for the selected departments.

#### Cycle-To-Date Period

- The cardholder is required to reclassify P-Card transactions and add reimbursement.
- Forward CCER packet to the Reconciler by the start of the Review period.

#### Review and Grace Period

- Reconciler ensures expenditures are properly coded.
- Forward CCER packet to the Approver by the start the Approval period.

#### Approval Period

- The approver is required to approve all P-Card transactions and reimbursement by the end of the Approval period.

#### Lost / Stolen P-Cards

Lost and or stolen cards must be reported immediately to the financial institution and P-Card Section.

#### Fraudulent and Disputed Charges

Fraudulent and disputed charges must be reported immediately to the financial institution and P-Card Section.

#### Penalties for Noncompliance

##### *Responsibilities*

The P-Card Section is responsible for ensuring compliance with these underlying procedures. The P-Card Section has the authority and responsibility to immediately suspend, cancel, and/or terminate P-Card privileges for violation of the P-Card Policies and underlying procedures, as well as to seek reimbursement of any unauthorized expenditures and associated costs. The P-Card section shall immediately notify the cardholders' Supervisor of violations of the P-Card Policies and any underlying procedures. In addition, when the P-Card Section suspects fraudulent use and/or intentional misuse, the P-Card Section shall notify the Office of the Prosecutor and Ethics and Rules Office.

The Cardholders' Department/Division/Branch and Supervisor, if any, are responsible for pursuing disciplinary action, which may include suspension or termination pursuant to the Nation Personnel Policies Manual, for violations of the P-Card Policies and any underlying procedures.

The Office of the Prosecutor and/or Ethics and Rules Office are responsible for pursuing appropriate prosecution for violations of the P-Card Policies and any underlying procedures that are also violations of Title 17 of the Navajo Nation Code or the Navajo Nation Ethics in Government Law.

##### *General Penalties*

- Suspension, cancellation or termination of P-Card privileges, depending on the degree of severity and number of occasions, in instances of unauthorized use.
- Termination of P-Card privileges in instances of fraudulent use or intentional misuse.
- Reimbursement of all incurred unauthorized charges and any costs related to the collection of such charges will be deducted from any money that would otherwise be due to the employee, including salary or wages and annual leave pay-out to the extent allowed by law.





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- Privileges in the P-Card Program will be revoked when a P-Card holder is suspended or terminated from employment
- The Approver and Reconciler for a P-Card holder will be held responsible for the P-Card holders, as well as their own, lack of compliance with the P-Card Policies and underlying procedures. Continued lack of compliance will result in a permanent revoking of all P-Card privileges for the Approver and Reconciler.
- Any employee or appointee terminated for fraudulent use or intentional misuse of a P-Card or any appointee or official found guilty of or admitting guilt for fraudulent use, or intentional misuse of a P-Card will not be reissued a P-Card within any branch of the Nation.

#### *Specific Policy Offenses and Penalties:*

The following offenses will be subject to the penalties listed below.

- Failure to obtain prior approval from the Department Authority for making operation related purchases on behalf of the Department.
- P-Card holder is incurring travel expenses for another employee.
- Failure to reconcile CCER packets within the Review and Grace period allowed.
- Failure to approve CCER Packets within the Approval period.
- Failure to submit completed CCER packets to the Office of the Controller within 5 business days after month end.
- Abuse resulting in money orders reimbursing the Nation.
- Replacement cards due to lost/misplaced P-Card.

#### *Penalties:*

- 1<sup>st</sup> Offense
  - 30-day suspension of the P-Card
  - 30-day suspension of privileges for Reconciler and Approver
  - Mandatory refresher course related to use of P-Card
- 2<sup>nd</sup> offense
  - Cancellation of P-card privileges for cardholder.

Office of the Controller

# The Navajo Nation

Property Management Policies Manual





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## Accounting Policies Manual

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| <b>DESCRIPTION:</b> | Property Management | <b>INDEX:</b>          | 6.1 |
|                     | Overview            | <b>POLICY:</b>         | X   |
|                     |                     | <b>PROCEDURES</b>      |     |
|                     |                     | <b>EFFECTIVE DATE:</b> |     |

**LEGAL AUTHORIZATION:** 2 N.N.C. § 51-57 and 12 N.N.C. *et seq.*, CAU-34-11

#### **PURPOSE:**

To establish policies, guidelines, and procedures for the acquisition, inventory, depreciation, disposal, and maintenance of property owned or leased by the Navajo Nation (Nation). The Property Management Policies and Procedures Manual is designed for use by the Nation's departments and agencies in fulfilling its responsibilities of administering, accounting for, and safeguarding the investments in property. For the purposes of this manual, the property includes fixed assets, personal property, and controlled items. The purpose of the system in this manual is to provide the necessary recordkeeping and reporting requirements for all funding sources.

#### **OBJECTIVES:**

The objectives of this document are as follows:

- To ensure consistent policies and procedures for property accounting, management, control, and accountability.
- To ensure that management has adequately minimized risk to assets through internal controls.
- To ensure proper financial accounting and reporting in accordance with Generally Accepted Accounting Principles (GAAP), the Governmental Accounting Standards Board (GASB), and other applicable government accounting standards.

#### **SCOPE:**

All departments and programs must use and comply with the herein policies and procedures. All the Nation's employees shall exercise the utmost care and diligence in the use, maintenance, and protection of all public assets.

#### **RESPONSIBILITIES:**

The Nation has a significant investment in property used to carry out its missions. The Nation follows the same basic procurement policies for the purchase of property as it does for any other purchase of goods and services. However, additional special procedures must be followed to meet all state and federal regulations. These policies address the basic requirements for property, but do not address all specific regulations.

##### ***Office of the Controller (OOC)/Fixed Asset Section (FAS)***

- Maintains the financial accounting records and reports on these resources on behalf of the citizens.
- Establishes general ledger accounts for major asset classes, including applicable depreciation according to established guidelines.
- Establishes property accounting and financial policies that conform to applicable accounting standards.

##### ***Property Management Department (PMD)***





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- Establishes a property management program within the OOC to coordinate the development and dissemination of property management policies and procedures and to facilitate all the necessary activities to establish asset accountability.
- Manages the assets assigned to the Nation.
- Assists in meeting the Nation's custodianship responsibilities (e.g., equipment log-out and location transfer logs).
- Issues a manual containing the Nation's property management accounting and management procedures and revises the manual as necessary.
- Establishes within the department a disposal operation to assist the Nation's departments in the removal, redistribution, and sale of surplus assets.
- Provides training to the Nations personnel involved in physical inventory, acquisition, disposal, and transfer of property based on the property management policies and procedures manual.

#### *Departments/Programs*

- Serve as custodians of property, including land, land improvements, buildings, machinery, and equipment, that are assigned to his/her departments/programs.
- Ensure full departmental/programmatical compliance with the established property management accounting policies and procedures.

#### *Chapters*

- For property purchased with the Nations fund for the Chapters, the assets should be administered, accounted for, and safeguarded in accordance with this manual.

#### **GUIDELINES:**

##### *Designation of Property as a Fixed Asset*

Fixed assets are items of property that

- Are tangible in nature;
- Have an economic useful life longer than one year;
- Maintain their identities throughout their useful lives, either as separate entities or as identifiable components of larger conglomerations of property;
- Are not repair parts or supply items; and
- Have significant value.

With respect to the Nation, any fixed asset with an original cost equal to or greater than \$5,000 is considered to have significant value and therefore will be capitalized.

Assets acquired with federal grant funds must be capitalized and controlled in accordance with the federal property management standards outlined in the Office of Management and Budget (OMB) 2 CFR 200 Uniform Grant Guidance. Capitalization limits for federal grant-funded assets will conform to the federal guidelines in effect when the assets are acquired.





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#### *Designation of Property as Personal Property*

Personal property consists of tangible property, specifically movable items that are not permanently affixed to or a part of the real estate with a value of less than \$5,000. An item is classified as personal property if it can be removed without causing serious damage to the item or to the real estate. A physical inventory of personal property should be conducted biennially, and sampling is an acceptable method of conducting the physical inventory. Like controlled items, personal property does not meet the threshold for capitalization. Personal property includes those not specifically identified as a controlled item.

#### *Designation of Property as a Controlled Item*

Due to their sensitive, portable, or theft-prone natures, certain property items with a value less than \$5,000 will be subject to control as if they were fixed assets. This allows for internal control over high pilferage and other items that do not meet all the guidelines for capitalization. Examples of these items include: binoculars, boat motors, boat trailers, boats, cameras, camera lenses, canoes, cellular phones, computers, external computer storage devices, ham radios and receivers, jetpacks, marine band transmitters and receivers, microscopes, musical instruments, scientific equipment, oscilloscopes, printers, projectors, radio scanners, scanners, spectrum analyzers, tablets, televisions, two-way radio transmitters and receivers, vectorscopes, video cameras, video recorders and players, and waveform monitors. This list of examples is not all-inclusive. The designation of property with a value less than \$5,000 as a controlled item at the discretion of the PMD Manager. All weapons, regardless of cost, should be considered as controlled items. For management and control purposes, such noncapital controlled items will be tagged and inventoried as controlled items, recorded in the Nation's fixed assets module, and recorded at their original acquisition cost in the Financial Management Information System (FMIS). Unlike fixed assets, controlled items will not be capitalized. Although controlled items are not capitalized, they must be identified and inventoried. A physical inventory of controlled item should be conducted biennially, and sampling is an acceptable method of conducting the physical inventory of the controlled items.

#### *Designation of Property as a Consumable Item*

Consumable items are items of expendable nature that are consumed or worn out, deteriorate in use, or are easily broken, damaged or lost. Examples include promotional items, paper, pencils, toner or ink cartridges, batteries, cleaning supplies, nails, bags, and staples. Items that have a relatively short service life (less than one year) and that, therefore, must be replaced frequently are also considered as consumable items. Examples include brooms, tools, and rubber stamps. Consumable items are purchased and expensed in the same period, and therefore, they do not meet the capitalization criteria. The PMD is responsible for the receipt and timely distribution of consumable items.

#### *Classification and Valuation*

A fixed asset will be classified into one of the following categories, and its cost or value should be calculated using the method applicable to its specific asset class:

1. **Land** – This classification includes all land parcels purchased or otherwise acquired by the Nation for building sites, street right of way, recreation, future use, etc. Land acquired and intended for public use by the Nation will be capitalized. The amount to be capitalized will be the actual cost at the time of acquisition. Actual cost shall include purchase price including costs such as legal fees, filing, and excavation costs incurred to put the land in condition for its intended use. The cost of the land also includes indefinite land use rights, such as easements, mineral, timber, and water rights, acquired with the purchase of the underlying land. Land use rights acquired separately from land purchase and those





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with definite useful lives are classified as intangible assets. For donated land, the fair market value of the land as of the date of acquisition will be capitalized.

2. **Buildings** – This classification includes all buildings and structures that function as buildings (such as movable field offices). Capitalized costs of a building purchased by the Nation will include purchase price, professional fees of appraisers and attorneys, and any related costs necessary to put the building into its intended state of operation including environmental remediation such as asbestos removal. Capitalized original cost on a constructed building will include the cost of constructing the asset, architects' and engineers' fees, permits, insurance, and interest costs during construction and other administrative costs, such as clerical work and appraisals. Land acquisition costs are not included as part of the building costs. In addition to the costs outlined above, the following expense items should be included in the original cost of the asset if they are not included in the primary construction contract or work order:

- Built-in casework, walk-in coolers and freezers, built-in shelving, etc.
- Bleachers and fixed gymnasium equipment.
- Graphics and directories.
- Bathroom accessories.
- Carpets (other than moveable rugs).
- Compressed air systems, plumbing systems, sprinkler systems, heating, venting, and air conditioning systems which are fixed to the structure.
- Emergency generator systems for building support.
- Demolition of an existing structure.

If a building is acquired for specific use by the Nation other than by a Nation-sponsored contract or direct purchase, i.e., donated, it will be recorded at its fair market value as of the day of acquisition and ancillary charges, if any.

Furniture, fixtures, or other equipment not an integral part of a building is not considered capital improvements and should be classified as equipment. The cost for this asset type reflects the actual or estimated cost of the asset.

3. **Machinery and Equipment** – This classification includes all motor vehicles, rolling stock, construction, and maintenance equipment, office equipment and furnishings, etc., for which one of the following criteria apply:

- The unit cost exceeds the minimum capitalization amount.
- The asset has a useful life in excess of one year.
- The nature and use of the item dictate that groupings of identical smaller items, such as library books or warehouse shelving units, should be capitalized and controlled as group assets.

Machinery and equipment assets are valued at actual or estimated cost, including ancillary charges. Ancillary costs considered in determining the value of these assets include transportation charges, installation costs, and extended warranty contracts or any other normal or necessary costs required to place the asset in its intended location and condition for use.



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4. **Infrastructure** – This classification includes long-lived capital assets that normally are stationary and can be preserved for a significantly longer period than other capital assets. Examples of infrastructure include roads, bridges, tunnels, sidewalks, lighting systems, and drainage, water and sewer systems. Capitalized original cost on infrastructure will include:
  - The cost of constructing the asset
  - Professional fees of engineers, attorneys, appraisers, financial advisors, etc.
  - Survey fees
  - Appraisal and negotiation fees
  - Damage payments
  - Site preparation costs
  - Costs related to the demolition of unwanted structures
5. **Construction -In-Progress** – This classification includes all partially completed construction projects. Upon completion of construction and placement into service, these assets will be transferred from this category to a permanent fixed assets classification. The following list, while not intended to be all-inclusive, is typical of the costs associated with constructed capital assets:
  - Architect fees
  - Engineering design costs
  - Engineering supervision
  - Purchased materials
  - Stores material
  - Salaries, wages, and related fringe benefits
  - Indirect costs including overhead
  - Equipment rental
  - Transportation
  - Contractor
  - Special machine services
  - Insurance and other protection costs
  - Injuries and damages in connection with construction work
  - Rent for construction quarters

When construction work is performed by outside parties under contract, many of the above costs are included as part of the payment made to the related contractor. Site preparation costs associated with construction works in progress are accounted for in any one of the following manners:

- Costs are capitalized as part of the initial cost of the land or buildings;





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- Costs are recorded as removal cost, i.e., expensed, if a building previously in operation by the Nation is being retired; or
  - If site preparation costs involve the demolition of an existing structure, then those costs are considered part of the value of the new structure. However, if no new structure is to be erected, then these costs are to be expensed.
6. **Capital Leases** – This classification includes all capital lease agreements for the purchase of assets and equipment. If at lease inception any one of the following criteria is met, the lease should be capitalized and considered a capital asset:
- a) The present value of the minimum lease payments at the beginning of the term is 90% or more of the fair market value of the property/capital asset at the inception of the lease;
  - b) The lease term of a non-cancelable lease is 75% or more of the asset's estimated economic life;
  - c) The lease contains a bargain purchase option; or
  - d) Ownership is transferred to the Nation at the end of the lease term.
- Lease transactions not qualifying as capitalized leases are treated as expenses.
7. **Improvements** – This classification includes expenditures to improve the efficiency or significantly extend the life of a capital asset are accounted for as capital improvements. Improvements may result from expansion, betterment, replacement or any similar capital expenditure which is non-recurring in nature. The cost of the improvement should be charged to the appropriate capital asset account, providing the expenditure meets the established criteria for capitalization. Improvements include:
- **Expansion** – Buildings, structures and other attachments or annexations which significantly add to the size of an existing facility with relatively few changes to the original unit are defined as an expansion if the improvement is intended to remain so attached or annexed. These expenditures are capitalized in the appropriate capital asset account.
  - **Betterment** – A betterment is an addition made to, or change made in, a capital asset which is expected to prolong its life or to increase its efficiency over and above that arising from maintenance. The capital expenditure improves an existing capital asset with new technology, safety devices and other additional features which did not previously exist. A betterment may only be made to assets that have initially been capitalized. These expenditures are capitalized in the appropriate capital asset account.
  - **Replacement** – Expenses incurred to replace a portion of any existing capital asset that leaves the retirement unit substantially the same are considered replacement expenses and, therefore, are not capitalized.
  - **Maintenance, Repair, and Restoration** – Maintenance, repair and restoration expenses are those normal and recurring expenditures which preserve a capital asset in a useful state or condition. These expenses are curative or preventive in nature. Such expenditures are classified as operating expenses and are not capitalized.

#### *Document Retention Policy*

The Nation complies with the records retention policy outlined by the Record Management Department. Documents that are not listed but are substantially similar to those listed in the schedule will be retained for the appropriate length of time.

| <u>Type of Record</u> | <u>Suggested Retention Period</u> |
|-----------------------|-----------------------------------|
| Damage reports        | 7 years                           |





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|  |  |
|--|--|
| Deeds and title                                | Permanently                                    |
| Delivery receipts                              | 7 years  |
| Depreciation schedules                         | 7 years after disposal of the underlying asset |
| Inventory records                              | 7 years after disposal of the underlying asset |
| Invoices (fixed assets)                        | 7 years after disposal of the underlying asset |
| Maintenance and repair records                 | 7 years  |
| Property account ledger                        | Permanently                                    |
| Property appraisals                            | Permanently                                    |
| Property plans, blueprints, and specifications | Permanently                                    |
| Property purchases                             | Permanently                                    |
| Property sales                                 | Permanently                                    |

#### ***Exception to Property Management Policies***

An exception to policy is a request for an item or service not otherwise covered by the property management policies and procedures. Exceptions to policy may be granted to the OOC rules, but they cannot be granted to rules that are based on federal, state, or Navajo Nation laws. Normal activities may occur that are not covered by the policy. An exception to policy is the last resort request. It should only be requested when all other options have been exhausted.

The department requesting an exception to policy should submit a thorough presentation of facts to the PMD for review. The PMD may consult with other authorities such as the Navajo Nation Department of Justice and forward recommendations to the Controller for final action. Policies that have been approved by Budget and Finance Committee or that appear in the law are not subject to amendment except by the body authorized to amend them.

#### ***Training***

Training on the property management policies and procedures will be offered on a quarterly basis as a part of new employee orientation. To request additional training, please contact the PMD.

#### **DEFINITIONS:**

**Acquisition Date** – The date the Nation took ownership of the asset.

**Capital Asset** – Any fixed asset with an original cost equal to or greater than \$5,000. These items have significant value and will be capitalized.

**Controlled Item** – A property item that meets the criteria for a fixed asset but with a value less than \$5,000. These items will be subject to management control.

**Consumable Item** – An item purchased by the department/program for reissue/reuse/resale which the department/program controls as parts of its ongoing operations (e.g., office supplies, controlled substances, ammunition, construction materials, bulk fuel, hardware items, maintenance parts, or non-perishable food items that have a long shelf life and are stocked by the department/program).

**Contributed Asset** – A noncash asset that is donated to the Nation, such as property, food, or supplies.

**Fair Value** – The estimated value of the asset which it would be exchanged between a willing buyer and seller when neither is forced into the exchange. In addition, both parties should have knowledge of all facts



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and consider it an equitable exchange. This is generally used in place of historical cost in a donated asset situation.

**Fixed Asset** – Items of property that are tangible in nature; have significant value; have an economic useful life longer than 1 year; maintain their identities, either as separate entities or as identifiable components; are not repair parts or supply items and are used in the conduct of the Nation's activities.

**Fixture** – A physical property that is irrevocably attached or affixed to real property. If the items not affixed to real property, then it is known as personal property. Fixtures are treated as a part of real property.

**Historical Cost** – The value placed on the asset at the time of acquisition, including ancillary costs (value of trade-ins, shipping costs, installation costs, etc.)

**Infrastructure** – Long-lived capital assets that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples include, but are not limited to, roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and electrical lines.

**Personal Property** – A tangible property consists of movable items that are not permanently affixed to or a part of the real estate. An item is classified as personal property if it can be removed without causing serious damage to the item or to the real estate.

**Promotional Item** – An item typically has a logo, design, slogan, or name on them to promote a place, program, event, or idea that is directly mission-related. It is usually inexpensive. Promotional item examples may include, but are not limited to:

- Conference materials, such as agendas, lapel pins, name tags, notepads, pens, and portfolios tent cards.
- Informational or educational items, such as pamphlets, books, and reports, posters, coloring books and games, teacher's guides and video programs.
- Other items, such as plaques, clothing, hats, tote bags, pins, recognition coins, cups, water bottles, USB drives, mouse pads, posters, stickers, commemorative items, key rings, ice scrapers, pencils, decals, lanyards, magnets, bookmarks, bumper stickers, calendars, balloons, and candy.

**Real Property** – All real estate assets, including land, buildings, and improvements to land or buildings. In legal terminology, land, and items growing on, permanently erected on, or affixed to the land; also, rights to use the land.

**Salvage Value** – The subsequent value of the asset at the end of its useful life.

**Surplus Asset** – Assets not in use that are not essential for the operation of the program or department.

**Useful Life** – The period of time the asset will be of service to the Nation.





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| <b>DESCRIPTION:</b> | Property Management | <b>INDEX:</b>          | 6.2 |
|                     | Acquisitions        | <b>POLICY:</b>         | X   |
|                     |                     | <b>PROCEDURES</b>      |     |
|                     |                     | <b>EFFECTIVE DATE:</b> |     |

**LEGAL AUTHORIZATION:** 2 N.N.C. § 51-56, 12 N.N.C. § 201, *et seq.*, CAU-34-11, PMD-95-406

**OTHER REFERENCES:** 2 N.N.C. §1010 – 1012, 16 N.N.C. §451

#### **PURPOSE:**

The purpose of this section is to establish policies and procedures for capitalizing, recording, and accounting for costs related to acquisitions.

#### **RESPONSIBILITY:**

##### *OOO/Fixed Asset Section (FAS)*

- Coordinates with the PMD and department/programs for capitalization of fixed asset purchases, whether acquired by purchase order (PO) or contract;
- Establishes the initial item records in the FMIS;
- Updates the property record for subsequent transactions, transfers, dispositions, etc., in accordance with applicable property management policies and procedures.

##### *PMD*

- Coordinates with department/programs for tagging of property purchases, whether acquired by purchase order (PO) or contract;
- Reviews the purchase requisition (PR) for proper use of object code and the threshold for all property purchases.
- Approves the transfer of property.

##### *Departments/Programs*

- Completes the PR for requesting any new purchases and submits the PR to the Procurement department to ensure compliance and availability of funds;
- Once approved by the Procurement department, forwards the PR to the PMD for assignment of object code and threshold;
- Coordinates with the PMD, the FAS, and Navajo Land Department with the purchased activities related to property for proper legislative/administrative review;

#### **POLICY:**

##### Acquisitions:

Acquisition of personal property means the purchase or procurement of an asset for general use. Acquisition of real property means typically the purchase or procurement of land and/or buildings for general use. All purchased assets are done so through the procurement procedures as outlined in the Navajo Nation Procurement Rules and Regulations (budget justification, encumbrance, PR, PO, etc.). The acquisition will typically occur by purchase, but may also include the following:



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- *Donation* – Personal or real property given to the Nation without exchanging any compensation.
- *Trading* – Personal or real property received in exchange for property or services of the Nation.
- *Forfeiture* – Any personal or real property acquired via the forfeiture in any manner, including a business site lease.
- *Transfers by contract* – Personal or real property acquired by transfer from the government (638 contracts) and private contracts.
- *Found* – An asset acquired and used in services of the Nation with unclear acquisition and ownership. The asset will be tagged until ownership is proved and determined otherwise.
- *Abandoned* – An asset left in place by previous users and or owners whereby the Nation takes ownership and custody of.

#### Acquisition through Donation

Donated noncash assets such as property, food, or supplies are considered contributed assets. Contributed assets should be valued at fair value on the date of the receipt, and the quality and quantity of the assets received should be considered in valuing the contributed assets. In the case of contributed assets, the fair market value is defined as, "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date," according to GAAP.

When a department/program receives a contributed asset as a gift or in-kind donation, they should contact the PMD to put in place a formal acceptance agreement and to contact the FAS of the OOC to agree on an appropriate valuation for the asset for the purposes of the property record. These valuations are generally based on an appraised or fair market value at the time the donation is accepted. If necessary, an independent appraisal or valuation will be required for assets with an estimated value of \$5,000 or more to determine the appropriate valuation and insurance amounts; any appraisal costs incurred will be the responsibility of the department/program accepting the donated asset.

Donors may set restrictions on the use and disposition of donated property. In such instances, the donor's guidelines shall be followed. Supplemental records will be maintained use and disposal approval.

Delivery of contributed assets should be arranged with the PMD.

#### External Funds Acquisitions:

The Nation will have additional responsibilities and requirements relating to assets which will be purchased with external (federal, state, and other) funds. These areas differ from the standard policies presented in this manual. The responsibilities and requirements will vary depending on who holds title to the asset.

- *Tagging* – For assets to which the external government holds the title, special procedures for tagging shall be followed as outlined in the regulations of that external agency and/or the procedures section of this manual.
- *Tracking* – The assets will be entered and maintained within the system by the FAS. All data contained in the asset record shall meet reporting requirements as dictated by the government agency that funded the purchase of the assets.
- *Reporting* – A listing of assets by government funding agencies will be provided on a periodic basis to the funding agency. The timing of reports will be dictated by the regulations of the appropriate external agency.





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- *Surplus/Excess* – Programs externally funded shall report to the PMD in writing any property surplus and excess to their needs and provide a courtesy copy to the funding agency.
- *Disposal* – The PMD shall report to the appropriate external agency in writing any externally-owned personal property that is deteriorated, lost, stolen, damaged beyond repair, or no longer required for the performance of the contract.

The PMD will coordinate the disposition or acquisition of the property after a decision is made to return the property, dispose of the property or obtain a title to the property. The PMD will notify the appropriate external agency of its intent. The procedures that will be followed to return the property, dispose of the property, or obtain title to the property vary from agency to agency. Therefore, it will be necessary to consult with the funding agency to obtain the necessary guidelines. The PMD will also coordinate with the FAS by providing a copy of a memo & disposition to ensure appropriate removal from FMIS.

#### **Assignment of Government Personal Properties**

All government personal property is owned by or leased to the Nation or acquired by the Nation (such as telephones, pagers, computers, fax machines, electronic devices, special equipment, government vehicles, tools, materials, or supplies). Assignment of government personal properties should be based on the nature of the duties and responsibilities of the organization and the need for an assigned personal property to perform the duties. Personal properties should be assigned, based on the position of responsibilities, not the convenience of the employee.

Employees employed by the Nation are responsible for:

- Safely and appropriately use government personal property.
- Sign Property Accountability Statements for assigned government personal property, including when new government personal property is assigned to him/her.
- Know the location and condition of assigned government personal property and make it available for inventory and inspection.
- Report in advance any change in government personal property assignment or location to the PMD.
- Acquire proper documentation before transporting or shipping government personal property from its assigned location.
- Report any unneeded government personal property to the PMD.
- Ensure assigned government personal property is safeguarded and contact his/her manager immediately upon discovering problems in a storage area.
- Notify his/her manager and the PMD before dismantling or cannibalizing any government personal property.
- Protect all government personal property, assigned or otherwise, from loss, damage, destruction, or theft, and report immediately if any of these instances do occur to the PMD.
- Properly and timely report government personal property that is recovered or relocated to the PMD.

#### **Assignment of Office and Operating Facilities**



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The PMD of the OOC shall be the responsible department for the coordination and assignment of office and structural facilities for all of the Nation's government organizations using inter-governmental space use agreements. The assignments must be for governmental purposes.

An entity is a Navajo Nation government organization if it is identified in the Navajo Sovereign Immunity Act, is eligible for Navajo Nation insurance coverage, and the subject property is on the Nation's list of fixed assets.

These assignments shall apply to new or used facilities either constructed or purchased by and owned by the Nation. This also shall equally apply to those structures that are donated, transferred, conveyed, vacated, relinquished to or repossessed by the Nation.

An organization of the Nation requesting assignment must notify the PMD by a memorandum or correspondence of its requirements. Furthermore, all requests shall have Branch or Division Director approval for consideration for each respective program.

Notification of intent to vacate any of the Nation's office space or structural facility must be submitted a correspondence in thirty (30) days prior to any planned departure, so that fairness may be ensured of available office space or facility to other organizations to include cancellation of utility responsibilities. This shall apply also to departments under any one organization that proposes to trade office space or facility. Assignments are not transferable.





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| <b>DESCRIPTION:</b> | Property Management | <b>INDEX:</b>          | 6.3 |
|                     | Receiving           | <b>POLICY:</b>         | X   |
|                     |                     | <b>PROCEDURES</b>      |     |
|                     |                     | <b>EFFECTIVE DATE:</b> |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*, CAU-34-11

#### **PURPOSE:**

The purpose of this section is to define policies, procedures, and organizational responsibilities for receiving property.

#### **RESPONSIBILITY:**

##### ***PMD***

- Coordinates with the departments/programs so that all purchases of property are properly received and all related paperwork are complete.

##### ***Programs/Departments***

- Responsible for matching the PO with goods received; create a receiving report, sign to indicate the quantity and quality of goods received and submit required paperwork to the PMD.

#### **POLICY:**

All purchases of property shipped directly to the central receiving department in Fort Defiance, AZ for proper receiving. PMD personnel should record and provide a record of receipt. PMD will coordinate to ensure all purchases of property are properly received, and all paperwork is complete.

Because of their nature, the following purchases are exempt from central receiving:

- If the purchased property includes installation and it is impracticable to have the property first delivered to the PMD and then out to the program, the asset will be received and tagged at the installation site, such as furnishing for a newly constructed building purchased under the same contract. The program should work with the PMD in a collaborative nature to arrange for PMD to be on site to tag the property prior to the installation.
- If the asset purchased is so large that it is unreasonably difficult to first deliver the asset to the PMD then deliver it to the program, the property will be delivered and tagged on site. Such as heavy equipment or vehicles. The program must notify the PMD in a timely manner for the receipt of the property.
- If the asset is ordered for delivery to a remote portion of the Nation and it is more efficient and effective than central receiving, the property should be delivered to the program such as heavy equipment or vehicles. The program must notify the PMD in a timely manner to ensure tagging of the property.

Per Navajo Nation Code Chapter 2, Subchapter 2, *Property Controls*, programs are responsible for the proper custody, care, and safekeeping of the Nation's property. Therefore, it is the responsibility of the program to collaborate with the PMD in a timely manner to ensure fixed and controlled assets are properly tagged. Typically, receiving should take place at the central warehouse in Ft. Defiance, AZ. Central receiving at an agency of the PMD office will happen on rare occasions. In these instances, the same procedures should apply.



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Programs and central receiving should be familiar with freight and delivery companies to receive or reject goods. Cooperation with the vendor and/or freight companies is critical.





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|---------------------|----------------------------------|------------------------|-----|
| <b>DESCRIPTION:</b> | Property Management              | <b>INDEX:</b>          | 6.4 |
|                     | Numbering, Tagging, and Delivery | <b>POLICY:</b>         | X   |
|                     |                                  | <b>PROCEDURES</b>      |     |
|                     |                                  | <b>EFFECTIVE DATE:</b> |     |

**LEGAL AUTHORIZATION:** 2 N.N.C § 59-60 and 12 N.N.C. § 201, *et seq.*, CAU-34-11

#### **PURPOSE:**

The purpose of this section is to maintain a positive identification system for all the Nation-owned assets and ensure that all property specified herein are assigned a fixed asset or property numbers and are issued a property tag for identification and inventory purposes.

#### **RESPONSIBILITY:**

##### **PMD**

- Affixes identification tag numbers to and coordinates the delivery of all properties to the departments/programs.
- Assigns identification tag numbers for non-capitalized (original cost of less than \$5,000) fixed assets, controlled items, and personal properties.

##### **OOC/FAS**

- Records property records and identification tag numbers to the fixed assets, controlled items, and personal properties in the FMIS.
- Assigns identification tag numbers for capitalized (original cost equal to or greater than \$5,000) fixed assets, controlled items, and personal properties.

#### **POLICY:**

Tagging is the process of assigning and attaching an identification tag number to the Nation's personal and real property. The primary purpose of a tagging system is to maintain positive identification of assets owned or controlled by the government.

Tagging is important for:

- Providing an accurate method of identifying individual assets;
- Facilitating the inventory process on a current basis;
- Controlling the custodial responsibilities of all fixed assets and personal properties;
- Providing a common ground of communication between the FAS of the OOC, the PMD, and the assets' users or custodians.

The delivery function is the process which ensures that all property items are received by or transported to the departments/programs. The PMD is responsible for ensuring the items are received by departments/programs in a timely and efficient manner and in the best interests of the Nation. Because of the large size of the Nation, it may be necessary to establish delivery schedules to optimize efficiency.

All newly acquired real property should be tagged by PMD. Each division, department, program, enterprise or entity shall formally accept and sign for property. Further, the property should be recorded in the property



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records as outlined in the section titled "Index 6.5 Accounting and Reporting." This assignment will not be changed without coordination through PMD.



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| <b>DESCRIPTION:</b> | Property Management      | <b>INDEX:</b>          | 6.5 |
|                     | Accounting and Reporting | <b>POLICY:</b>         | X   |
|                     |                          | <b>PROCEDURES</b>      |     |
|                     |                          | <b>EFFECTIVE DATE:</b> |     |

**LEGAL AUTHORIZATION:** 2 N.N.C § 58 and 12 N.N.C. § 201, *et seq.*, CAU-34-11

#### **PURPOSE:**

The purpose of this section is to establish accounting policies, procedures, and reporting requirements for the FMIS and to define the guidelines for maintenance, retention, and disposition of property.

#### **RESPONSIBILITY:**

##### ***OOC/FAS***

- Records all new acquired fixed assets and controlled items into the FMIS.
- Removes fixed assets and controlled items from the FMIS as result of disposals or transfers.
- Accounts for capitalization of fixed assets over \$5,000.
- Reconciles the activities of procurement and receiving functions within the Nation's departments/programs for fixed assets and controlled items to the fixed asset module.

#### **POLICY:**

##### **Capitalization Threshold**

Capitalized expenditures are expenditures resulting in the acquisition of or additions to the Nation's fixed assets. A threshold of five thousand dollars (\$5,000) per unit is established for a more cost-effective method of managing fixed assets.

Capitalized fixed assets must be recorded using the capital outlay object codes. Non-capitalized assets, supplies and/or materials expense must be recorded using the expense object codes. The capitalization threshold is the amount at which a purchase of an asset will be capitalized and controlled.





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The applicable object codes are as follows:

| Object Code | Sub | Description                    | Object Code | Sub | Description                    |
|-------------|-----|--------------------------------|-------------|-----|--------------------------------|
| 9000        |     | Capital Outlay                 | 9074        |     | CAP-Architecture/Design        |
| 9001        |     | Real Property                  | 9074        | 02  | Fees                           |
| 9010        |     | Land & Improvements            | 9074        | 03  | Expenses                       |
| 9012        |     | Land                           | 9076        |     | CAP-Geo Tech Services          |
| 9014        |     | Land Improvements              | 9076        | 02  | Fees                           |
| 9020        |     | Infrastructure                 | 9076        | 03  | Expenses                       |
| 9022        |     | Airports                       | 9078        |     | CAP-Other Tech Services        |
| 9024        |     | Roads                          | 9078        | 02  | Feasibility Studies            |
| 9026        |     | Parking Lot/Sidewalk/Streetlgt | 9078        | 03  | Environ Assessmt./Serv.        |
| 9028        |     | Bridges                        | 9078        | 04  | Diagnostics/Testing/Evaluation |
| 9030        |     | Dams                           | 9078        | 05  | Inspection/Appraisal Fees      |
| 9032        |     | Wells                          | 9078        | 06  | Technical Services Expenses    |
| 9034        |     | Windmills                      | 9100        |     | Personal Property              |
| 9036        |     | Communications                 | 9110        |     | Furniture & Fixtures           |
| 9038        |     | Waterlines                     | 9112        |     | Furniture                      |
| 9040        |     | Powerlines                     | 9114        |     | Fixtures                       |
| 9042        |     | Water/Wastewater               | 9140        |     | Equipment                      |
| 9044        |     | Gas line Extension             | 9142        |     | Equipment                      |
| 9050        |     | Building                       | 9144        |     | Analytical Equipment           |
| 9052        |     | Buildings                      | 9146        |     | Computers                      |
| 9054        |     | Bldg. Improvements             | 9148        |     | Equipment Capitalized Leases   |
| 9056        |     | Leasehold Improvements         | 9160        |     | Vehicles                       |
| 9058        |     | Bldg. Capitalized Lease        | 9162        |     | Automobile                     |
| 9060        |     | Construction In Progress       | 9164        |     | Specialized Vehicles           |
| 9062        |     | Contingencies                  | 9166        |     | Buses                          |
| 9070        |     | CAP-Pro Tech Services          | 9168        |     | Aircraft                       |
| 9072        |     | CAP-Consulting                 | 9180        |     | Intangible Assets              |
| 9072        | 02  | Fees                           | 9182        |     | Intangible Assets              |
| 9072        | 03  | Expenses                       | 9190        |     | Other Assets                   |
|             |     |                                | 9192        |     | K-9                            |

- Furniture, vehicles, and equipment must be capitalized if the cost is \$5,000 or more. Assets with a unit cost of \$4,999 or less are properly classified as expensed equipment.
- If expenditures are incurred to maintain the original operational condition of an asset, it should be classified as a repair and maintenance expenditure utilizing the repair and maintenance accounts. For example, repairs to damaged vehicles or routine maintenance such as tune-ups or oil changes are considered repair and maintenance.





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- Divisions, departments, and programs must be accountable for and record items under the \$5,000 capitalization threshold amount for those items that are considered at high risk of theft (such as weapons and computer components) are classified as sensitive items.

#### Recording Asset Records

All capital assets will be assigned and tagged with a unique number, which remains the same through the life of the assets. A detailed asset record will be maintained by the FAS and PMD for capital assets.

The PMD will tag the assets using standard asset tagging procedures as outlined in the section titled "Property Management – Tagging and Delivery."

A critical step in establishing and maintaining a fixed asset system is to establish procedures that will keep all records current. Therefore, a property record will be established and maintained for all real and personal property of the Nation. All previous work and efforts will be outdated unless the information can be kept current. It is the responsibility of the FAS to create the basic property record. The FAS and PMD are responsible for updating and maintaining property records.

The FAS and PMD will update and maintain a property record for each asset entered into the fixed asset accounting system. Any updates must be kept current so as to maintain a reliable system for control. At a minimum, the property record should contain the following data elements, if applicable:

|   |   |
|---|---|
| • Asset identification number (Asset Tag Number)                              | • Depreciation method   |
| • Description   | • Quantity (typically the quantity should always be 1)  |
| • Source acquired from (donor/funding source),                                | • Unit of measure (example: square feet, acres or square miles)                               |
| • Purchase price and/or other costs necessary to bring the asset into service | • Condition   |
| • Fair value (if no purchase price)   | • PO number   |
| • Estimated salvage or residual value   | • Vendor invoice number   |
| • Date acquired   | • Vendor name   |
| • Present location  | • Business unit   |
| • Responsible organization (program) and individual                           | • Funding year(s)   |
| • Information on betterment, improvements, and additions                      | • Construction type   |
| • Estimated useful life   | • Model number  |
| • Status (active, surplus, etc.)  | • Extended maintenance agreements, warranty information, or service contracts (if applicable) |
| • Serial numbers  |   |

The financial recording is essentially the process of recording fixed assets and keeping the fixed asset ledger up to date. The OOC is responsible for working with the PMD and other programs to collect enough financial information to determine the financial value of all property. Also, the OOC is responsible for matching all the documents necessary to record the value of the asset in the fixed asset ledger and to make all necessary vendor payments, including insurance replacements.



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For purchases of property, the OOC must have all the required documents (contract, P.O., receiving the report, invoice, etc.) for recording and payment. If they do not have all of the required documents, halt the process until all the required documents are received. Once everything is received, continue with the procedures.

#### Property Management Department Sections

The Nation's growth and expansion resulted in three distinct sections within the PMD: Personal Property Section, Real Property Section, and Warehouse Receiving Section.

The sections will be responsible for receiving, tagging, distributing, tracking, transfer, reassignment, and disposing of property (including stored surplus property). In addition, any change to the status of the property will be updated to the FMIS. These changes to property include, and are not limited to the following:

| Changes                           | PMD Sections      |               |           |
|-----------------------------------|-------------------|---------------|-----------|
|                                   | Personal Property | Real Property | Warehouse |
| Transfers (reassignments)         | X                 | X             | X         |
| Disposals                         | X                 | X             | X         |
| Improvement (partial replacement) | X                 | X             |           |
| Addition                          | X                 | X             |           |
| Damage                            | X                 | X             | X         |
| Obsolescence                      | X                 | X             | X         |
| Theft                             | X                 | X             |           |
| Inventory adjustments             | X                 | X             | X         |
| Trade-in                          | X                 | X             |           |
| Lost/misplaced                    | X                 | X             |           |
| Loans                             | X                 | X             | X         |
| Appraisal                         | X                 | X             | X         |
|                                   |                   |               |           |

The FAS will also be responsible for determining the classification and ownership and recording the values and disposition of property in the FMIS. This includes the initial data entry and maintenance of the asset records for the overall integrity of each asset record. Only the FAS is authorized to record disposals in the FMIS, including the removal of non-capital equipment. As outlined in a memorandum dated September 10, 2018 by DOJ, PMD is authorized to coordinate building renovations and demolitions with the Capital Projects Management Department ("CPMD") for OOC.

#### Basis of Accounting for Fixed Assets

The Nation will use either an accrual or modified-accrual basis for accounting. Each accounting method will result in different accounting treatment of fixed assets.

- *Accrual basis of accounting* – Fixed assets acquired with proprietary funds will use the accrual basis of accounting and are considered "proprietary assets." The assets should be accounted for within the appropriate proprietary fund. The accrual method is used because the primary performance measure of





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these funds is a periodic determination of changes in net position (revenue earned and expenses incurred).

In order to determine the change in net position, we shall satisfy the requirement of GAAP of matching revenues and the costs associated with the production of those revenues. The depreciation of fixed assets used in the generation of revenues will be included in these costs for change in net position determination. Therefore, the fixed assets will be capitalized and depreciated in the fund generating the revenue.

- *Modified accrual basis of accounting* - Fixed assets acquired with non-proprietary funds will use the modified-accrual basis of accounting and are considered "expensed assets." They are recorded (expensed) in the funds which funded the acquisition. These fixed assets represent financial resources which have been used and for which accountability should be maintained. The main purpose of this type of fund accounting will be to reflect the sources and uses of its financial resources. The government-wide financial statements are reported using the economic resources measurement focus, which reflects all long-term assets (e.g., fixed assets). As a result, GAAP requires the exclusion of fixed assets from the fund accounts and records them in the government-wide financial statements. Depreciation is calculated on fixed assets, and accumulated depreciation is recorded in the statement of net position. Depreciation expense must not be recognized in the fund.
- Classification of funds and their basis of accounting:

| Fund Type       | Fund                        | Basis of Accounting |                  |
|-----------------|-----------------------------|---------------------|------------------|
|                 |                             | Accrual             | Modified Accrual |
| Proprietary     | Enterprise Funds            | X                   |                  |
|                 | Internal Service Funds      | X                   |                  |
| Fiduciary Funds | Private Purpose Trust Funds |                     | X                |
|                 | Pension Trust Funds         |                     | X                |
| Governmental    | General Fund                |                     | X                |
|                 | Permanent Funds             |                     | X                |
|                 | Grant Fund                  |                     | X                |
|                 | Special Revenue Funds       |                     | X                |

#### Fixed Asset Useful Life

Depreciation of fixed assets is provided by the straight-line method over their estimated useful life. Estimated useful life of fixed assets are as follows:

| Asset Class                  | Useful Lives  |
|------------------------------|---------------|
| Buildings and improvements   | 40 years      |
| Vehicles and heavy equipment | 4 to 15 years |
| Equipment                    | 7 years       |
| Data processing equipment    | 3 to 7 years  |
| Furniture and fixtures       | 7 years       |

#### FMIS Object Codes



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| Object Code | Description                        | Useful Lives | Object Code | Description              | Useful Lives |
|-------------|------------------------------------|--------------|-------------|--------------------------|--------------|
| 9012        | Land                               | 40 yrs.      | 9056        | Leasehold improvements   | 40 yrs.      |
| 9014        | Land improvements                  | 40 yrs.      | 9058        | Capitalized lease        | 40 yrs.      |
| 9022        | Airports                           | 40 yrs.      | 9060        | Construction in progress | 40 yrs.      |
| 9024        | Roads                              | 40 yrs.      | 9112        | Furniture                | 7 yrs.       |
| 9026        | Parking lot, Sidewalk, Streetlight | 40 yrs.      | 9114        | Fixtures                 | 7 yrs.       |
| 9028        | Bridges                            | 40 yrs.      | 9142        | Equipment                | 7 yrs.       |
| 9030        | Dams                               | 40 yrs.      | 9144        | Analytical equipment     | 7 yrs.       |
| 9032        | Wells                              | 40 yrs.      | 9146        | Computers                | 3 yrs.       |
| 9034        | Windmills                          | 40 yrs.      | 9148        | Capitalized leases       | 7 yrs.       |
| 9036        | Communications                     | 40 yrs.      | 9162        | Automobiles              | 4 yrs.       |
| 9038        | Waterlines                         | 40 yrs.      | 9164        | Specialized Vehicles     | 4 yrs.       |
| 9040        | Power lines                        | 40 yrs.      | 9166        | Buses                    | 4 yrs.       |
| 9042        | Water/wastewater                   | 40 yrs.      | 9168        | Aircraft                 | 15 yrs.      |
| 9052        | Buildings                          | 40 yrs.      | 9182        | Intangible assets        | 5 yrs.       |
| 9054        | Bldg. Improvements                 | 40 yrs.      | 9192        | K-9                      | 7 yrs.       |

#### Quarterly Expenditure Review

The capital and repair and maintenance expenditure object codes must be reviewed by the FAS on a quarterly basis to determine if the expenses are properly expensed or capitalized. Any questionable charges must be brought promptly to the program/department's attention, and, if needed, corrected by an appropriate transfer. Transfers should be initiated as soon as possible after a need has been identified.





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| <b>DESCRIPTION:</b> | Property Management      | <b>INDEX:</b>          | 6.6 |
|                     | Construction in Progress | <b>POLICY:</b>         | X   |
|                     |                          | <b>PROCEDURES</b>      |     |
|                     |                          | <b>EFFECTIVE DATE:</b> |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*, CAU-34-11

#### **PURPOSE:**

The purpose of this section is to establish policies and procedures for accumulating capitalization costs for construction projects and recording in the FMIS. This includes calculating the amount of construction-related interest to be capitalized on an annual basis.

#### **RESPONSIBILITY:**

##### ***OOC/FAS***

- Records costs associated with all phases of a construction project in the appropriate CIP project cost records.
- Identifies the appropriate asset classification and balance sheet account distribution of such costs in project cost summaries.
- Reviews and approves all cost documentation submitted by the departments/programs.
- Monitors the consistency of information being provided by the departments/programs.

##### ***PMD***

- Tracks constructed assets that have been placed in service, based on the information provided by the departments/programs.
- Coordinates with the departments/programs to communicate all costs associated with the construction project to the FAS.

##### ***Departments/Programs***

- Provides the FAS with the total capitalized costs associated with a construction project.
- Accumulates and provides costs associated with all phases of a construction project.
- Tracks and reports all CIP for projects that have not yet reached 100% completion.
- Submits documentation to the FAS and the PMD for all projects that have reached 100% completion or are placed in service.

##### ***Design and Engineering Services (DES)***

- Provide the itemized list of total product costs associated with a construction project.



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#### POLICY:

##### *Real Property Constructed (CIP)*

The OMB and the OOC will be responsible for establishing separate budgets and accounts for each project during construction within a CIP object code(s). The OOC will accumulate all applicable costs and expenditures on the project. These costs include, but are not limited to the following:

|                         |  |
|-------------------------|--|
| • Purchased materials   | • Utilization of equipment                     |
| • Construction supplies | • Interest expense                             |
| • Direct labor          | • Any allocated overhead and indirect costs    |
| • Contracted services   | • Any internal costs associated with the asset |

CIP includes all partially completed projects for the construction of an asset. The cost of CIP will not be capitalized until the construction is complete and/or the constructed asset is placed into service.

For purposes of capitalization (placement into service or capitalization within the system), a constructed asset will be considered completed when occupied or upon acceptance by the Nation of the total project construction cost. Prior to capitalization, project expenditures should be charged to CIP in the appropriate capital project fund.

All labor and material costs directly associated with the construction project may be charged to CIP and subsequently capitalized as a cost of the new asset. The following criteria should be applied to determine whether such project-related costs should be capitalized or treated as normal periodic expenditures:

- Costs are chargeable to a capital project if they would not have been incurred during the specified period in the absence of the project.
- Costs for dismantling, removal, or disposition of existing the Nation's-owned equipment and improvements in preparation for a new project may be capitalized by the project.
- In addition, overhead costs, such as licenses, permits, and project management costs directly associated with the construction, will be capitalized. Other elements of the Nation's overhead that are difficult to measure, such as insurance and utilities, will be allocated and expensed as operating charges rather than added to the capitalized cost of the constructed asset.
- Interest costs incurred during the construction phase of projects undertaken on behalf of a proprietary fund may be capitalized as part of the cost of the fixed asset if the amount is considered material. Ordinarily, interest costs incurred during the construction of general government fixed assets are not subject to capitalization. Interest costs will not be capitalized on assets acquired through grants or gifts unless the grant or gift permits such capitalization and the funding are provided through the grant or gift.

The total value of the constructed capital asset will be accumulated in CIP object code(s) during construction. Upon completion of the project, the amounts accumulated in the CIP account will be reclassified to the proper fixed asset object code(s).

##### *Groups of Assets or Resources*

Groups of assets or resources that may be purchased together or that are identical in nature, such as groups of desks, groups of chairs, etc., should be treated as individual resources or assets. A software acquisition consisting of a number of licenses for or units of potentially independent or stand-alone applications, such





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as word processors or electronic spreadsheets, is to be considered a group of resources. Each unit or each user license is to be treated as an individual intangible resource and capitalized or expensed accordingly.

Modular furniture systems including desktops, shelves, partitions, storage drawer pedestals, etc., are considered independently functioning tangible resources and, therefore, are not collectively evaluated for capitalization. Thus, it should be considered as a single item rather than a group of resources or assets and is to be capitalized or expensed.

A group of assets that in total cost \$5,000 or more (e.g., 10 chairs costing \$500 each or 5 desks costing \$1,200 each) is not capitalized except for major new construction and renovation projects where the \$5,000 threshold is waived for the purchase of moveable equipment and furnishings provided they meet the following requirements:

- The equipment must be non-expendable, tangible personal property having an economic useful life of more than one year. During the normal course of business, these items would be expensed solely because they did not meet the Nation's \$5,000 capitalization threshold. This exception allows for the capitalization of an original complement of low-cost equipment and furnishings for the initial outfitting of a tangible capital asset or operational unit, or an expansion or renovation to either.
- These assets should be assigned an appropriate, useful life and not depreciated over these lives of the new construction or renovation.
  - Example 1 - The Nation constructs a hall with a budgeted project cost of \$1 million dollars. Tangible equipment and furnishings are budgeted at \$100,000. Assets that individually meet the capitalization threshold of \$5,000 were purchased on the project totaling \$20,000. These items should be capitalized as individual assets. The remaining assets purchased from the equipment and furnishings budget, which individually do not meet the \$5,000 threshold, would be expensed.
  - Example 2 - The Nation upgrades a classroom that includes computer and media equipment. Individually, the components do not meet the threshold, but the combined costs exceed \$5,000. This would typically not be considered a major capital project since it is an upgrade and not a significant alteration or renovation; therefore, all movable equipment/furnishings would be expensed.

See the Numbering, Tagging, and Delivery section above for instructions on tagging multiple property items under one contact/project.

Even when individual items within a group of assets need not be capitalized, they may individually or collectively represent a significant investment of the Nation's resources. Departments are to employ measures to safeguard items within a group of assets commensurate with the value of the assets and the risk of loss.



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| <b>DESCRIPTION:</b> | Property Management                        | <b>INDEX:</b>          | 6.7 |
|                     | Improvements, Betterments, and Maintenance | <b>POLICY:</b>         | X   |
|                     |  | <b>PROCEDURES</b>      |     |
|                     |  | <b>EFFECTIVE DATE:</b> |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*, CAU-34-11

#### **PURPOSE:**

The purpose of this section is to establish procedures for recording and accounting for costs of improvements, betterments, and maintenance expenditures as additions and alterations to the existing property.

#### **RESPONSIBILITY:**

##### ***OOC/FAS***

- Updates the property record for subsequent transactions such as improvements and betterments in accordance with applicable property management policies and procedures.

##### ***PMD***

- Coordinates with the FAS to determine if the expense should be classified as improvements, betterments, or maintenance and repair.
- Verifies the completion of the improvement and partial replacement and notifies Risk Management Program to add to insured properties.

#### **POLICY:**

##### Improvements and Betterments:

Improvements include additions of new components to previously capitalized assets that either increase the assets' value, extend the useful life, increase the normal rate of output, lower the operating cost, or increase the efficiency of the existing assets. Replacements of components of existing capitalized assets with improved or superior units, such that the value or useful life of the assets is increased, are also classified as improvements. A project or activity will qualify as an improvement if it involves any of the following:

- The addition of a new component to a previously capitalized asset that either increase the asset's value extends its useful life, increases its normal rate of output, lowers its operating cost or increases its efficiency
- The addition of new and separate units or extensions or expansions to noncapitalized assets that increase the asset's value or estimated useful life, such that the original asset, including the addition, now meets the capitalization threshold
- The replacement of a component of an existing capitalized asset with an improved or superior unit, such that the value or useful life of the asset is increased

##### *Examples*

- Construction of a new wing on a building
- Installation of an air conditioning system where there previously was none





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- Installation of a crane on a truck that did not previously have on
- Removal of a major part or component of equipment and the substitution of a new part or component that increases either the value or the useful life of the asset

Additions are extensions or expansions of an existing asset. Adding a wing to an existing hospital would be an addition to that building. Adding an additional feature to an existing machine is an addition to equipment. An addition is clearly a capital expenditure that is debited to the capital outlay accounts at full acquisition cost and capitalized in the statement of net position (non-proprietary funds) or applicable proprietary fund.

A betterment materially renovates or enhances a previously capitalized asset without the introduction of a completely new unit. Alterations that change the physical structure of assets (e.g., cutting new entry and exit openings or closing old ones; erecting new walls, windows, and partitions or removing old ones) but neither materially add value to the asset nor prolong its expected life by at least 1 year.

#### *Examples*

- Tuck-pointing of a building
- Enhancement of an old shingle roof through the addition of modern, fireproof tiles
- “Major catch-up” repair or rehabilitation of an existing neglected asset that extends the useful life or increases the value of the asset

#### *Real Property – Structural Renovation Management Use*

Structures intended to be occupied by the Nation’s programs whether they are general, or contract funded shall assure the structures capabilities for renovation, management, and uses.

- Renovation - A structure(s) cost-efficient repair shall be determined through the use of those programs organized to render such services of advice, architectural, sources of funding, projections and resources. This determination shall consist of:
  - upgrade
  - repair
  - funds
- Management - Establish a structure for continued and consumed services for janitorial, custodial, repair & maintenance, states of excess, states of occupancy, states of surplus, disposition, insurance, funding, safety, resources, etc.
- Use - Establish a criterion for the employment of structural uses projections.
- Assistance for determination shall be made through existing programs structural capabilities for occupancy. These programs may be and not be limited to:
  1. Property Management Department, Division of Finance
  2. Facilities Maintenance Department, Division of General Services
  3. Insurance Services Department, Division of General Services
  4. Navajo Occupational Safety & Health Administration, Division of Human Resources
  5. Historic Preservation Department, Division of Natural Resources



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6. Environmental Health Program, Division of Health
7. Capital Projects Management Department (CPMD), Division of Community Development

This policy is essential to maintain structural integrity, safety, funding, ethical standards, liability, and adequate planning.

The areas of structural responsibilities apply to lease(s), use permits, and occupancy of structures that the Nation's programs enter into or occupy.

1. Utilities: electricity, gas or LPG, water, wastewater
2. Communication: telephone, fax, Internet
3. Insurance: property (building), equipment, personnel, public liability
4. Maintenance: upkeep, repair, janitorial, custodial

#### *Accounting Treatment of Improvements and Betterment*

An improvement or betterment that individually meets the capitalization threshold should be added to the value of the existing capitalized asset. If the value of the improvement or betterment is added to the value of the existing asset and the useful life has been increased, depreciation charges for future periods should be revised based on the new book value and the new estimated remaining useful life.

Improvements and betterments (partial replacements) to a fixed asset and will be capitalized if it meets the following criteria:

- Improvements or betterments of noncapitalized assets that do not involve replacements will be capitalized as part of the original asset only if the total cost of the original asset, including the improvement, is equal to or greater than \$5,000. Otherwise, the improvement will be expensed as maintenance and repairs.
- Betterments add material value to the asset and materially extend the useful life of the asset beyond the useful life originally estimated. The material value in the case of betterments is considered all items over the established \$5,000 threshold.
- Improvements or betterments that involve replacement of an existing component will be capitalized only when the value or useful life of the asset is increased. In such cases, the value of the replaced component should be deleted to prevent an overstatement of the asset's value.
- Costs incurred for major repairs or rehabilitation to certain property should be capitalized based on their contribution to the extension of the useful life and increase in the value of those affected assets. An example of this is the replacement of the roof on a building. If the new roof extends the life of the building for a material period past the originally estimated life and adds material value to the building, then the cost could be capitalized. The cost of the roof plus the remaining net book value of the building will be depreciated over the new life.

When the project is placed into service, the appropriate personnel of the FAS will accumulate all the relevant costs of the project. Included are the costs of construction and supplies, repair labor and related items (any cost used to place the asset in service).

Partial replacements of a relatively minor nature, made during maintenance of the equipment, will be considered an operating expense necessary to keep the asset in good operating condition. Included are the costs of cleaning, repair parts and supplies, repair labor, and related items.

#### Maintenance and Repair





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Maintenance and repairs are not intended to alter or change the asset or to increase the useful life of the asset, but rather to sustain the asset in its present condition.

Maintenance and repair costs incurred to keep the property in normal operating condition will be expensed.

Maintenance costs are not capitalized and are not recorded as part of the associated asset in the property record. Departments/programs are responsible for tracking assets sent for repair to vendors and for maintaining appropriate documentation.

A project or activity will qualify as maintenance if it:

- Recurs on an ongoing basis (scheduled maintenance) and keeps the asset in a useable condition;
- Simply restores the property to its former condition, addressing normal wear and tear associated with the use of an asset;
- Does not add substantially to the value of the asset;
- Facilitates asset utilization for its original estimated useful life; and
- Does not significantly extend the useful life of the existing asset.

#### *Examples*

- Engine overhaul in a vehicle
- Compressor replacement in an air conditioning unit that is not componentized
- Resurfacing roof gravel or reflashings a roof



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|---------------------|---------------------|------------------------|-----|
| <b>DESCRIPTION:</b> | Property Management | <b>INDEX:</b>          | 6.8 |
|                     | Physical Inventory  | <b>POLICY:</b>         | X   |
|                     |                     | <b>PROCEDURES</b>      |     |
|                     |                     | <b>EFFECTIVE DATE:</b> |     |

**LEGAL AUTHORIZATION:** 2 N.N.C § 59 and 12 N.N.C. § 201, *et seq.*, CAU-34-11

**OTHER REFERENCES:** 2 CFR 200.313

#### **PURPOSE:**

The purpose of this section is to establish policies and procedures for conducting and reporting the periodic physical inventory of property and to ensure the accuracy of property records.

#### **RESPONSIBILITY:**

##### ***OOC/FAS***

- Updates the FMIS to ensure that the information regarding property is correct.
- Coordinates with the PMD to add/delete the property from the FMIS as necessary.
- Coordinates reconciliation meetings between the program/department and the PMD, which must occur at the same time.

##### ***PMD***

- Establishes general physical inventory procedures and an inventory schedule that includes all departments and causes the least amount of disruption to normal operations.
- Ensures appropriate reporting to assist the program in conducting and reconciling inventory.
- Updates the property listing to ensure that the information regarding property is correct.
- Assists departments/programs in investigating and resolving all significant differences between the current physical inventory and the existing asset files.
- Reviews and compiles final inventory results of all departments/programs; coordinating with the FAS to add/delete the property from the FMIS, as necessary.

##### ***Departments/Programs***

- Coordinates the physical inventory with the FAS to ensure that it is completed within the scheduled time frame.
- Conducts a thorough inventory in accordance with the procedures presented in this section.
- Ensures the information regarding property is correct in the master property listing.
- Reconciles any exceptions to ensure that the inventory result provides a complete accounting of all assets recorded in the department/program.
- Documents the inventory results and forward a written report, signed by the program director, to the PMD, indicating completion of the inventory and any exceptions.





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#### **POLICY:**

##### *Inventory Frequency*

The PMD will establish physical inventory intervals and schedules for the inventory of all property. All departments will perform physical inventories in accordance with these established inventory schedules.

##### *Random Sample Inventory Counts*

The PMD schedules and conducts random sample cycle counting of inventories in lieu of single annual inventory for risk assessment purposes. The PMD notifies the property custodians (departments/programs) of the date of the random sample inventory, the items to be inventoried, and the procedures that will be used. Sample counting is the process of counting only a portion of the Nation's inventory.

##### *Biennial Inventory Counts*

The perpetual inventory of all assets is the responsibility of the PMD on at least a biennial basis. Moreover, federal funded property inventories should be conducted at least once every two years to comply with federal regulations. The inventory process is in effect the gathering and assembly of the data which ultimately drives the property accounting system. Planning the physical inventory should be responsive to the needs and provide for an orderly and efficient manner to collect, record and organize the needed data.

Ultimately, it is the responsibility of PMD and program/department that is responsible for the control and management of all assets.

##### *Real-Property Inventory*

The life cycle management of real property must take a data-driven, risk-informed, performance-based approach to align the real property portfolio with the Nation's governmental needs. Real property must be managed in a safe, secure, cost-effective, and sustainable manner to ensure the real property portfolio is appropriately sized, aligned, and in the proper condition to support efficient mission execution.

1. The property custodians (departments/programs) must follow in preparing and submitting real property inventory information for real property to the PMD. All real property owned, leased, or otherwise managed by the Nation shall be inventoried once every two years. The inventory of real property should include the following: the size, the location, and any other appropriate description of each real property;
2. an assessment of the physical condition of each real property;
3. a determination of whether each real property should be retained for the Nation's mission requirements;
4. any other information the property custodian considers appropriate.



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| <b>DESCRIPTION:</b> | Property Management | <b>INDEX:</b>          | 6.9 |
|                     | Relocation          | <b>POLICY:</b>         | X   |
|                     |                     | <b>PROCEDURES</b>      |     |
|                     |                     | <b>EFFECTIVE DATE:</b> |     |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*, CAU-34-11

#### **PURPOSE:**

The purpose of this section is to establish policies and procedures for transferring property between department, programs, or physical locations within the Nation. By providing timely reporting of property transfers, these procedures ensure custodial responsibility, accountability, and the maintenance of accurate property records.

#### **RESPONSIBILITY:**

##### ***PMD***

- Reviews and approves the appropriate forms for transfer/reassignment of fixed assets or controlled item from the Department/Program to the PMD.
- Updates the property listing/record to record the transfer/reassignment.

##### ***Department/Program***

- Provides a statement indicating that the asset is surplus/transfer and no longer needed with the fixed asset or controlled item to the PMD;
- If necessary, obtain proper approval from the funding source if the fixed asset or controlled item need to be returned;
- Submits appropriate forms for transfer/reassignment of fixed assets or controlled items to the PMD for approval;
- Submits appropriate forms for transfer/reassignment of land to the Navajo Land Department for approval;
- Coordinate with the PMD to update the property listing/record the transfer/reassignment fixed assets or controlled items.

#### **POLICY:**

If a program determines that they no longer need an asset, then it should be transferred back to the PMD for either reassignment or disposal. This will ensure that all the Nation's assets will be efficiently and effectively utilized, resulting in the reduction of unnecessary purchases. Please note that the asset number must not be changed when the property is reassigned or transferred. For equipment purchased with federal or federal-Pass-Thru funds, the reassignment or disposal must comply with federal awarding agency's instructions and requirements. Please refer to Section 6.10 Retirement and Disposition for further information.

- *Surrendered* – The actual surrendering of real property is turning the building or facility back over to the PMD for reassignment or disposal. When a program determines that they no longer need the use of any real property, then it should be transferred back to the PMD for either reassignment or disposal. The PMD will have the sole authority to reassign or disposal of real property such as office spaces,





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buildings, yards, etc. This will ensure that all of the Nation's real property will be efficiently and effectively utilized.

- *Surplus* – Represents excess or surrendered property that has been transferred back to the PMD for either reassignment or disposal. The PMD is responsible for maximizing the use of all assets of the Nation by making available for viewing by programs all surplus property that can be reassigned or reassignment of all idle buildings in an efficient and timely manner. This should help minimize additional purchasing and result in the maximum use of the Nation's assets.
- *Transfers* – A transfer of personal property is the movement of any asset that will result in a change in the location, either by a branch of government, division, business unit, program, building or custodian. Any transfer shall be approved by the immediate supervisor and accepted by the transferee (recipient). Also, the PMD must be notified in writing prior to the transfer, so that the asset record can be properly updated and maintained.

A transfer of real property is a reassignment that results in a change in the occupants or custodian of any building. Any transfer for governmental purposes shall be reviewed, approved and coordinated by the PMD. The transfer of real property generally means that a program is transferring the property back to the PMD for reassignment, or the PMD reassigns the property to a program for its use. Any transfer of real property should include any required paperwork so that the asset record can be properly updated and maintained.

Attention should be paid by the PMD for any surplus assets or transferred assets that are unassigned. Specifically, attention should be paid to those assets that have remained unused for a year or more. The list of unused assets should be forwarded to the OOC to determine if these assets are impaired and document this determination as part of the annual close out/financial statement preparation process. An impaired asset is an asset that has a market price less than the value listed on the entity's balance sheet. If impaired, these should be disposed of.

Installed equipment and buildings from all programs that have ended should be retrieved at the end of each fiscal year. Subsequently, reassignment will be arranged by the PMD either to the same division or other departments. The PMD shall obtain all contract, sub-contract copies including the scope of work, account number utilized, purchase orders, and purchase records for all equipment to be installed.

The following should be considered to coordinate and implement requests for excess real property from the federal, state, and local agencies.

- Through a combined effort by those Navajo Nation departments immediately affected by any transfers or conveyances and upon recommendations will such requests be considered favorable for the Nation's real property.
- At no time will any division, department, branch, program, enterprise or entity formally initiate any real property request from any of the agencies mentioned without initially establishing contact or consulting with the PMD.
- Those factors to be considered for transfers, conveyances, and donations will be based upon and not limited to personnel safety (hazardous materials, stability, etc.), projected life expectancy, historical significance, renovation and maintenance projections, and acquisition through questionable ownership.
- At no time will any real property designated as the Nation's property be dismantled, razed, sold, transferred, leased or occupied without prior approval or notification through the PMD.



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At no time will any division, department, branch, program, enterprise or entity arbitrarily conduct any movement of facilities and equipment identified as the Nation's property nor will same occupy any available or vacated office space within any building without prior approval of the PMD. The request for reassignment of facilities or equipment should be submitted to the PMD for proper approval or notification.

To initiate real property additions for expired business site leases, forfeited leases, and abandoned business sites through controlled coordination with the Division of Economic Development and affected departments to include any and all personal property related equipment and identified accordingly. The divisions, departments, branches, programs, enterprises or entities may request these business sites be reassigned provided a proposal be submitted to the Division of Economic Development.





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| <b>DESCRIPTION:</b> | Property Management        | <b>INDEX:</b>          | 6.10 |
|                     | Retirement and Disposition | <b>POLICY:</b>         | X    |
|                     |                            | <b>PROCEDURES</b>      |      |
|                     |                            | <b>EFFECTIVE DATE:</b> |      |

**LEGAL AUTHORIZATION:** 2 N.N.C. § 57(C), 2 N.N.C. § 60 and 12 N.N.C. § 201, *et seq.*, CAU-34-11, BFJY-114-86

**OTHER REFERENCES:** 2 CFR 200.313

#### **PURPOSE:**

The purpose of this section is to govern the removal of a property item from the Nation's records and to account for the resulting gain or loss. To achieve this purpose, policies and procedures are provided for processing and recording retirements and dispositions of all property.

#### **RESPONSIBILITY:**

##### ***OOC/FAS***

- Record lost or stolen property in the FMIS.
- If proceeds result from the disposal, assign and record the proceeds to the specific asset retired (if identifiable) in the FMIS, in accordance with established data entry procedures

##### ***PMD***

- Responsible for the ultimate disposal of the Nation property that is either no longer needed (excess, obsolete) or found to be unserviceable (worn, scrap) by the departments, in accordance with the Nation policies and other legal mandates.
- Takes possession of the property from the department or program through transfer and attempts to transfer the property to another department or program, sell the asset through bid or auction, or otherwise dispose of the property, in accordance with the Nation policies and procedure.
- If proceeds result from the disposal, ensures that revenue is properly assigned in accordance with this procedure.
- Review trends and analyze asset disposals on a regular periodic basis to determine the proper use of resources to the full extent of their useful lives.

##### ***Department/Program***

- Identify and process appropriate assets for retirement or disposal through trade-in, transfer to the PMD, scrap metal/refuse contracts or sale—only with the approval of the Controller.

#### **POLICY:**

*Disposal* – A disposal is considered an asset (real and personal property) sold, traded-in, scrapped, or which becomes unavailable for service to the Nation. The disposal of assets through donation, sealed bid, and direct sale must be specifically authorized by the Navajo Nation Council utilizing its directive authority. The PMD will be charged with the responsibility of disposing of all assets. The PMD Manager will have the authority to set monetary levels for excess real and personal property.

The PMD will dispose of the Nation's assets in the following methods of disposition:



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|   |               |
|---|---------------|
| • Reassignment (transfer, not disposal) | • Donation    |
| • Auction                               | • Salvage     |
| • Sealed bid                            | • Direct sale |

The asset is the property of the Nation and should be disposed of in its best interest. All disposal of personal property requires the approval of the PMD Manager. Any disposal of personal property by any method other than sealed bids, trade-in, auction or waste requires additional approval of the Controller or his/her designee for items equal to or greater than \$1,000. Any disposal of real property with a fair value greater than the established threshold (as set by the Controller or his/her designee) or by any method other than sealed bids or public auction require additional approval of the Controller or his designee.

The established threshold for real property is set at \$5,000.

The PMD will be charged with the responsibility of providing guidance and technical assistance to previous occupants in obtaining funds for disposal of real property.

- *Proceeds* – The PMD will be responsible for verifying business units to credit proceeds. Contract Accounting and General Accounting will be responsible for crediting the appropriate business unit for asset disposals, including proceeds from assets whose original business unit cannot be verified.
- *Damage* – Damage will be considered to be any impairment of the asset's ability to provide service. If property (real or personal property) is damaged, the PMD and the FAS will be notified immediately. The PMD shall make the determination to repair, replace or dispose of the asset (approval will be necessary depending upon the value of the asset and the type (real or personal)). If the asset is repaired and its estimated useful life is still impaired, then the PMD shall notify the FAS of any change in estimated useful life so the asset record can be updated.
- *Obsolescence* – The PMD will provide a report to the FAS to justify the disposal of an obsolete property. Approval for the disposal of obsolete property shall meet the criteria in the aforementioned policy for disposal. The FAS will then adjust the property records accordingly.
- *Loss* – Loss of property either through accident, break-in, internal stealing or pilferage. All loss of property will be reported immediately by the custodian of the asset to his/her immediate supervisor and to local law enforcement programs where the theft occurred. Notification to law enforcement agencies will be followed by written notice to the PMD, FAS, and Risk Management Program. The FAS will then adjust the property records accordingly.

#### Disposal Methods

The property will be retired or disposed of in the FMIS using one of the following methods:

- *Departmental, Interdepartmental, or Intrafund Transfer*  
Excess or obsolete property that is no longer required by one department (sending department) will be transferred either to another group within the same department or to another department in need (receiving department), in accordance with Section 6.9 Relocation, if a department in need can be immediately identified by the sending department.
- *Transfer to the PMD*





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Excess or obsolete property that is no longer required by one department will be transferred to the PMD if another department in need is not immediately identifiable, in accordance with Section 6.9 Relocation.

- *Sale*

The property will be sold whenever reasonable proceeds from such a process are anticipated. Sale and pricing methods will be subject to the approval of the Controller for items equal to and greater than \$1,000 and may include direct negotiation, sealed bid invitation, spot bidding, fixed-price sale, public auction, out-of-cycle sale, employee sale, or sales to the general public. Sales will be conducted by the sole discretion of the PMD Manager for items less than \$1,000. All sales will be final where there will be no exchanges or refunds allowed. Remote location sales will be allowed when it is not economically feasible to move an item to a yard to conduct a sale.

- *Trade-In*

Property that is traded in or exchanged for a similar asset will be recorded as a sale (original asset) and acquisition through purchase (new asset) by the department in the FMIS.

- *Lost or Stolen*

Property that has been lost or stolen and that have been properly recorded and deemed unrecoverable will be retired.

- *Scrap*

Property that has been transferred to the PMD and is found to be damaged, destroyed, or in any other way having no recoverable value will be accumulated and disposed of in accordance with existing scrap metal/refuse contracts or as otherwise directed by the Controller.

#### ***Disposal of Equipment Acquired with Federal or -Pass-Thru Funds***

Disposal of equipment purchased with federal or federal-pass-thru funds must comply with the appropriate federal regulations. Depending upon the fair market value of the equipment (usually at the time the award terminates) and the federal awarding agency's instructions, disposition must occur following specific rules:

- If the equipment has a unit fair market value of \$5,000 or less, it may be retained, sold or otherwise disposed of with no further obligation to the federal awarding agency.
- If the equipment has a unit fair market value of more than \$5,000, the Nation must obtain disposition instructions from the federal awarding agency. The Nation may be permitted to retain the equipment for use under other non-federally sponsored projects, but it may also be instructed to sell or transfer the equipment back to the agency or another entity.
  - If the Nation is instructed to sell the equipment, the Nation must remit to the federal awarding agency's pro-rated share of the proceed from the sale of the equipment.

There may be additional requirements that vary by the awarding agency. Please refer to grant and contract agreements for any additional requirements.

#### ***Disposal of Property with Hazardous Materials***

Items such as refrigerators, freezers, sterilizers, underground tanks, and similar equipment may contain Freon, mercury switches, batteries, or other potentially hazardous components. Before disposing of surplus equipment, the PMD must certify that reasonable means have been taken to clean and decontaminate the



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equipment by removing radioactive materials, biohazardous materials, chemical materials, and any embedded hazardous materials. With coordination with the Navajo Nation Environmental Protection Agency (EPA), the PMD is responsible for ensuring that all hazardous materials have been properly removed and that the equipment has been decontaminated.

All hazardous, radioactive, infectious, and any other regulated waste or material should be disposed of in accordance with federal, state, and the Nation's regulations.

- No person shall dispose of any hazardous waste, radioactive waste, infectious/medical waste, or any other regulated waste or material except in accordance with established Navajo Nation waste disposal procedures.
- Hazardous materials and wastes shall be properly identified and labeled according to the Nation's procedures. Departments/programs shall be responsible for the identification of unknown waste.
- Departments/programs shall purchase and use hazardous materials in quantities that minimize waste generation but are consistent with operational needs.
- The EPA will coordinate the disposal of hazardous, radioactive, and infectious waste.
- The EPA shall maintain all manifests and documentation required by federal, state, and the Nation's regulations. Departments/programs shall forward the required documentation to EPA.

#### ***Disposal of Firearms and Ammunition***

With authorization from the PMD, firearms that are no longer required for the needs and the discharge of, the responsibilities of the department/program may be destroyed or transferred to the other Navajo Nation department/program authorized to carry firearms for official use in accordance with applicable laws and regulations.

#### ***Disposal of Computer Equipment and Data Storage Devices***

Computers that were purchased with the Nation funds or grant funds, donated to the Nation, or acquired for the Nation through other means are the property of the Nation and do not belong to specific individuals. The Nation must manage surplus computers in an environmentally responsible and fiscally responsible manner that ensures the safeguarding of sensitive data and licensed software.

Used computers contain stored data and licensed software that are at risk of unauthorized use. These risks are related to potential violation of software license agreements and inadvertent release of password combinations, financial information, and other personal or sensitive information. All information must be rendered unreadable and unrecoverable through secure erasure or destruction before any form of disposal, recycling or reuse occurs. With coordination with the Navajo Nation Department of Information Technology and the PMD, the department/program is required to erase data stored on the Nation computers before their relocation, disposal, or transfer to another employee.

Computers, including monitors, CRTs, CPUs, and related components, contain toxic elements such as lead, cadmium, and other heavy metals that are harmful to the environment when improperly disposed of. Computers are prohibited from disposal as solid waste in landfills and as scrap metal in conventional recycling programs.

Departments/programs with permission from the PMD may allow redeployment of surplus computers in the following instances:





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- Transfer internally to another of the Nation's department/program. The original department/program must ensure that the disk is erased and the operating system (or current version of the original operating system, if appropriately licensed) is reinstalled before transfer.
- Donate a computer to a recognized 501(c)(3) charitable organization such as a school, religious institution, or similar non-profit. The original department/program must coordinate with the PMD for the details of the exchange and receive proof of 501(c)(3) status of the recipient. The department/program must ensure that the disk has been erased and that the original licensed operating system and bundled software has been reinstalled before transfer. After the hard drive has been erased, the department/program may only reinstall the original operating system software that was licensed with the original computer.
- All surplus computers that have not been redeployed through one of the above instances must be delivered to the PMD for proper recycling and disposal. All equipment must be unplugged and disconnected before pick-up or delivery. The department/program must ensure that the disk has been erased and that the original licensed operating system and bundled software has been reinstalled before transfer.

The PMD will ensure environmentally safe disposal of computer equipment and data storage device with assistance from EPA.

#### *Disposal of Wireless Devices*

- Obsolete or damaged wireless devices will be returned to the PMD for proper disposal.
- The Navajo Nation Telecommunication & Utilities (NNTU) will verify the funding source of each wireless devices to ensure proper disposition.
- Usable wireless devices will be retained by the NNTU and will be kept in inventory for temporary assignment to departments. A listing of these devices will be provided to the PMD and will be assigned to the NNTU. If a department chooses to keep the device, the NNTU will notify the PMD to reassign wireless devices to said department.
- When a wireless device is returned to the NNTU, a factory reset will be performed. A factory reset is a software restore of an electronic device to its original system state by erasing all the information stored on the device in an attempt to restore the device's software to its original manufacturer settings.
- No wireless devices will be sold to the Nation's employees.

#### *Disposal of Surplus Vehicles*

The PMD of the OOC is authorized by the Navajo Nation Budget & Finance Committee to sell surplus vehicles on a sealed bid basis. Sales are governed by the laws of the Navajo Nation, and the proceeds from the surplus vehicle sales are credited to Fleet Management to purchase new vehicles or to a specific funding source as required by the respective grant agreement terms and conditions.

The PMD is authorized to use the National Automobile Dealers Association (NADA) Blue Book average trade-in value as the base value; deducts for mileage; adds the NADA value for 4-wheel drive, deducts for wear and tear to arrive at a minimum (threshold) fair value and adds 1.25% for a maximum value.

The Fleet Management Department issues vehicle condition reports that are for classification of mechanical operation only and do not warranty for purposes of any general or particular use and driving, which shall be the sole responsibility of the purchaser, who accepts the vehicle in its condition "as is." All sales are in "as is" condition and final.





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Surplus vehicles are categorized into two condition groups: operational (numeric): non-operational (alpha). The condition report, the fair value, maximum value, vehicle number, and item number are displayed on the vehicles for sale.

- **Sale Notice** – The PMD posts the sale notice, provides 10 working days for inspection and bid submittals and schedules a time and date for bid opening. The notice consists of: item number, vehicle identification number (VIN), description (year, make, model), fleet number, mileage, fair value, the maximum value, and condition group. Upon bid opening, bids are sorted and tabulated from high to low bid. The results are posted at the PMD for viewing by bidders.
- **Bids** – Each bidder is only authorized to place two (2) bid forms. Bid forms submitted in excess of this limit will invalidate all bid forms. Bid forms shall be filled out completely and accurately. Incomplete and inaccurate bid forms will be rejected. Rejected bids are not negotiable. Further, bids are not transferable to other vehicles and not negotiable. When bids are unsealed from the bid box, changes to the bid forms are not permitted. Bid forms placed into the sealed bid box shall not be retracted for viewing, corrections or withdrawals.
- **Tied Bids** – In the event of a tie bid or successive ties, the PMD shall accept the bid of the bidder who submitted the bid first.
- **Sole Bid** – In the event of a sole bid received where the bid amount was below the minimum price, the PMD can accept the sole bid. It may be the best interest of the Nation to sell the surplus vehicle even if it is below the minimum price considering the removal of the liabilities based on a cost-benefit analysis.
- **Payment** – Acceptable payments are cash, money order, or cashier's check only. Personal checks are not accepted. Successful bidders make payment at the Cashiers Office by notice provided by the PMD. Cashier's checks and money orders shall be made payable to The Navajo Nation. Full payment in the prescribed method of payment is due within 24 hours after the bid results are posted. The PMD is authorized to notify the next high bidder when a bidder fails to pay the bid amount when due without recourse.
- **Title Transfer, Bill of Sale and Notary** – The PMD processes title transfer, bill of sale, and notary on all vehicles sold. There is no fee for title transfer, bill of sale, and notary in the initial processing of forms. In the event of loss or change to original documents, the PMD is authorized to require a \$2.00 notary fee for each document and a \$4.00 title duplicate fee. Title transfers are processed completely with all required information. The PMD is not authorized to release incomplete title transfers and bill of sale.
- **Sold Notice** – The PMD electronically transmits "Sold Notice" to Motor Vehicle Departments as required by state law for all vehicles sold. Buyers are responsible for fees and related costs for registering and titling vehicles in the required time allowed in his/her state of residence.

Office of the Controller

# The Navajo Nation

Travel Policies Manual



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### Accounting Policies Manual

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|              | Expense Management | POLICY:         | X |
|              |                    | PROCEDURES:     |   |
|              |                    | EFFECTIVE DATE: |   |

**LEGAL AUTHORIZATION:** 12 N.N.C. § 201, *et seq.*; 2 N.N.C. § 106 (CAP-10-11), (CO-45-12); 17 N.N.C. § 205 *et seq.*; Internal Revenue Service Publication 643, *Travel, Entertainment, Gift, and Car Expenses*.

#### PURPOSE:

This section establishes policies and procedures related to the proper accounting and processing of travel authorization and expense reimbursements.

#### RESPONSIBILITY:

##### *Accounts Payable (AP) Section*

- Processing travel reimbursements after the travel expense report is reviewed for allowable cost, accurate totals, etc.
- Ensure the appropriate account is charged per type of expense.

##### *Purchase Card (P-card) Section*

- Audit of travel P-card packets in accordance with this policy.

##### *Contract Accounting Section*

- For grant funds, perform propriety review of the travel authorization form and supporting documentation prior to the submission to the AP section.

#### POLICY:

The Navajo Nation (Nation) is responsible for employees or council delegates on travel for tribal business. The Nation's travel process is twofold.

1. A Travel Authorization (TA) is initiated when the form is prepared by the traveler and reviewed by the Approval Authority for allowable travel costs prior to the travel dates.
2. A Travel Expense Report (TER) is completed after the completion of travel dates. The reports must include all supporting documentation required under this policy (i.e. Trip Report and Mileage Report)

#### Introduction

This policy will be applied consistently between General Funds and Grant Funds.

This manual provides information about approved business travel. The Nation will reimburse regular status employees and council delegates for travel related expenses that has been approved by an authorized individual under the following circumstances:

- The traveler has adhered to policies and procedures;
- The travel expenses are necessary, reasonable and allowable;
- The traveler acts in a prudent manner when expending Nation and Federal funds;
- The expenses have a legitimate business purpose and are supported by appropriate documentation;
- All expenditures are accurately reflected in the appropriate general ledger account.
- All expense claims are subject to corrections and/or adjustments during the review pursuant to these policies.



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Unless specifically stated, employees and council delegates are referred to as “individual” or “traveler.”

Key travelers, such as political or professional “at will” individuals may run into situations where travel occurs prior to approval. In such cases, the traveler runs the risk of not being reimbursed for these travel expenses.

1. **Traveler’s Responsibilities** – Travelers should use discretion when expending Nation funds and ensuring expenditures are necessary and appropriate for meeting business needs. In addition, travelers are expected to:

- Be familiar with, and follow, the policies and procedures specified in this manual;
- Actual receipts for meals are required by non-card holders;
- Submit all travel expenses within the time frames specified in the “Accountable Plan Information” section below;
- Maintain an accurate record of daily expenses.

2. **Accountable Plan Information** – According to the IRS Pub. 463, for reimbursements or amounts paid directly by the Nation on behalf of the employee or council delegate, an Accountable Plan requires employees and council delegates to meet all the requirements listed below. The individual must:

- Have paid or incurred expenses while performing services as a Nation employee or council delegate;
- Adequately account for these expenses and return any reimbursement or allowance within a reasonable period\*.

*\*Based on IRS guidance, the Nation has determined that “reasonable” with regards to accounting for travel-related expenses to be 60 days from the last day of the trip. Therefore, to be reimbursed for travel related expense on a non-taxable basis, individuals must complete and submit their TER no later than 60 days from the last day of the trip. For more information regarding the Accountable Plan, please refer to Publication 463 at [www.irs.gov](http://www.irs.gov).*

Per IRS Pub. 463, the definition of reasonable period of time depends on the facts and circumstances of your situation. However, regardless of the facts and circumstances of your situation, actions that take place within the times specified in the following list will be treated as taking place within a reasonable period of time.

- You will receive an advance within 5 business days prior to departure.
- You adequately account for your expenses within 60 days after they were paid or incurred (i.e. submit your TER).
- TERs submitted after 60 days from the last day of the trip will not be processed for reimbursement regardless of justification.

Note: It is important that expenses be accounted for in the fiscal year (October 1 – September 30) in which they were incurred. AP will seek the approval of the Controller before processing reimbursements that cross fiscal years.

3. **Approval Authority** – All employees below the level of department director shall obtain the approval of their department director; all department directors shall obtain the approval of their division director; all division directors shall obtain the approval of the President of the Navajo Nation for the Executive Branch, the Speaker of the Navajo Nation Council (NNC) for the Legislative Branch, the Chief Justice of the Navajo Nation for the Judicial Branch. The Speaker of the NNC shall approve all TA forms for council delegates. The Controller or his/her designee shall approve the President’s, the Speaker of the NNC, and the Chief Justice’s TA forms.



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The Approval Authority is responsible for closely scrutinizing all travel by staff, especially for attending training and conferences that are off the Navajo Nation.

4. **Falsification** – Falsifying travel documents is prohibited and will be handled pursuant to the applicable Nation Personnel Policies Manual and other applicable laws, rules and regulations.
5. **Changes to Travel Policies & Procedures** – The Office of the Controller (OOC) will periodically review travel policies and procedures; revisions may be made as part of the review process. The Nation travelers will be advised of any changes; all changes and/or revisions will be published on the OOC's web page and will be effective when issued. Forms referenced throughout the manual are available on the OOC's website at [www.nnooc.org](http://www.nnooc.org).

### Travel Policies

**TA Forms** – Each traveler on Nation business travel must complete a TA form, and the form must be approved prior to the travel occurring. Travelers and Approval Authorities are to exercise prudent management of available resources. The Approval Authority is responsible for the review of the TA.

The purpose of the TA form is to document the authorization of allowable travel expenses. Specifically, it documents the traveler, department, business purpose, and an estimate of the travel expenses to be incurred. The TA form includes a section for the following costs:

- Mileage/rate
- Lodging
- Meals
- Miscellaneous
- Vehicle rental estimate
- Airfare estimate

**Travel Advances** – Regular status employees and council delegates who are non-Pcard holders are eligible for Travel Advances prior to their business travel.

- A regular status employee traveling under the authority of a specific Travel Authorization may request an advance against his or her salary to cover estimated travel expenses to be incurred. Temporary and Seasonal status employees are not eligible for travel advance against their salary.
- The maximum amount of the advance shall be the estimated allowable expenses incurred for Lodging and Meals.
- Travel advances that have been approved and paid to an employee shall be fully deducted from the individual's payroll check(s). Deductions for Travel advances will commence on the next payroll after the "Date of Return" on the Travel Authorization form. The request and acceptance of a Travel advance by employee or official authorizes this deduction.
- Employees cannot request a Travel Advance if there are two outstanding Travel Advances which have not been fully collected through payroll deduction.
- Travel advances shall be approved only if supported by a properly executed Travel Authorization, which includes all prescribed approvals, and estimate of expenses and the encumbrance of these expenses.
- All requests for travel advance shall be submitted to the Office of the Controller at least sixteen (16) working hours prior to the time of departure, except where time is extremely important.
- When travel is cancelled and a travel advance was issued, the travel advance check must be returned to Accounts Payable Section immediately to be voided.
- Employees must plan their trips efficiently and effectively, therefore, no modifications will be accepted regarding Travel Advances.





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1. **Mileage Reimbursement Rate** – Travelers are required to use Navajo Nation Fleet Management (Fleet Management) vehicles first, and only use a **Privately Owned Vehicle (POV)** if a Fleet Management vehicle is not available. If the traveler decides to use a POV even though a Fleet Management vehicle is available, he/she may only request a reimbursement at the lower Federal GSA rate (if Fleet Management Vehicle is available). Alternatively, if Fleet Management vehicle is not available then the higher Federal GSA rate can be utilized. Refer to the OOC website for more updated rate information.

Additional requirements for use of POV, the operator should be licensed and have personal liability automotive insurance.

Local travel requires the use of Fleet Management vehicles. **Blanket Travel Authorization forms will not be accepted for local travel (50-mile radius).** Refer to Navajo Nation Motor Vehicles handbook.

In the event a traveler chooses a mileage reimbursement claim in lieu of reasonable airfare, the amount authorized for reimbursement is limited to the amount of the lowest logical airfare. Bridge and highway tolls and parking fees are reimbursable.

Official Duty Station:

- **Employee** – An official duty station is his/her primary place of work, as documented in the Human Resource Information System (HRIS). However, this can differ from the individual's primary place of residence, as documented in the HRIS. When claiming a mileage reimbursement, the mileage calculation should be performed from the destination to either the official duty station or the primary place of residence, whichever is shorter. Support for the mileage must be provided as identified by the OOC (Mileage Report). The Nation does not reimburse for commute time, which is defined as the distance between the primary residence and the primary place of work. The Nation does not reimburse for local travel, which is defined as a 50-mile radius from the primary place of work.
- **Council delegate** – An official duty station is his/her primary place of residence, as documented in the HRIS. Council delegates may only use the address within this system when requesting reimbursement for mileage.

The mile radius above is consistent with Federal Travel Regulations (41 CFR 300-3.1).

Expenses incurred due to automobile mechanical failure or accidents, including personal automobile insurance deductions are not reimbursed. Fuel and general wear and tear are not reimbursable as they are included in the mileage rate.

The Nation does not assume responsibility for deductibles or other uninsured loss to the vehicle.

2. **Lodging** – Allowable lodging is limited to the CONUS hotel rate for the destination city. Compliance with this section of the policy shall be determined based on the room rate alone, not including taxes and/or fees. If the city is not listed in the CONUS rates, then the lowest CONUS rate should be used. The traveler's personal preference in lodging shall be considered only when it does not result in an added expense to the Nation. Rates above the CONUS rate must be justified.

At times, it may be convenient or necessary to lodge in the private home of friends or acquaintances while traveling on Nation business. A token of appreciation for the host or hostess is appropriate, and expenditures of up to \$25.00 per night may be reimbursed. The employee shall attach a receipt or written justification by the owner of the house noting that the expenditure was "in lieu" of lodging to the expense report.





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The traveler may choose to use a personal timeshare for lodging if business travel destination is in same location. however, the Nation will not reimburse the traveler for the value of their personal timeshare. Reimbursement will be based on the lowest CONUS rate for lodging.

3. **Meals** – The Nation shall reimburse the cost of meals when an individual is on official travel, by adopting as the policy of the Nation the federal policy reflected in the following table (CFR 41 CFR 301-11.101).

| When travel is                      | Travel Days             | Your allowance is  |
|-------------------------------------|-------------------------|--|
| Less than 12 hours                  | Not Applicable          | No allowance   |
| More than 12 but less than 24 hours | One Day Travel          | 75 percent of the applicable M&IE rate for each calendar day you are in a travel status. |
| 24 hours or more, on                | The first day of travel | 75 percent of the applicable M&IE rate.  |
|                                     | Full days of travel     | 100 percent of the applicable M&IE rate.   |
|                                     | The last day of travel  | 75 percent of the applicable M&IE rate.  |

In general, travel related meals will be reimbursed on an actual basis. Travelers using actual expenses may not exceed the CONUS rate for the travel location. If the city is not listed in the CONUS rates, then the lowest CONUS rate should be used. Amounts charged above these rates will not be reimbursed. Meals included as part of registration and conference fees shall reduce the maximum allowed for meals accordingly, unless the following apply:

- The individual is unable to consume the furnished meal because of medical restrictions or religious beliefs.
- The individual was unable to take part in a furnished meal due to the conduct of official business.

Meals incurred during travel defined as local travel are not reimbursable (50-mile radius).

#### 4. Miscellaneous

- **Telephone Calls/International Phone Cards** – Telephone calls, specifically those necessary to obtain transportation and hotel reservations or to communicate to the office or one's family to indicate safe travel is reimbursable. A phone log must be completed and signed by the appropriate approval authority. Phone log forms can be found on the OOC website.
  - **Tips** – Reasonable tips associated with baggage handling, storage, and other services are reimbursable at \$5.00 per day in total.
  - **Travel Internet Connectivity** – Charges for internet connections for business use at hotels, conference sites, airports, and internet cafes while traveling are reimbursable with original receipts.
5. **Ground Transportation** – Reasonable charges for ground transportation such as taxicabs, shuttles, and internet-based transportation providers (e.g., Uber, Lyft) are allowed.
6. **Vehicle Rental** – Whenever possible, the traveler should use free hotel shuttles or public transportation. Rental vehicles are acceptable at a destination city when arriving by airplane, and public transportation is either more expensive or logistically unreasonable (e.g., lack of shuttle, excessive luggage). Compact vehicles shall be the standard authorization for individual travelers. However, mid-size or larger vehicles (excluding luxury



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### Accounting Policies Manual

transportation) may be used when transporting clients or when four or more individuals are traveling together and sharing a rental.

All accidents involving rental vehicles shall be reported to the rental agency, and a copy of the accident report and bill of repairs, if available, shall be attached to the individual's travel expense report. If the rental car is damaged, the rental company shall be instructed by the traveler to submit a claim to the Insurance Services Department, and the travel shall notify the Insurance Services Department in writing, including a detailed description of the damage and a police report. The Insurance Services Department shall then handle the matter. The traveler shall decline insurance coverage offered through the rental car agency.

The renter is responsible for payment of all citations issued to the driver of the rental vehicle.

7. **Airfare** – Travelers can book airfare through the AP Operation's P-card or directly with the airline. Reasonable airfare will be reimbursed.

Only coach class or promotional fares will be allowed by the Nation. First class air travel is not an allowable expense; however, individuals are permitted to travel business class for international flights only. All travelers shall utilize the lowest logical fare, which is defined as the least expensive fare that falls within two hours of the preferred departure time, whenever possible.

Because most discounted fares require advance purchase, it is in the Nation's interest that individuals plan their air travel as far in advance as possible. All air travel shall be scheduled as soon as the TA is approved.

When personal travel is combined with business travel, only the business portion of the trip shall be reimbursed.

Travelers are responsible for any additional costs associated with changes made to travel plans made for personal reasons. Additional costs from changes to travel plans are allowed, provided proper justification is given. The traveler is responsible for any additional charges for missed flights or changes to itinerary, except when the circumstance that prevented the individual from adjusting his or her flight schedule was beyond his or her control such as a natural disaster or a Nation business obligation.

Because of difference in airline handling of cancelled flights, credits are not applied back to the card but to the traveler in the form of credit to be used at a future date. The credits not used for Nation business will be payroll deducted.

8. **International Travel** – Any request for travel outside of the contiguous United States require the approval of the Navajo Nation President for the Executive branch; or the Speaker of the Navajo Nation Council for the Legislative branch, or the Chief Justice of the Navajo Nation for the Judicial branch. Travelers should refer to the Department of Defense website for lodging and per diem amounts outside of the contiguous United States.

**TERs** – TERs must be submitted within 60 working days of the conclusion of each trip.

Electronic receipts are acceptable provided that the detail contained in an electronic receipt is equivalent to the level of detail contained in an acceptable paper record (Facsimiles copies are not acceptable).

**Trip Reports** – A Trip Report shall be attached to the travelers' TER. A Trip Report is a form report addressed to the person who approved the TA. The narrative of the Trip Report shall include the following:

- The Travel Authorization number;
- Time of departure and return;
- The place(s) visited during the trip;
- The purpose of the trip;





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- The person(s) contacted during the trip;
- The business purposes accomplished on the trip; and
- The original signature of the traveler and approval authority
- Justification for unauthorized expenses.

**TA and TER Review** – The P-card Section shall deploy a risk-based approach to its review of TAs and TERs. The risk levels are as follows:

| Risk        | Criteria  | Frequency   |
|-------------|---|-------------|
| Low Risk    | This designation is reserved for departments or programs that have demonstrated a historical pattern of compliance and timely submission of supporting documentation.   | Semi-annual |
| Medium Risk | This designation is reserved for departments or programs whose submission of supporting documentation is at times incomplete or late. However, they demonstrate a pattern of compliance with P-card policies. | Quarterly   |
| High Risk   | This designation is reserved for departments or programs that have demonstrated a pattern of both untimely submissions of supporting documentation and non-compliance with P-card policies.                   | Monthly     |

#### *Sampling Methodology*

In addition to the risk-based approach, the P-Card Section shall use sampling methodology to select TERs for testing each frequency period above.

| Risk        | Frequency   | Sample Methodology              | Sample Size    |
|-------------|-------------|---------------------------------|----------------|
| Low Risk    | Semi-annual | Low-risk sample                 | 25             |
| Medium Risk | Quarterly   | Medium risk sample              | 40             |
| High Risk   | Monthly     | Known non-compliant cardholders | Not applicable |

The P-Card section will select a random sample of departments or programs for each risk level based on the sampling methodology. The P-Card Section will review all transactions for the selected departments.

The P-Card section will utilize an acceptable difference of plus or minus 5% or \$25 when reviewing transactions, whichever is lower. If a transaction does not agree to the supporting documentation within this acceptable difference, the transaction can be approved.

**Non-reimbursable Expenses** - Travel expenditures that are not reimbursable include, but are not limited to:

- Costs incurred by your spouse or other dependents traveling with you, excluding reasonable accommodation costs for an employee with special needs (41 CFR 301-13.1-3).
- Personal use and "snack" purchase outside of normal meal purchases.
- Additional travel insurance, travel accident insurance or trip cancellation premiums.
- Alcoholic beverages consumed as part of a meal or otherwise while traveling on the Nation business.
- Insurance (both Collision Damage Waiver and Liability) from a car rental agency.



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- Additional expenses associated with the cost of first-class airfare.
- Costs for commuting between your home and place of employment.
- Costs for personal medications.
- Costs incurred by your failure to cancel transportation or hotel reservations.
- Entertainment expenses, including movies in your hotel room and restaurant games.
- Gasoline expenses when the automobile mileage reimbursement rate is claimed.
- Magazines or newspaper expenses.
- Kennel boarding for pets.
- Hairstyling and haircut expenses.
- Laundry or dry-cleaning expenses for trips less than one week.
- Other expenses not directly related to the business purpose of the travel assignment.
- Fines incurred for parking or speeding tickets.

Non-reimbursable expenses incurred on the Nation P-card will be recouped through a payroll deduction.



Office of the Controller

# The Navajo Nation

Systems Policies Manual



## THE NAVAJO NATION – Office of the Controller

### Accounting Policies Manual

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| DESCRIPTION: | Systems   | INDEX:          |   |
|              | Financial Management Information System (FMIS) and Internet Usage | POLICY:         | X |
|              |   | PROCEDURES:     |   |
|              |   | EFFECTIVE DATE: |   |

**LEGAL AUTHORIZATION:** System Audit Requirements. 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies that address proper FMIS and internet usage.

**RESPONSIBILITY:**

*Office of the Controller (OOC) Supervisors and Managers*

- Enforcement of the OOC Computer System Usage Policy.

**POLICY:**

This policy shall be used in accordance with the Navajo Nation (Nation) Personnel Policies and Procedures and shall apply to all employees of the OOC.

All OOC employees (Permanent/ Temporary) shall abide by the "OOC Computer System Usage Policy" (see attached). Any OOC employee requesting internet access shall receive a copy of this policy and acknowledge receipt and review via signature. No deviation or waiver of said policy shall be allowed. All violations shall be pursued in accordance with the Navajo Nation Personnel Policies Manual. Accounting managers are responsible for the enforcement, protection, and safeguarding of Nation equipment.

For the security of confidential and financial data, all Systems policies must be adhered to at all times. No waiver of these policies shall be given.



OOC Computer  
Systems Usage Policy



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|              |   |                 |   |
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| DESCRIPTION: | Systems   | INDEX:          |   |
|              | Financial Management Information System (FMIS) System Maintenance Request | POLICY:         | X |
|              |   | PROCEDURES:     |   |
|              |   | EFFECTIVE DATE: |   |

**LEGAL AUTHORIZATION:** System Audit Requirements. 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures that address FMIS maintenance requests.

**RESPONSIBILITY:**

*Office of the Controller (OOC) Systems Section*

- Monitoring and implementation of System Maintenance Requests.

*OOC Supervisors and Managers*

- Approval of Systems Maintenance Requests.

**POLICY:**

The systems office periodically receives a request to shut down the FMIS to allow for corrections when no other users have access. The systems office shall monitor all requests and notify all users of the FMIS when maintenance will occur. All maintenance requests must be approved and properly tested before moving to the live environment.





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|              |  | PROCEDURES:     |   |
|              |  | EFFECTIVE DATE: |   |

**LEGAL AUTHORIZATION:** System Audit Requirements. 12 N.N.C. § 201, *et seq*

**PURPOSE:**

To establish policies and procedures that address report requests.

**RESPONSIBILITY:**

***FMIS Report Writer***

- Assess feasibility of report requests.
- Develop coding for report requests and testing of reports.

***FMIS Power Users***

- Approval of report requests.

**POLICY:**

The Office of the Controller (OOC) is responsible developing and testing requests for report generation. The OOC is responsible for tracking all requests and activities.



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|              | Financial Management Information System (FMIS)<br>and Human Resource Information System<br>Promotion Process for Object Management<br>Workbench (OMW) | POLICY:         | X |
|              |   | PROCEDURES:     |   |
|              |   | EFFECTIVE DATE: |   |

**LEGAL AUTHORIZATION:** System Audit Requirements. 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures for promoting Custom Objects and Electronic Software Updates (ESU).

**RESPONSIBILITY:**

*System Section*

- Development, testing, and production of system updates.

**POLICY:**

The Office of the Controller (OOC) is responsible for maintaining a process for system modification, development, and patches. The OOC is responsible for proper testing and approval prior to promotion. In addition, the OOC is responsible for monitoring and tracking all FMIS activity and maintaining proper segregation of duties.



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|              | Financial Management Information System (FMIS) User Access and Termination of Access | POLICY:         | X |
|              |  | PROCEDURES:     |   |
|              |  | EFFECTIVE DATE: |   |

**LEGAL AUTHORIZATION:** System Audit Requirements. 12 N.N.C. 201, *et seq*

**PURPOSE:**

To establish policies and procedures that address access to the FMIS.

**RESPONSIBILITY:**

*Office of the Controller (OOC) Supervisors and Managers*

- Approval of user access and monitoring of timely termination of access.

**POLICY:**

This policy shall be used in accordance with the Navajo Nation Personnel Policies and Procedures and shall apply to all employees of the OOC. The OOC is responsible for only allowing access to the FMIS until successful completion of the FMIS training module. The OOC is responsible for removal or change in access for transferring or terminated employees.



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|              | Financial Management Information System (FMIS) System Idle Time | POLICY:         | X |
|              |   | PROCEDURES:     |   |
|              |   | EFFECTIVE DATE: |   |

**LEGAL AUTHORIZATION:** System Audit Requirements. 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies that address the FMIS idle time.

**RESPONSIBILITY:**

*Office of the Controller (OOC) Supervisors and Managers*

- Monitoring of appropriate security measures over the FMIS.

**POLICY:**

This policy shall apply to all Supervisors and Managers of the OOC.

- All OOC computer sessions should be locked when leaving the assigned work area. DO NOT LEAVE FMIS APPLICATIONS OPEN FOR SECURITY REASONS.
- Applications should not be open with confidential and propriety information available. PLEASE ENSURE THAT ALL SECURITY MEASURES ARE TAKEN WITH YOUR STAFF.
- Managers and Supervisors are required to walk and inspect on a routine basis their assigned sections to ensure Navajo Nation (Nation) data is safely protected.

To lock your computer workstation, press CONTROL, ALT, AND DELETE at same time and select Lock Computer. To reopen you will have type CONTROL, ALT, AND DELETE and enter your Citrix Password.

All OOC staff are not to use the save password feature for the FMIS. All staff are required to enter their passwords manually when logging into the FMIS.

It is up to the manager to enforce and protect Nation equipment/property.

For security of confidential and financial data all FMIS policies must be adhered to at all times. No waiver of these policies shall be given.





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|              | Financial Management Information System (FMIS) Standard Query Language (SQL) Request | POLICY:         | X |
|              |  | PROCEDURES:     |   |
|              |  | EFFECTIVE DATE: |   |

**LEGAL AUTHORIZATION:** System Audit Requirements. 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish policies and procedures that address SQL requests.

**RESPONSIBILITY:**

*FMIS power users*

- Completion of the SQL form and all supporting documentation.

*Controller*

- Approval of all SQL requests.

**POLICY:**

The Office of the Controller (OOC) will only allow SQL changes to data tables as a last resort. The OOC may consult with its information technology consultant prior to initiating an SQL change. Appropriate documentation must be maintained showing the measures taken prior to initiating an SQL change along with the approval of the Controller.



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|              | Password Update | POLICY:         | X |
|              |                 | PROCEDURES:     |   |
|              |                 | EFFECTIVE DATE: |   |

**LEGAL AUTHORIZATION:** System Audit Requirements. 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish procedures for the periodic update of passwords.

**RESPONSIBILITY:**

*Office of the Controller (OOC) Employees*

- Timely update of all passwords.

**POLICY:**

The OOC's policy is to require user passwords to be changed every three months. Computers will remind each user when the end of the three-month period approaches. Users will not be able to access their computers or cell phone if the three-month period elapses when a change of password.



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| DESCRIPTION: | Systems                | INDEX:          |   |
|              | Safeguarding of Assets | POLICY:         | X |
|              |                        | PROCEDURES:     |   |
|              |                        | EFFECTIVE DATE: |   |

**LEGAL AUTHORIZATION:** System Audit Requirements; 12 N.N.C. § 201, *et seq.*

**PURPOSE:**

To establish procedures for the safeguarding of assets.

**RESPONSIBILITY:**

*Office of the Controller (OOC) Employees*

- Safeguarding all property of the Navajo Nation (Nation).

*OOC Managers*

- Ensure all property is properly tagged by the Property Management Division (PMD)
- Safeguarding all property of the Nation.

**POLICY:**

Each department head is responsible for safeguarding all tangible and intangible assets purchased for his or her department and assisting with the physical inventory process. Physical security measures over assets should be established. Each department is responsible for ensuring assets are properly logged and tagged with the PMD (refer to Property Management Policy and Procedures). Each department is susceptible to internal and external audit verifications on a sample of capital assets.

**Tangible Assets**

Tangible assets are assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes on a continuing basis in the Nation's activities. For the purposes of this policy, tangible assets include, but are not limited to: fixtures, fittings, tools and equipment (i.e., computer equipment).

**Intangible Assets**

Intangible assets are those that lack physical substance and have an initial useful life extending beyond a single reporting period. Intangible assets must be identifiable, meaning they are either capable of being separated by means of sale, transfer, license or rent, or they arise from contractual or other legal rights. Intangible assets acquired or developed by the Nation could include licensed software, internally generated computer software and Nation owned websites or portals. Other examples include patents, copyrights and trademarks, permits and licenses, easements, and land use rights (e.g., water, timber or mineral rights).



## THE NAVAJO NATION – Office of the Controller

### Accounting Policies Manual

|              |                                  |                 |   |
|--------------|----------------------------------|-----------------|---|
| DESCRIPTION: | Systems                          | INDEX:          |   |
|              | Sensitive Electronic Information | POLICY:         | X |
|              |                                  | PROCEDURES:     |   |
|              |                                  | EFFECTIVE DATE: |   |

**LEGAL AUTHORIZATION:** System Audit Requirements; 12 N.N.C. § 201, *et seq.*; 2 N.N.C. § 85; Navajo Nation Personnel Policies Manual.

#### PURPOSE:

To protect the Navajo Nation's (Nation) sensitive electronic data from unauthorized disclosure and inappropriate use. Refer the "Office of the Controller – Sensitive Information and Privacy Act" policies and procedures for additional guidance.

#### RESPONSIBILITY:

*Office of the Controller Employees*

- Ensure all sensitive electronic information is appropriately secured.

#### POLICY:

The Nation's Sensitive Information policy requires that controls be in place to manage risk to the confidentiality, integrity and availability of sensitive data in any form and represent a minimum standard for protection of this data. Additional controls required under applicable laws, regulations, or standards governing specific forms of data (e.g., health information, credit cardholder data, student), may also apply.

It is the responsibility of each individual with access to sensitive data resources to use these resources in an appropriate manner and to comply with all applicable federal, state, and local statutes. Additionally, it is the responsibility of each individual with access to sensitive data resources to safeguard these resources.

#### Sensitive Data:

Information intended for limited use within the Nation that, if disclosed, could be expected to have a serious adverse effect on the operations, assets, or reputation of the Nation, or the Nation's obligations concerning information privacy. Sensitive information is data that must be protected from unauthorized access to safeguard the privacy or security of an individual or organization.

There are three main types of sensitive information:

##### 1. **Personal information:**

Sensitive personally identifiable information (PII) is data that can be traced back to an individual and that, if disclosed, could result in harm to that person. Such information includes biometric data, medical information, personally identifiable financial information (PIFI) and unique identifiers such as passport or Social Security numbers. Threats include not only crimes such as identity theft but also disclosure of personal information that the individual would prefer remained private. Sensitive PII and PIFI should be encrypted both in transit and at rest.

##### 2. **Business information:**

Sensitive business information includes anything that poses a risk to the company in question if discovered by a competitor or the general public. Such information includes trade secrets, acquisition plans, financial data and supplier and customer information, among other possibilities. With the ever-increasing amount of data generated by businesses, methods of protecting corporate information from unauthorized access are becoming integral to corporate security. These methods include metadata management and document sanitization.





## THE NAVAJO NATION – Office of the Controller

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### Accounting Policies Manual

#### 3. **Classified information:**

Classified information pertains to a government body and is restricted according to level of sensitivity (for example, restricted, confidential, secret and top secret). Information is generally classified to protect security. Once the risk of harm has passed or decreased, classified information may be declassified and, possibly, made public.

Refer to 2 N.N.C. § 85 for examples of sensitive information.

Employees are reminded that disclosing confidential information to unauthorized person(s) may result in termination from employment. See the Navajo Nation Personnel Policy Manual, Section XIII, Part G. *Table of Penalties*.



## THE NAVAJO NATION – Office of the Controller

### Accounting Policies Manual

|              |                        |                 |   |
|--------------|------------------------|-----------------|---|
| DESCRIPTION: | Systems                | INDEX:          |   |
|              | Incident Response Plan | POLICY:         | X |
|              |                        | PROCEDURES:     |   |
|              |                        | EFFECTIVE DATE: |   |

**LEGAL AUTHORIZATION:** System Audit Requirements; 12 N.N.C. § 201, *et seq.*; 2 N.N.C. § 85; Navajo Nation Personnel Policies Manual.

#### PURPOSE:

To guide the Navajo Nation in responding to an incident.

#### RESPONSIBILITY:

##### *Systems Section*

- To develop and implement an appropriate incident response plan.

##### *Office of the Controller (OOC) Employees*

- To comply with the incident response plan developed by the systems section.

#### POLICY:

An "Incident" means a cyberattack or other systems malfunction or outage with respect to an OOC computer or other electronic systems (an OOC "Incident"), or the computer or other electronic systems of a counterparty, vendor, exchange, trading platform, bank or governmental entity (an "Affected Third Party Incident") or any other similar event that threatens to cause material damage to the OOC's business, financial condition, or reputation, or the OOC's ability to operate its business.

This Plan is intended to provide guidance for incidents anywhere in the world.

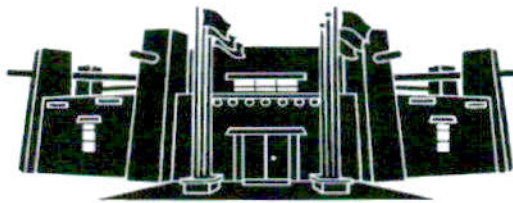
This Plan is part of the NNOOC's Cyber Security Framework, which consists of five Core Elements:

1. Identify: Develop the organizational understanding to manage cybersecurity risk to systems, assets, data, and capabilities.
2. Protect: Develop and implement appropriate safeguards to ensure delivery of critical infrastructure services.
3. Detect: Develop and implement the appropriate activities to identify the occurrence of an incident.
4. Respond: Develop and implement the appropriate activities to take action regarding a detected incident.
5. Recover: Develop and implement the appropriate activities to maintain plans for resilience and to restore any capabilities or services that were impaired due to an Incident.

It is difficult to formulate an emergency response plan that has a clear set of actions relevant for all situations. Decisions must be made on a case by case basis as dictated by the Incident. When confronted with an Incident, the Nation generally seeks to:


- Contain the Incident
- Minimize the impact of the Incident
- Remediate impacted systems or develop workarounds
- Comply with legal requirements
- Reduce the Nation's liability exposure.

The OOC headquarters in Window Rock, AZ will assume primary command, control, and communications responsibilities regardless of the location of the Incident.



## MEMORANDUM

TO: Honorable Jamie Henio  
24<sup>th</sup> Navajo Nation Council

FROM:   
Kristen Lowell, Principal Attorney  
Office of Legislative Counsel

DATE: December 26, 2019

**SUBJECT: AN ACTION RELATING TO BUDGET AND FINANCE COMMITTEE; RESCINDING RESOLUTIONS BFJY-114-86, RELATING TO THE USE OF PROCEEDS FROM THE SALE OF TRIBAL VEHICLES AND BFD-37-14, RELATING TO PURCHASE CARD POLICIES; AMENDING RESOLUTION BFJA-01-02, RELATING TO THE EMPLOYEE TRAVEL POLICIES AND PROCEDURES; APPROVING THE POLICIES OF THE NAVAJO NATION OFFICE OF THE CONTROLLER**

As requested, I have prepared the above-referenced proposed resolution and associated legislative summary sheet pursuant to your request for legislative drafting. Based on existing law and review of documents submitted, the resolution as drafted is legally sufficient. As with any action of government however, it can be subject to review by the courts in the event of proper challenge.

**Please ensure that this particular resolution request is precisely what you want.** You are encouraged to review the proposed resolution to ensure that it is drafted to your satisfaction.

The Office of Legislative Counsel confirms the appropriate standing committee(s) based on the standing committees' powers outlined in 2 N.N.C. §§301, 401, 501, 601 and 701. Nevertheless, "the Speaker of the Navajo Nation Council shall introduce [the proposed resolution] into the legislative process by assigning it to the respective oversight committee(s) of the Navajo Nation Council having authority over the matters for proper consideration." 2 N.N.C. §164(A)(5).

If the proposed resolution is unacceptable to you, please contact me at the Office of Legislative Counsel and advise me of the changes you would like made to the proposed resolution.