

# PYRAMID LAKE PAIUTE TRIBE

## Financial Management Policy

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## FINANCIAL MANAGEMENT SYSTEM

### I. INTRODUCTION

Planning for future activities requires decisions that are based, generally, on evaluations of the results of current and past operations. These decisions will only be as reliable as the data upon which they are formulated. Financial data is considered an important measurement of operations. For this reason, this manual has been written as a guide for the efficient operation of the Pyramid Lake Paiute Tribe accounting systems, in accordance with sound business practices, and to provide accurate and timely information as a basis of decision-making. This manual is intended to be used as a reference related to the initiation, recording, summarizing and reporting of the day-to-day transactions of the Pyramid Lake Paiute Tribe. It should be revised as changes are made in the accounting systems. The manual was adopted by the Pyramid Lake Paiute Tribal Council by resolution on May 20, 1987 and revised on April 6, 2011. Future modifications to the policies should also be approved by similar resolutions.

### II. STATEMENT OF PURPOSE

The primary objectives of establishing the Financial Management System and the general policies and procedures by which the system will operate are the following:

- a. Specific documentation requirements exist for all financial transactions. It is important that the documentation required for accounting transactions be retained in a logical and orderly manner. The following is a summary of the processing requirements of the Pyramid Lake Paiute Tribe.
- b. The system will provide management with financial data to assist in the planning, evaluation and control of the operations in an efficient, economical and effective manner.
- c. Provide accurate accounting that will aid management in controlling the assets, insuring that expenditures conform to the policies of the Pyramid Lake Paiute Tribe, and assisting in the most efficient use of resources through cost controls and prudent management.
- d. Maintain a system of checks and balances at the levels of the organization where financial responsibility exists.
- e. Summarize financial data so that it may be relied upon to evaluate elements and categories as a basis for budget preparation and control.
- f. To prepare reports which comply with the following reporting principles:
  - i. Reflect accurately the results of financial transactions, disclosing all essential data related to the period covered that bears directly on the operations and conditions in conformance with generally accepted accounting principles.
  - ii. Issue reports on a prompt and timely basis so as to serve those purposes for which they are intended and to permit timely managerial action as necessary.
  - iii. Provide a management vehicle through which pertinent data may be interpreted, communicated and to be used as a decision-making tool.

### III. POLICIES AND PROCEDURES FOR INTERNAL CONTROL

The following internal controls are implemented to insure that Pyramid Lake Paiute Tribal resources are protected against waste, fraud and inefficiency. These controls ensure that the accounting data received is accurate, dependable and that the Tribe is in compliance with Federal, State and local guidelines.

The Pyramid Lake Paiute Tribe's system of internal control includes the segregation of duties within the Tribe, based on functional responsibilities; a system of authorization and record retention; a degree of personal competence commensurate with responsibilities; and procedures to be followed to achieve the objectives of sound internal accounting controls.

a. BASIC PRINCIPLES

The basic idea upon which these internal controls are based is that no one person should handle all phases of a transaction from beginning to end. The flow of work should be from one employee to another so that the work of the second provides a check upon the work of the first, without duplication. Fiscal responsibilities will be clearly established and then accounted for as closely as possible. Finance Department personnel should have knowledge and training of each other's duties so that those duties can be performed in the absence of that staff member. Physical and mechanical facilities will be used to the fullest extent possible to insure security, such as using security vaults and locked cabinets.

Record keeping will be separated from operations or the handling and custody of assets, such as:

- i. The function of receiving cash will be centralized with the Front Desk Accounting Clerk, who will not be responsible for approving or certifying vouchers, or cutting checks. In this respect, the person who prepares or certifies vouchers or disburses cash will not create entries in the accounting records.
- ii. All cash receipts will be deposited intact. Deposits will be made on at least a weekly basis
- iii. All funds held within the office will be kept properly safeguarded in a fire resistant vault in the Finance Department.
- iv. An employee will reconcile cash balances per bank statements promptly to the cash balance per the accounting records.
- v. The number of bank accounts and inter-bank transfers should be kept to a minimum.
- vi. All disbursements will be made by pre-numbered checks, countersigned by two council members.
- vii. Pre-numbered cash receipts will recognize monies received by the Tribe.
- viii. The responsibility for un-collectable and the related documents will not rest with the person making deposits or with the person handling accounts receivable.
- ix. Persons preparing payroll or time reporting records will submit employee paychecks to the Finance Department for distribution.
- x. The Accounting Supervisor will serve as the main point of contact for all other tribal departments and programs, to ensure an efficient and uninterrupted work flow for the Finance Department.

IV. ACCOUNTING RECORDKEEPING SYSTEM

a. DESCRIPTION OF ACCOUNT NUMBERING SYSTEM

Each fund of the Tribe has a three digit code. In the case of funds that have carryover from year to year a fourth digit can be added reflecting the last number of the fiscal year (i.e. 183 becomes 183-1 in 2011, 183-2 in 2012, etc.). Each revenue and expenditure account has a four digit account number.

b. FILING AND RECORDING

The Pyramid Lake Paiute Tribe maintains books of account, records, documents and other evidence pertaining to the receipt of funds incurred under the grants/contracts or Tribal funds. Records are kept so as to properly reflect all cost, direct and indirect, of labor, materials, equipment, supplies and services and other costs and expenses of whatever nature for which reimbursement is claimed under provisions of the funding source. These records will be available at all reasonable times, for inspection, audit or reproduction by any authorized representative of the funding agency. The Pyramid Lake Paiute Tribe maintains these records in accordance with the federal regulations and provisions.

c. GENERAL JOURNAL

The general journal is used to record adjustments to books of account that are not properly recorded in the cash receipts or cash disbursements journal. Examples are the accrual and reversal of payroll expenses, and the recording of indirect costs. The reason for the calculation of each journal entry should be recorded and fully explained, with support documents to include: vendor or customer documents, work papers, and a print out of the journal entry. The entries are created by the Accounting Supervisor, Accounts

Receivable Clerk, Grant Accounting Clerk and the Comptroller monthly during the reconciliation, or as needed throughout the month. Journal entries are numbered by the next available number in the Journal Log and, filed in a general journal entry book. Each journal entry is to be signed off by supervisor, comptroller, or designated signer (different from originator).

d. PERMIT CONTROL RECEIPT BOOK AND JOURNAL

All permit books are stamped with a number on their binding to identify them. Before Tribal permit books are given out, a permit receipt is filled out and the person receiving the books signs for the responsibility. The receipt clearly shows date, person issuing books, permit book number(s) and person receiving them. Each permit book should be recorded numerically.

e. SAFEGUARDING OF RECORDS

The Pyramid Lake Paiute Tribe maintains said records in accordance with the requirements and provisions of Sub-Part D of 43 CFR Part 2 which implements the Privacy Act (5 U.S.C., 552 a.) All active records are stored in containers that are designed to protect and safeguard said records from destructive influences.

f. BONDING OF RESPONSIBLE EMPLOYEES

The limits of liability for employee dishonesty coverage are a minimum of \$10,000 per individual. The following employees and Council members of the Pyramid Lake Paiute Tribe are bonded: Tribal Chairman, Tribal Treasurer, Tribal Secretary, Tribal Council Member-Check signer, Accounting Clerk, Payroll Clerk, Computer Technician, Head Ranger, Two Ranger Station Permit Sales Clerks, Numaga Project Director, Numaga Cooks(s), Numaga Van Drivers, Day Care Coordinator, Day Care Teachers (1 at each center), Pyramid Lake Health Clinic , Realty, and Court Clerk.

g. LIABILITIES

- i. Accounts Payable- This account represents the total of the accrued expenses at the end of each accounting period.
- ii. Notes Payable- This account is used for purchases or cash borrowings when repayment is made over an extended period with interest and a note signifying indebtedness is usually signed. The principal amount of the note is recorded in this account and the account is reduced by the principal portion of each month's payment.
- iii. Payroll Taxes Withheld- This account contains the balance of employer and employee payroll taxes, which is due and payable. Credits to this account originate from payroll disbursements and journal entries and are cleared when payments are made to corresponding taxing authorities. Payroll taxes withheld are posted to this account and shown as a liability until amounts are remitted and posted to the appropriate fringe benefits expense account.
- iv. Authorized Employee Deductions- the accounts control deductions authorized by employees from wages for the payment of insurance premiums and retirement annuities or other payments. The accounts are reduced with a charge when payments are made to the appropriate agency or fund in the name of the employee. Other authorized payroll deductions are posted to the appropriate liability account. The account balance is reduced when payment is made to the appropriate agency or fund.

V. FUND BALANCES

- a. General Fund- This account reflects the fiscal year-end balance of unrestricted funds. The fund balance is the difference between revenue and expenditures of non-restricted funds.
- b. Trust Fund- this is an offsetting account to investments in trust.
- c. Fixed Asset Group of Accounts- This account group summarizes and separates the equity in purchased and donated assets. Purchased assets are acquired with monies from the general or grant/contract fund balance and funding source segregates donated assets. This account is posted throughout the year as necessary, and reconciled at the end of each fiscal year.
- d. Enterprise Fund- Retained Earnings. The profit or loss from operations is posted to this account at the end of each fiscal year.

## INVOICING AND RECEIVABLES

### I. INVOICING FOR GOODS OR SERVICES RENDERED

Pyramid Lake Paiute Tribe has a variety of services that it issues invoices for. The invoices are issued through the MIP accounting system and tracked for collections through reports generated monthly. Following is a summation of the Accounts Receivable process.

- a. The Accounts Receivable Clerk generates invoices for the following entities:
  - i. Two daycare facilities one in Wadsworth and one in Nixon – invoices are generated weekly, clients are billed forward.
  - ii. Cobra Insurance billing – invoices are generated monthly, clients are billed forward.
  - iii. Background Check billing for the high school – invoices are generated as needed
  - iv. Irrigation billing – invoices are generated annually for usage
  - v. Housing billing – invoices are generated annually to the Housing Authority for reimbursement.
- b. Prior to posting and printing invoices, a receivables report is printed and authorized by the Accounting Supervisor
- c. Invoices are one sheet format that has a removable section to be submitted with payment.

### II. CASH RECEIPTS

A cash receipt transaction begins when the Tribe receives cash, money orders, credit cards, or checks. Each transaction is recorded by the processing of a receipt. Each cash receipt should show the following information:

1. Date of receipt,
  2. Name of payer,
  3. Amount received,
  4. Purpose of payment,
  5. Method of payment (cash, check, money order, credit card),
  6. Name and signature of the person receiving the money
- a. Sources - Cash Receipts at the Pyramid Lake Paiute Tribe typically are generated from the following sources:
    - i. General Tribal Revenue:
      1. Permits – which are sold at multiple locations including but not limited to the following:
        - a. I-80 store, Nixon Store, Crosby's, Pyramid Lake Fisheries, Sportsman's Warehouse, Cabela's, CVS, and online
        - b. A/R Clerk oversees NAGFA
      2. Day Care Centers
      3. RV, Property Leases, and Rights of Way
      4. Utilities – Water and Garbage
      5. Judicial
      6. Museum
      7. Irrigation
      8. TERO
      9. Building Rentals
      10. Interest
      11. Licensing
      12. Fishing Guide and Charter permit fees, Fees & Derbies
      13. Tax revenue
      14. Marina
    - ii. Grants and contracts



- b. Cash Receipts Control Procedures for General Tribal Revenue
- i. Finance Department Front Desk Accounting Technician opens all mail and indicates on the correspondence the date received with the Finance Department's receiving stamp.
  - ii. All checks are recorded immediately in the receipt log with the following information: Cash/check/money order/credit card, check number, payer, and description of the item.
  - iii. Top copy of receipt goes to the payer.
  - iv. The second copy is clipped to the funds received and placed in the cash box in the locked front desk drawer.
  - v. The third copy remains in the receipt log for record keeping.
  - vi. The Front Desk Accounting Technician creates a daily spreadsheet of all monies received that includes the following information: Date, Receipt Number, Amount, Cash or Check, Name of payee, and Description of payment.
  - vii. At the end of the day the cash is put in the Finance Department vault
  - viii. Each morning the Accounting Supervisor/Accounts Receivable Clerk totals the amount put into the vault
  - ix. Checks are run through the desktop deposit machine, unless hand delivered to the bank.
  - x. The original and one carbon of the deposit slip are included in the Quick Business Deposit (QBD) bag with the deposit.
  - xi. The Accounting Supervisor/Accounts Receivable Clerk initiates deposits approximately three times in a week into multiple accounts including:
    1. Federal/State Account – funding agency monies
    2. General Fund Account – monies generated by tribal departments including: realty, PUD, permits, and daycare
    3. Tax Account
    4. TERO
  - xii. Once a week the Accounting Technician collects the permit payments from various locations (listed above) and the Wadsworth Day Care payments. The Wadsworth Daycare payments are in a 2 key lockbox at the center, Finance has the A key and the daycare center has the B key.
  - xiii. Check copies, receipts and the deposit slip carbon are submitted to the Accounts Receivable Clerk for processing
  - xiv. The Accounting Supervisor separates the receipts between: Miscellaneous, Public Utilities, Federal and State, Taxes, General Fund (which includes day care), Tax and Permits
  - xv. Permit receipts
    1. Permits can be submitted one of two ways:
      - a. A book is completed at the vendor location – they reconcile the book and generate a check, all items are forwarded to the tribe via mail.
      - b. The Front Desk Accounting Technician is contacted by the vendor for new permit book/s, he/she goes to the vendor location, receives the cash and previous reconciled permit book/s and delivers permit book, depending on usage and allotted amount.
    2. The Front Desk Accounting Technician reviews all permit books upon receipt in the Finance Department to verify that all permits were correctly processed and charged.
    3. Online permit sales are generated from vendors, or individuals, the Accounts Receivable Clerk reviews the transactions generated online for accuracy.
    4. In case a permit is VOID and both copies of the permit are not with the book the Accounts Receivable Clerk generates an invoice to the responsible vendor for the maximum permit amount.

5. In case an individual using the online purchase system posts their transaction twice the Accounts Receivable Clerk generates a refund to the customer.
- xvi. After review by the Accounting Supervisor, the Accounts Receivable Clerk posts the receipts in MIP using the deposit date, making sure to offset the proper program and account codes.
  - xvii. Check copy, cash receipt carbon, and deposit slip carbon are filed chronologically at the Accounts Receivable Clerk's desk in books according to the receipt source.
- c. Cash Receipts Control Procedures for Grant/Contract Revenue
- i. An invoice is created in MIP for every drawdown
    1. A drawdown is initiated for reimbursement on expenditures at month end or quarter end based on the requirements of the funding agency.
    2. An invoice is created when the draw is initiated prior to the funding arriving.
    3. The invoice is placed in a pending invoices file anticipating the ACH or direct deposit transaction to post to the bank account.
    4. Agencies, such as BIA, can make periodic random deposits to the Tribe's account; in those cases the invoice is created when the documentation arrives.
  - ii. When the deposit arrives at the bank, the Grant Accounting Specialist reviews the dollar value for accuracy.
  - iii. A three part receipt is created by the Grant Accounting Specialist, one portion stays with the receipts file, one portion is placed in the grant file, and one portion is kept in a control file for record keeping.
  - iv. The receipt is processed in the MIP accounting system
  - v. The documents are filed in the accounts receivable file books. The documents include the receipt copy, a printout of the receipt in MIP, and the drawdown printout from the internet when applicable.
- d. Deposits will be collected weekly from the Finance vault and deposited with the banking institution by Account Supervisor/Comptroller/or designated employee.

### III. RECEIVABLES MONITORING

All invoices created have a report generated that is submitted to the individual departments. The Department Directors/Managers are responsible for collecting any delinquent invoicing for their program.

## PAYABLES

### I. PURCHASE OF GOODS AND SERVICES

All Tribal expenditures are initiated at the department level; the Purchase Order/Check Request, or Travel Authorization Request is submitted and approved prior to any funds being disbursed. The following procedures highlight the process for a purchase from submitting the order to making the payment.

#### a. Placing the order:

- i. The Department Director/Manager is responsible for overseeing their program budgets to see if costs are allowable or if there are sufficient funds remaining. The Department Director/Manager completes the Purchase Order/Check Request form with attention to the following information:
  1. The purchase is original and not a duplicate of a previously procured item
  2. The expenditure is budgeted
  3. The expenditure is allowable under the account/contract that will pay for the cost and allowable in accordance with 2 CFR 200. Subpart E.
  4. The cost is necessary to the program
  5. The purchase is allocated to the correct program codes
  6. If the purchase is in excess of \$50,000.00 the Department Director is required to get the purchase authorized by Tribal Council.
- ii. The Department Director/Managers completes the Purchase Order/Check Request form listing:
  1. Vendor Name and Address
  2. Date merchandise or service is required
  3. Department Requesting the Item(s)
  4. Item Description as applicable to the grant/contract
  5. Amount or Amount not to Exceed
  6. Fund Code
  7. Account Code
  8. Signature with Date
- iii. In the case of a Check Request:
  1. The document is clocked in and submitted to the Finance Department in the Check Request bin with support documentation (i.e. quote, invoice, online pricing), the department representative logs the submission on the Check Request Log.
    - a. The Accounts Payable Clerk processes the check request.
  2. The Accounting Payable clerk processes the Check Requests by entering the date of processing and initialing on the Check Request Log on a daily basis.
  3. The Accounting Payable clerk evaluates budget, allow ability, correctness of account codes, and in the case of expenditure over \$50,000 verifies the support documents include the sheet acknowledging review and acceptance by Tribal Council.
  4. The Accounting Payable clerk initials for budget availability and submits all requests to the Accounting Supervisor/Comptroller for Finance Authorization
  5. The Accounting Supervisor/Comptroller reviews the purchase for allow ability checking for:
    - a. Is the purchase within budget - if not is there a budget modification in progress
    - b. Is the line item account code correct
    - c. Verify all necessary signatures have been obtained
    - d. Review the backup documents for accuracy
  6. If the purchase is acceptable the Accounting Supervisor/Comptroller signs the document

7. If the purchase is unacceptable, due to an over budget line item, unallowable costs, lack of Tribal Council review on a purchase over \$50,000.00 etc., the Accounting Supervisor/Comptroller will return the Check Request to the Department to modify or obtain support for the purchase.
- iv. In the case of a Purchase Order:
    8. Accounting Supervisor/Comptroller authorized Purchase Orders are returned to the Accounting Clerk who then submits them along with support documents to the Tribal Administrator/Tribal Secretary or designated for authorizing signature
    9. The Front Desk Accounting Clerk Payable clerk generates the sequential Purchase Order number by entering the authorized Purchase Order data into the MIP accounting system.
    10. In the case of an approved Purchase Order
      - a. The Department representative can retrieve the authorized Purchase Order according to the following schedule:
        - i. Every Wednesday for Purchase Orders turned in Thursday or Friday from the previous week
        - ii. Every Friday for Purchase Orders turned in Monday, Tuesday or Wednesday of the current week
      - b. The Department representative places the order with the vendor
  - v. In the case of a check request
    1. Accounting Supervisor/Comptroller authorized Check Requests are returned to the Accounting Clerk who then submits them along with support documents to the Tribal Administrator/Tribal Secretary or designated for authorizing signature.
    2. All check requests must be received by the end of the previous work week to be processed for payment
    3. Approved check requests are placed in the payables file; payables checks are processed in the MIP accounting system every Wednesday
    4. In the case of an approved Check Request
      - a. A check placed on hold for pick up will be available at the Finance Department on Friday at 10am
      - b. A check not placed on hold will be mailed out Friday with all other payable checks
  - vi. In the case of a walk through
    1. The Department representative walks the check request to the Finance Department to the Accounting Supervisor/Comptroller.  
The Accounting Supervisor/Comptroller evaluates budget, allow ability, correctness of account codes, and in the case of an expenditure over \$50,000 verifies the support documents include the sheet acknowledging review and acceptance by Tribal Council
    2. If the purchase is acceptable the Accounting Supervisor/Comptroller signs the document
      - a. If the purchase is unacceptable, due to an over budget line item, unallowable costs, lack of Tribal Council review on a purchase over \$50,000.00 etc., the Accounting Supervisor/Comptroller will return the Purchase Order/Check Request to the Department representative to modify or obtain support for the purchase
    3. The Department representative submits the Check Request to the Tribal Administrator/Tribal Secretary or designated for signature

4. The document is clocked in and submitted to the Finance Department in the Walk Through bin with support documentation (i.e. quote, invoice, pricing), and all appropriate signatures, the Department representative logs the submission on the Walk Through Log
  5. The Accounts Payable Clerk processes the Check Request immediately entering the date of processing and initialing on the Walk Through Log
  6. In the case of a Walk Through the Accounts Payable Technician will customarily issue the check and obtain signature within 24 hours of receipt
- vii. In the case of an equipment purchase over \$5,000.00
1. If the purchase is for a single item over \$5,000.00 the item will be assigned to the GL code for "Equipment over \$5,000.00" in anticipation of being processed as a fixed asset and given a depreciation schedule
  2. The Department Head provides information on the equipment to the Tribal Administrator to the equipment to the insurance policy

## II. RECEIPT OF GOODS OR SERVICES

- a. As goods are received, the departments are responsible for submitting packing slips or other receipt documents to the Finance Department that will be attached with the purchase order as proof of delivery by the Front Desk Accounting Technician.
- b. When the vendor invoice is received the Accounts Payable Technician verifies the documentation for receipt of goods is attached to the purchase order and processes the invoice for payment.
- c. If the receipt documentation is not attached to the purchase order, the Accounts Payable Technician contacts the department to verify that goods or services were received and to request that the receiving documents be submitted to the Finance Department.

## III. TRAVEL

The travel policy is included in the Personnel Policies in its entirety; following is a brief summation of travel as it relates to the Finance Department.

### Travel Authorization Request

- a. All requests must be submitted at least ten (10) working days prior to departure with supporting documents attached. Supporting documents shall include:
  - i. Conference Registration Form
  - ii. Itinerary
  - iii. Hotel Information
  - iv. Conference Flyer
  - v. Flight Information
  - vi. GSA (US General Services Administration) Per Diem and Mileage Rates
  - vii. Field Trips must include a list of students, the drivers name and a trip itinerary
- b. The Travel Authorization Request requires the following five (5) signatures:
  - i. Employee
  - ii. Employee Supervisor
  - iii. Comptroller/Finance Department representative
  - iv. Contracts/Grants Administrator
  - v. Tribal Chairman or member of the Executive Team
- c. The Finance Department is the third signature obtained. The Department representative walks the Travel Authorization Request in to the Accounting Supervisor/Comptroller.
- d. The Accounting Supervisor/Comptroller evaluates budget, allow ability, correctness of program code; and reviews support documents to compare to the information on the Travel Authorization Request.

- i. If the request is acceptable the Accounting Supervisor/Comptroller signs the document
- ii. If the request is unacceptable, the Accounting Supervisor/Comptroller will return the Travel Authorization Request to the Department representative to modify or obtain support for the request.
- e. The Department representative obtains authorizing signatures from Contracts and Grants Administrator and the Tribal Chairman.
- f. Requests will be clocked in and submitted to the Finance Department in the Check Request bin, where the employee logs their document on the Check Request log.
- g. The Accounts Payable Technician processes the Travel Authorization Requests daily, entering the date and initialing that they are in process on the Check Request Log.
- h. The Accounts Payable Clerk reviews travel plans for travel confirmations. If any bookings are necessary the Travel Authorization Request is submitted to the Accounting Technician to arrange reservations.
- i. When all reservations are complete, the Accounts Payable Clerk places the Travel Authorization Request with the payables according to travel date
- j. Checks are available for pick up on Friday morning at 10am the week before travel
- k. Any employee receiving a check from Accounts Payable must sign a "Certification Provisions" form before the check can be released.
- l. Once a check has been released to the employee, the Accounts Payable Technician files the Travel Request Authorizations chronologically by travel date in anticipation of Travel Expense Statement submission

#### Travel Expense Statement

- a. Upon completion of travel the employee has five (5) business days to submit a Travel Expense Statement to the Finance Department along with a travel narrative and all related receipts; any mileage reimbursements must have an odometer reading completed on the Travel Expense Statement.
- b. The Finance Department will review and reconcile the Travel Expense Statement with the receipts submitted and the original Travel Authorization Request.
- c. Any legitimate overage will be paid back to the Tribal employee
- d. Any advance that was not used will be paid back by the employee or a payroll deduction will take place with the authorization of the employee.

#### Monitoring

- a. The Accounts Payable Technician reviews the open Travel Request Authorizations on a weekly basis and sends an email to Department Directors/Managers of any delinquent Travel Expense Statements. The Department Directors/Managers will advise their staff of any Travel Expense Statements that need to be submitted.
- b. When a Travel Expense Statement becomes delinquent the Accounts Payable Technician enters the Travel Request Authorization on a spreadsheet for tracking.
- c. Once a month the Accounts Payable Technician will forward the delinquent Travel Expense Statements spreadsheet to the Comptroller for review; any advance travel funds that have not been reconciled or reimbursed will have a payroll deduction initiated.
- d. Any person that has not reconciled their travel will not be allowed to submit another request for travel, until such time that the prior travel is reconciled.
- e. Upon termination of employment any outstanding travel will be recovered by deduction from any payment entitled to the employee.

#### IV. VENDOR INVOICES

- a. All mail received by the Pyramid Lake Paiute Tribe is sorted and distributed by the Front Desk Personnel. Each piece of correspondence is stamped with the Pyramid Lake Paiute Tribe's date received stamp. All invoices will be forwarded to the Finance Department.
- b. The Finance front desk Accounting Technician opens all Finance Department mail. The vendor invoices are stamped with a received stamp that includes the date. If the invoice references a purchase order number it is matched to the purchase order at the Front Desk Accounting Technician's desk, and forwarded to the Accounts Payable Clerk; if the invoice does not reference a purchase order number, it is stamped "Needs Check Request."
- c. Invoices that are stamped "Needs Check Request" are distributed to the different Tribal Departments. The Department is responsible for creating a Check Request for the invoices and submitting it to the Check Request bin in the Finance Department for processing.
- d. The Front Desk Accounting Technician matches invoices with a purchase order number with receiving documents and open purchase orders. The Accounts Payable Technician then examines the invoice to determine price, quantity and terms and to ensure that calculations are correct and are those previously agreed upon. The Accounts Payable Technician then files the vendor invoice with the attached purchase order in the invoice payable file. Invoices are pulled weekly by the Accounts Payable Technician and a check is issued to the vendor.

#### V. CASH DISBURSEMENTS & CHECK PROCESSING

All cash disbursements are made on the basis of approved documentation. The Purchase of Goods and Services section above describes the process of committing funds of the Tribe. Disbursement procedures should proceed according to the following steps.

- a. Purchase Order/Check Requests are approved with three signatures
- b. The Accounts Payable Technician enters all checks into the AP Module of MIP
- c. The unposted report is run and original documents are compared to the report to insure accuracy of GL codes and dollar amounts
- d. When all information is verified as correct the batch is posted
- e. Checks are printed every Wednesday for distribution by 10am Friday morning
- f. Checks
  - i. The Pyramid Lake Paiute Tribe uses a two stub check
  - ii. The checks are pre-numbered
  - iii. Check stock is maintained in the Finance Department, and is pulled only when checks are being printed
  - iv. All checks are imprinted with the name and address of the Pyramid Lake Paiute Tribe.
  - v. The Accounts Payable Technician prepares all checks under the supervision of the Accounting Supervisor/Comptroller. The following information must be entered on the check:
    1. The date;
    2. The payee;
    3. The amount;
    4. The account code number;
    5. Description line contains:
      1. In the case of a Purchase Order: Vendor Name/Department/PO #
      2. In the case of a Check Request: Vendor Name/Department/Description of purchase
      3. In the case of a utility payment: Vendor Name/Department/Kilowatts per hour and dates of service OR account number

- vi. All checks made out incorrectly are voided in the MIP accounting system; the check is physically stamped “VOID” and then retained in a Void Check Binder at the Accounts Payable Technician’s desk.
- g. The Accounts Payable Technician prints checks and verifies the correct amount has been printed based on Purchase Order/Check Request and support documents
- h. The checks are submitted with support documents to the designated check signers for signature. Two authorized signatures are required. Any Purchase Order/Check Request authorized by a Tribal Council member or Tribal Chairman cannot sign the corresponding check.
  - i. After checks are signed, the check number, check amount and check date, are entered on the Purchase Order/Check Request Form by the Accounts Payable Technician.
  - ii. The top stub and the check are mailed to the appropriate vendors.
  - iii. The bottom stub of the check is attached to the Purchase Order/Check Request; paid purchases are filed chronologically in alphabetical vendor files.



## BUDGETS & GRANTS

### I. PURPOSE

To provide guidelines for obtaining, controlling and reporting on the use of tribal funds. Since some funds are received from external agencies (federal, state and private) they must be carefully used and in full compliance with funding agency requirements. These policies require coordination of expenditures and activities within the tribal objectives and budgets, as well as proper accounting for all funds including indirect cost reimbursement and proper control of tribal assets. In addition, the Tribal policy seeks to gain maximum use of all external funding to avoid loss of funds.

### II. TERMS & DEFINITIONS

#### a. Indirect Costs

Indirect costs are the costs incurred for a common or joint purpose benefiting more than one cost objective or program. Examples of these costs include: finance personnel, audit expenses, insurance, human resources personnel, and administrative office supplies. These costs determine what portion of general expenses each program should bear. The Tribe must develop and submit an Indirect Cost Proposal to the National Business Center (NBC) by June 30 of every year.

- i. Provisions of 2 CFR 200 will be adhered to in developing and updating indirect cost rates.
- ii. The Comptroller and the appropriations committee will review the proposed indirect cost rate or allocation plans on an annual basis and determine if any revision or re-negotiations are required.
- iii. All proposals submitted to funding agencies will include the Tribes indirect cost rate for that fiscal year.
- iv. The Indirect Cost rate proposal must include the previous year's audit and the proposed year's budget.

#### b. Allowable Costs

- i. Office of Management and Budget 2 CFR 200 will be the basic guideline in determining allowable costs for federally assisted programs. Variations from OMB A-87 must be clearly approved by the funding agency.
- ii. Department Directors/Managers are responsible for program adherence to budgets, funding agency guidelines and regulations pertaining to allowable costs.
- iii. Finance will ensure that proposed budgets are developed and program/project expenditures are maintained within allowable costs as specified by the funding agency, the Pyramid Lake Paiute Tribe, and 2 CFR 200 as applicable.
- iv. All contractors and sub-contractors of the Tribe will be responsible for abiding by federal and tribal allowable cost guidelines as applicable. Department Directors/Managers will be responsible for ensuring that contractors and sub- contractors follow appropriate allowable cost principles and include appropriate federally required provisions.

#### c. Unallowable Costs

- i. The definition of Unallowable Costs as listed in 2 CFR 200, will be followed, or as stated by grantor regulations or awards.
- ii. Travel for non-employees – No employee of the Tribe may authorize travel for a person who is not employed by, or volunteering for, the Tribe, without prior written approval by the Tribal Council, or unless expressly allowed by grant provisions.
- iii. Fines and Penalties- the Tribe will not pay for costs incurred by any employee resulting from violations of, or failure to comply with federal, state, or local laws and regulations.
- iv. Gifts or Donations- Such costs are unallowable unless personally donated to worthy causes by an employee on an individual basis.

- d. Supplanting is to deliberately reduce State or local funds because of the existence of federal funds. Federal funding should only supplement the budgets, not replace existing funds from other sources.

### III. PREPARING AND APPROVING THE BUDGET

The yearly budget for the Pyramid Lake Paiute Tribe is prepared by the Tribe's appropriations committee. The appropriations committee consists of the Chairman, the Comptroller, the Tribal Secretary, the Executive Officer, Programs Officer, and Business Officer. All members of the appropriations committee are administrative employees of the tribe, no one on the appropriations committee that decides the final budget is directly tied to a program or department which directly receives funds from the Tribe.

The budget process starts in September for the subsequent year. The appropriations committee meets to discuss prior year and current year budget to actual and prepares the budget packages to be sent to the directors of all departments and programs. The directors submit their completed budget packages to the Appropriations Committee for review to address any calculations error for ultimate submission to the appropriations committee. The budget package consists of information that will address the following questions:

- i. Can the objectives be measured and monitored?
- ii. Can the objectives be obtained?
- iii. Are the objectives important to the tribe?
- iv. Is the budget too high or low when compared to the proposed objectives?
- v. If the budget proposes the purchase of equipment, or for the construction of a permanent improvement, can the Tribe afford the maintenance costs in future years?
- vi. What are the sources of revenue required to fund expenses?

Generally the appropriations committee will send the budget request back to the director to cut costs until both parties can agree upon an appropriate amount of funds distributed to all programs that is within the tribe's total budget. The committee will have the budget ready for council approval no later than December 31 to meet the IDC proposal submission deadline.

Once the budget is approved by Tribal Council final copies are sent to Department Directors and to the BIA. The BIA does not approve or reject the tribe's budget; they request a copy of the budget for their records and to be able to report the amount of funds being used throughout tribes within the state to national agencies.

### IV. GRANT MONITORING

The Contracts & Grants Director creates a grant file, manages budget modifications, drawdowns, cash receipts for grants and contracts, and financial reporting according to the funding agency requirements. Following is a listing of the procedures the Contracts & Grants Department and the Finance Department follows to manage the grant and contract awarded funds.

- a. The authorized grant/contract application is submitted to the Finance Department
- b. The Grant Accounting Specialist creates a grant/contract file to manage all grant/contract paperwork the file includes:
  - i. The grant/contract application,
  - ii. Correspondence regarding the grant/contract,
  - iii. Original award letter and any modifications to the award by the granting agency, the CFDA title and number, Federal award identification number and year, name of the Federal agency
  - iv. Budget modifications initiated by Department Director,
  - v. Drawdown record and possible drawdown support documentation,
  - vi. Agency required financial reporting,
  - vii. Narratives.
- c. The file is created for each grant/contract for the period of the award.

- d. After the grant/contract file is created with the application a budget modification is submitted to the Finance Department by the Department Director.
- e. The Grant Accounting Specialist reviews the budget modification to ensure that the costs are allowable, that it matches the agency approved award, the Indirect Cost Rate is correct, the funds are not attempting to supplant other funding, and the budget worksheet is properly completed. When all information is acceptable the Grant Accounting Specialist submits the paperwork to Program officer/Executive officer/Business officer (respectfully) for signature authorization.
- f. Once Program officer/Executive officer/Business officer (respectfully) has signed off on the budget modification it is forwarded to Comptroller then Contracts and Grants for signature authorization.
- g. When the budget modification is authorized by all necessary parties it is forwarded to the Grant Accounting Specialist who enters the budget numbers into the MIP accounting system. Copies are made for the grant file and the Department Director.

## V. GRANT REPORTING

- a. The Grant Accounting Specialist prepares financial reports quarterly, the backup documentation that is attached to the report includes: a revenue and expenditure report for the quarter, a GL print out for the quarter, for larger procurements copies of the purchase order, vendor invoice, and photos when applicable may be included.
  - i. The reports are prepared and submitted to the Executive Team to review then to the Tribal Chairman for signature.
  - ii. The Grant Accounting Specialist submits the document via the funding agencies website. The original document is sent to the agency representative via mail or fax.
  - iii. A copy of the report is forwarded to the Department Director for their files.

## VI. MONITORING THE BUDGET

The AP Division of the Finance Department monitors each budget every time a department submits a Purchase Order/Check Request. The Finance Clerk, will review the department's budget before issuing a check to ensure the expenditure is within budget. If it is not, the check will not be issued, and the form will be sent back to the Department Director with a communication stating the check cannot be processed due to budget constraints. If the check falls within budget, but the program is at risk for going over budget in an area, the check will be processed as requested and the AP clerk will send a communication to the Department Director stating that they are at risk of going over their budget.

The Accounting Supervisor will print and distribute an income statement for every Department Director at the end of each month for review. The Grants Accounting Specialist will generate a revenue and expenditure report at the request of the Department Director at any time.

## VII. REVENUE SOURCES

Revenues are derived from government grants, contracts and purchase orders, Tribal enterprise sales, Tribal court fines, indirect charges to departments and interest on investments. Government grants, contracts and purchase orders are awarded to the Tribe and are contingent upon the completion of specific work programs, as approved by the funding agency and the Tribal Council. The following is a listing of the Pyramid Lake Paiute Tribe's Revenue Sources:

- i. Tax Fund - Income received from Tribal tax revenues
- ii. General Fund - Income from various sources (excluding grants and contributions) projected estimate based on 5 year general fund trend prepared by the Comptroller
- iii. License plate Fund - Income received from the State of Nevada for Pyramid Tribe License Plates Revenues

- v. 87B Docket Money - Interest income from money in tribe trust funds.
- vi. Program generated Income - Projection estimated based on prior year is budget for subsequent year adjusted for any anticipated increases or decreases in subsequent year.
- vii. Grants and Contributions - Each program can apply to receive grants or contributions. Any expected grants are figured into the subsequent year budget. All grant money is maintained in a fund separate from Tribal funds.

#### VIII. FUND BALANCE & EQUITY

Fund balances represent the cumulative difference between revenues and expenses. Certain grants and contracts do not allow the carryover of unused funds to the next year. In this case the unused fund balance would be refunded or would reduce the amount of funds received in the next contract year. Tribal programs do NOT carry forward from year to year. Carryover IS allowed on items that are forward funded such as the BIA 638 programs. Certain fund balances summarize the value of assets owned by the Tribe such as trust funds and contributed or purchased buildings, equipment and permanent improvements.

#### IX. IMPORTANCE OF PROJECT PERIOD

Almost all grants/contracts are approved for a limited project period, which may be equal to or exceed the fiscal period of the award. While some flexibility is usually allowed to use funds awarded in one fiscal period to pay for costs incurred in other fiscal periods, the same is not usually true of project period. Unless specified by the funding agency no payment can be made for costs incurred prior to the beginning of the project period. Also, once the project period has expired, costs incurred cannot be reimbursed unless the project period is extended. The Tribe may charge to the Federal award only allowable costs incurred during the period of performance and thus the program must receive the goods or services in the program period to be allowable to that period. These constraints can be important when dealing with subcontracts and procurements. It is necessary to schedule the procurements and the work performed by subcontract so that the expenditures fall within the project period. It is also necessary to make provisions for the maintenance of the necessary accounting records to support the timelines of the expenditures.

#### X. FEDERAL PROGRAM BUDGET MODIFICATION

For non-construction Federal awards, the Tribe must request prior approvals from Federal awarding agencies for one or more of the following program or budget-related reasons:

- (1) Change in the scope or the objective of the project or program (even if there is no associated budget revision requiring prior written approval).
- (2) Change in a key person specified in the application or the Federal award.
- (3) The disengagement from the project for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator.
- (4) The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with 2 CFR 200 Subpart E - Cost Principles.
- (5) The transfer of funds budgeted for participant support costs to other categories of expense.
- (6) Unless described in the application and funded in the approved Federal awards, the subawarding, transferring or contracting out of any work under a Federal award, including fixed amount subawards. This provision does not apply to the acquisition of supplies, material, equipment or general support services.
- (7) Changes in the approved cost-sharing or matching provided by the Tribe.

(8) The need arises for additional Federal funds to complete the project.

The Federal awarding agency is authorized, at its option, to authorize the Tribe to do any one or more of the following:

(1) Incur project costs 90 calendar days before the Federal awarding agency makes the Federal award. Expenses more than 90 calendar days pre-award require prior approval of the Federal awarding agency. All costs incurred before the Federal awarding agency makes the Federal award are at the recipient's risk (i.e., the Federal awarding agency is under no obligation to reimburse such costs if for any reason the recipient does not receive a Federal award or if the Federal award is less than anticipated and inadequate to cover such costs).

(2) Initiate a one-time extension of the period of performance by up to 12 months unless one or more of the conditions outlined in paragraphs (i) through (iii) below apply. For one-time extensions, the recipient must notify the Federal awarding agency in writing with the supporting reasons and revised period of performance at least 10 calendar days before the end of the period of performance specified in the Federal award. This one-time extension may not be exercised merely for the purpose of using unobligated balances. Extensions require explicit prior Federal awarding agency approval when:

(i) The terms and conditions of the Federal award prohibit the extension.

(ii) The extension requires additional Federal funds.

(iii) The extension involves any change in the approved objectives or scope of the project.

(3) Carry forward unobligated balances to subsequent periods of performance.

The Tribe must request from the Federal awarding agency the transfer of funds among direct cost categories or programs, functions and activities for Federal awards in which the Federal share of the project exceeds the Simplified Acquisition Threshold and the cumulative amount of such transfers exceeds or is expected to exceed 10 percent of the total budget as last approved by the Federal awarding agency. The Federal awarding agency cannot permit a transfer that would cause any Federal appropriation to be used for purposes other than those consistent with the appropriation.

For construction Federal awards, the Tribe must request prior written approval promptly from the Federal awarding agency for budget revisions whenever paragraph (1), (2), or (3) below applies.

(1) The revision results from changes in the scope or the objective of the project or program.

(2) The need arises for additional Federal funds to complete the project.

(3) A revision is desired which involves specific costs for which prior written approval requirements may be imposed consistent with 2 CFR 200 Subpart E – Cost Principles.

When requesting approval for budget revisions, the Tribe will use the same format for budget information that was used in the application, unless the Federal awarding agency indicates a letter of request suffices.

## SALARY & WAGE

### I. PURPOSE

An employee compensation record is maintained for each employee in order to produce quarterly payroll tax reports and annual employee wage statements (Form W-2). The record is generated by accurate and timely payroll entry and tax withholding. The following statements outline the procedures followed by the Pyramid Lake Paiute Tribe for payroll processing.

### II. GENERAL PAYROLL INFORMATION

- a. The time sheet represents an employee's claim on wages and is similar to an invoice from a vendor. It is important to remember that time sheets support two simultaneous, but separate functions: Payments to employees and the distribution of costs among the various programs and departments of the Pyramid Lake Paiute Tribe.
- b. Every employee must submit a proper accounting for their hours worked on a timecard. The timecard must be a reflection of daily punches at a time clock to calculate their time. Improperly completed time sheets should be viewed in the same light as an improper invoice. Department directors/Managers should review the total number of hours recorded on the time sheet. If any discrepancies are noted, it must be discussed with employee before submitting to Finance.
- c. The timesheet is signed by the employee and submitted to his/her immediate Supervisor or Department director. Approved time sheets are then given to the Payroll Administrator for processing. In the event that time sheets are incomplete or incorrect the Payroll Administrator will work with the Accounting Supervisor to contact Department Supervisors for resolution.
- d. Leave time is accrued in the MIP accounting system and leave requests attached to the timesheet documents will be entered in the software and accruals and deductions will be automatically updated.
- e. The Payroll Administrator will use the withholding allowance claimed on the employee's IRS Form W-4 and the federal employer tax guide to calculate the proper tax deductions for each employee's bi-weekly pay check.
- f. Should a reduction of wages for a salaried employee become necessary due to an employee's leave without pay, the amount of the reduction is calculated by multiplying employee's hourly wage times the number of hours of leave without pay. The hourly wage of salaried employees is found by dividing the employee's annual salary by 2080 hours. The required withholdings are then calculated on the adjusted gross wage. Pay checks due hourly employees for more or less than 80 hours will also require a special calculation. All such calculations should be made on the face of the time sheet.
- g. The Employee Action Form is used to show the approval of various personnel and payroll transactions. These transactions include hiring, termination, and change of salary, change of salary allocation, position, and location. The employee, department head, human resources and the responsible Executive Team Officer will sign the form. The form is given to the Payroll Administrator to make necessary adjustments to pay schedules or records. The form will be processed on or before the effective date of the action required. The employee action notice is filed in the employee file opposite the time sheets.
- h. Payroll will be in accordance with the Fair Labor Standards Act and its implementing regulations.

### III. PAYROLL CONTROL PROCEDURES AND PROCESSING

The objectives of payroll control procedures are to provide Pyramid Lake Paiute Tribal employees with timely payroll checks and to provide each employee with an adequate explanation of payroll deductions.

- a. Human Resources (HR) initiates the process for new employees, employee changes, and employee termination. For any of the above an Employee Action Notice ("EAN") is completed by HR and signed by the employee, supervisor, HR, and the responsible Executive Team Member, or his/her designee.

- b. The EAN is forwarded to the Payroll Administrator, who reviews the form for signatures and reasonableness and enters the information into the payroll module of MIP.
- c. The Payroll Administrator is responsible for payroll preparations and payroll recordkeeping. She/he maintains the original of the Federal Form W-4 and copies of rates of pay and deductions for each employee. The Payroll Administrator maintains individual earnings records on each employee.
- d. The Department Directors of the various Tribal programs are designated as supervisors for the personnel in their respective departments. They are responsible for recording time of arrival, departure, luncheon breaks, sick leave and annual leave. Employee and supervisor are required to review and sign time sheets. The timesheets will be clocked in and submitted bi-weekly on Friday by 4:30pm to the Finance Department who forwards them to the Payroll Administrator.
- e. On Monday and Tuesday, the Payroll Administrator enters the hours worked, fund codes, and leave time into the MIP payroll module for every employee.
  - i. After entering the information, the “Run Time Sheet” reports are produced and compared to the timesheets for accuracy.
  - ii. The “Calculated Check Register” report is run to ensure rates, time, and new employees are properly recorded.
- f. The direct deposit statements are printed;
  - i. One is attached to the time cards for filing,
  - ii. One is enveloped for distribution to employees.
- g. The direct deposit report is printed and the direct deposit file for upload is created.
- h. On Tuesday the Payroll Administrator uploads the direct deposit file to the bank
- i. On Wednesday afternoon payroll is processed, the final “Calculate Check Register” report is run in preparation of printing checks.
- j. The checks are two stub checks that are preprinted with the name and address of the Pyramid Lake Paiute Tribe. The checks are pre-numbered and stored in a secure area in the payroll office.
- k. The checks are printed and compared to the time sheets one final time, all EAN forms are removed from the time sheets before the checks are submitted to an authorized signer. After authorization is complete the checks are returned to the Payroll Administrator who solicits another authorized signature.
- l. The batch of checks is delivered Wednesday afternoon to the Finance Department for distribution. The Finance Department locks the batch of checks in a secure area until they are distributed by the Front Desk Accounting Clerk on Thursday.
- m. All paychecks retrieved from the Finance Department must be signed for on the original timesheet. If a Department Director obtains paychecks for a large group that individual must sign all the timesheets that they are picking up checks for.
- n. After completing payroll, the batch is transferred to the Accounting Module of MIP to affect the GL accounts.
- o. The Payroll Administrator manages the deductions that are withheld from employee payroll. Deductions including:
  - i. Retirement
  - ii. Dental Insurance
  - iii. Daycare
  - iv. Housing
  - v. Utilities
  - vi. Child Support
  - vii. Tax Payments
  - viii. Drug and Alcohol Testing
  - ix. Background Checks

After payroll each week a report is generated for the different deductions taking place and a payable is created to issue checks to the garnishment companies or agencies. Any tribal deductions are forwarded to Accounts Receivable to create the cash receipts for housing, utilities and daycare.

- p. The Payroll Administrator prints a report from the MIP accounting system for payroll taxes and submits the tax payment via the EFTPS website.
- q. Employee leave time is tracked by the Payroll Administrator in the MIP accounting payroll module. After each payroll a leave time report is generated and distributed to all Department Directors/Managers to assist them with time off authorizations.

#### IV. PAYROLL ADVANCES

Payroll advances are issued bi-weekly when payroll is not being processed. The employee must fill out a payroll advance form that requires signature authorization from the employee, employee supervisor, and responsible Executive Team Officer or his/her designee. The checks are issued in accordance with the procedure above. Three times per year an employee may request an early paycheck for one week of work on the off week of normal payroll processing. The checks are issued in accordance with the procedure outlined above.



## FINANCIAL REPORTING

### I. BANK RECONCILIATIONS

The Accounting Supervisor is responsible for the preparation of the bank reconciliation with the help of the Comptroller. Reconciliations are done within five (5) days of receipt of the bank statement. The Accounting Supervisor will compare Pyramid Lake Paiute Tribe's record with the bank statement and determine the cause for any discrepancies. Unexplained discrepancies are reported to the Comptroller. Upon completion the bank reconciliations are forwarded to the Comptroller for filing in chronological order by the date of the bank statement. This includes original copy of bank statements, trial balance print out, adjustments and support documentation.

The bank reconciliation is performed by the Accounting Supervisor as follows:

- i. Items listed on the bank statement are matched to corresponding transactions in MIP after verifying the amount is correct the transactions are marked to clear in MIP.
- ii. Review trial balance print out for the following:
  1. Account Balance
  2. Prepaid Entries
  3. Accrued Payroll Entries
  4. Accrued Payroll Liabilities
  5. Review GL accounts for capital expenditures
- iii. If there are any inconsistencies with the above entries, the discrepancy is researched, support documents are pulled, and a correcting journal entry is made.

### II. MONTHLY REPORTING

The monthly financial reports are one of the most important end products of the accounting system. To this end, the reports are delivered by the Accounting Supervisor to the Department Directors/Managers as soon after the close of each month's transactions as possible. Additionally the Accounting Supervisor prepares financial statements for all programs for the Tribal Council to review at the second monthly meeting.

#### a. Comparison of Budgeted and Actual Expenses

This is a report of the status of each department's financial operations. This report is computer generated. The actual-to-date amounts are from the accounting records and are compared to budgeted amounts.

The total budget column identifies the current year's budget by line item. The difference between the total budget amounts and actual-to-date amounts are shown in the variance column. The amounts remaining until the end of the fiscal year may point to a need for corrective action or budget modification by Department Director.

The actual-to-date amounts of the departments in each fund are totaled to derive the amounts to be shown on the Statement of Revenues and Expenditures.

#### b. Statement of Revenues and Expenditures

The statement of revenue and expenditures reflects the total expenditures listed by fund as detailed in the chart of accounts. The difference between the total expenditures and revenues of each fund appears at the bottom of the form. This report provides an integral part of the current status of the program, as well as the total Tribal income and costs by category.

#### c. Financial Reporting Requirements

This section describes requirements for the Pyramid Lake Paiute Tribe to report financial information to the funding agency. The requirements differ depending on funding source for the program. The Grant Accounting Specialist submits the original quarterly financial status reports according to the funding agency contract/grant agreement.

### III. END OF YEAR PROCEDURES

The accounting reports prepared for the fiscal year end will be on the accrual method of accounting. Preparation of the financial reports at the end of the fiscal year requires more time than monthly reports because accounts payable and accounts receivable adjustments have to be determined before final reports are prepared. Tribal accounting staff can reduce the cost and time required for an audit by having copies of all reconciliations and worksheets available to the auditor. The following is an outline of the year-end reconciliation and closing process. Adjustments determined by this process should be made prior to preparation of the year-end reports.

- a. Cash in Bank- prepare reconciliations of bank balances to book balances for all accounts.
- b. Money Market Account- prepares the bank reconciliation form as above and a schedule that shows the balance of the account at the beginning of the year. Summarize receipts by source and payments by payee; and the end of year balance.
- c. Accounts Receivable- a schedule is prepared for each account to substantiate the amounts recorded. The balance shown for each contract or grant should equal the amount of the final billing for cost reimbursement agreements terminating at year end; or the difference between the related revenue and payments received during the fiscal year.
- d. Travel Advances- advances for travel will be supported by an approved travel expense report and written off to travel expense or to accounts receivable from employee.
- e. Interfund Receivables- a schedule is prepared to reconcile the entries made to this account to those made to interfund payables of the fund owing the monies.
- f. Deposits- a schedule is produced to show the amount and deposit holder.
- g. Investments in Trust- the balances of this account should equal the cash value of the fund as reported on the BIA's year-end summary of trust funds as of the fiscal year.
- h. Fixed Assets- the balance of this account should equal the prior year's ending balance plus the equipment purchase expenses of the current year, less the book value of assets that were sold, traded-in or lost during the year. The adjusted balance should agree with the total value of the year-end physical inventory.
- i. Accounts Payable- the year-end accrual of expenses should be carefully prepared to include all unpaid invoices on hand at year-end.
- j. Payroll Taxes Payable- the balance of this account is reconciled to the amount showing due on the payroll tax return for the quarter ending at the fiscal year end. A schedule is prepared which specifies wages and fringe benefits earned but not paid at year-end.
- k. Employee Deductions Payable- This account should have a zero balance at each month end. Therefore, a balance should be explained by a list of employees owing money for previous payments (charge balance) or for employee deductions that have not been paid to the appropriate agency or fund. Any account balance should be analyzed as to the reason.
- l. Interfund Payable- the reconciliation of this account is prepared when the interfund receivables are reconciled.
- m. Fixed Asset Group of Accounts Equity- the year-end physical inventory of fixed assets supports the balance of this account.
- n. General Fund Balance- this fund balance represents the accumulative total of prior year's operations. The current year's revenue and expenditures are posted at year-end. Revenues (deficit) over expenditures are added.
- o. Enterprise Fund- Retained Earnings- this account represents the accumulative total of the prior year's operations. A schedule similar to the one produced for the Tribal fund is prepared for this fund.
- p. Revenues- each revenue account is examined to insure that all revenues earned for the year have been recognized. Permit vendors may be requested to turn in funds collected through the end of the year on

partially sold permit books. Most revenue accounts are supported in the reconciliation of letters of credit drawdowns and contracts receivable/payable accounts.

- q. Capital Expenditures in the Revenues and Expenditures Statement must match the Fixed Asset acquisitions per item h. above.
- r. Indirect Cost Expenses will be booked per the Indirect Cost worksheet after properly accounting for:
  - i. Capital Expenditures
  - ii. Contracted Services over \$5,000.00, per contractor, per program
  - iii. Pass Through
  - iv. Non-Allowable

Indirect Revenues will be analyzed to determine the shortfall to be transferred from Tribal Funds.

- s. When closing entries are final, all funds will be closed to due from government; and deferred revenues. Subsequently due from government and deferred revenue must be reviewed to ensure it is collectable, or allowable as carry forward.

## BANK DEPOSITORY

The Tribe will maintain all federal program funds in a consolidated bank account unless the Federal awarding agency stipulates in the award agreement that separate bank accounts are required. However, the Tribe will account in the MIP accounting system for the receipt, obligation and expenditure of funds by program.

Advance payments of Federal funds must be deposited and maintained in insured accounts whenever possible. In the event that the amount of funds exceeds the FDIC insurance coverage, the Tribe will obtain collateralization from the bank.

The Tribe will maintain advance payments of Federal awards in interest-bearing accounts, unless the best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances.

Interest earned amounts up to \$500 per year may be retained by the Tribe for administrative expense. Any additional interest earned on Federal advance payments from federal programs other than BIA and IHS '638 deposited in interest-bearing accounts must be remitted annually to the Department of Health and Human Services Payment Management System (PMS) through an electronic medium using either Automated Clearing House (ACH) network or a Fedwire Funds Service payment. Remittances must include pertinent information of the payee and nature of payment in the memo area (often referred to as "addenda records" by Financial Institutions) as that will assist in the timely posting of interest earned on federal funds. Pertinent details include the Payee Account Number (PAN) if the payment originated from PMS, or Agency information if the payment originated from ASAP, NSF or another federal agency payment system. The remittance must be submitted as follows:

- (i) For ACH Returns: refer to Finance department for latest banking information
- (ii) For Fedwire Returns\*: refer to Finance department for latest banking information

## COST SHARING OR MATCHING

For all Federal awards, any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must meet all of the following criteria:

- (1) Are supported with adequate documentation in Tribe's records;
- (2) Not be included as contributions for any other Federal award;
- (3) Are allowable under Subpart E - Cost Principles of 2 CFR 200;
- (4) Are provided for in the approved budget when required by the Federal awarding agency; and
- (7) Conform to other provisions of 2 CFR 200, as applicable.

Unrecovered indirect costs may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency. Unrecovered indirect cost means the difference between the amount charged to the Federal award and the amount which could have been charged to the Federal award under the Tribe's approved negotiated indirect cost rate.

Values for the Tribe's contributions of services and property must be established in accordance with the cost principles in 2 CFR 200 Subpart E - Cost Principles. If a Federal awarding agency authorizes the Tribe to donate buildings or land acquired with Tribal funds for construction/facilities acquisition projects or long-term use, the value of the donated property for cost sharing or matching must be the lesser of paragraphs (1) or (2) below.

- (1) The value of the remaining life of the property recorded in the Tribe's accounting records at the time of donation.
- (2) The current fair market value.

Volunteer services furnished by third-party professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for third-party volunteer services must be consistent with those paid for similar work by the Tribe. In those instances in which the required skills are not found in the Tribe, rates must be consistent with those paid for similar work in the labor market in which the Tribe competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, necessary, allocable, and otherwise allowable may also be included in the valuation.

When a third-party organization furnishes the services of an employee, these services must be valued at the employee's regular rate of pay plus an amount of fringe benefits that is reasonable, necessary, allocable, and otherwise allowable.

Donated property from third parties may include such items as equipment, office supplies, laboratory supplies, or workshop and classroom supplies. Value assessed to donated property included in the cost sharing or matching share must not exceed the fair market value of the property at the time of the donation.

The value of donated property must be determined in accordance with the usual accounting policies of the Tribe, with the following qualifications:

- (1) The value of donated land and buildings must not exceed its fair market value at the time of donation to the Tribe as established by an independent appraiser.
- (2) The value of donated equipment must not exceed the fair market value of equipment of the same age and condition at the time of donation.
- (3) The value of donated space must not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.
- (4) The value of loaned equipment must not exceed its fair rental value.

For third-party in-kind contributions, the fair market value of goods and services must be documented and to the extent feasible supported by the same methods used internally by the Tribe.

## PROGRAM INCOME

Program income means gross income earned by the Tribe that is directly generated by a supported activity or earned as a result of the Federal award during the period of the program. Program income includes but is not limited to income from fees for services performed, the use or rental of real or personal property acquired under Federal awards, the sale of commodities or items fabricated under a Federal award, license fees and royalties on patents and copyrights. Interest earned on advances of Federal funds is not program income. Program income does not include rebates, credits, discounts, and interest earned on any of them. Proceeds from the sale of real property, equipment, or supplies are not program income.

The Tribe will request the additive option for program income in all grant applications. With prior approval of the Federal awarding agency program income may be added to the Federal award by the Federal agency and the Tribe. The program income must be used for the purposes and under the conditions of the Federal award and will be treated as restricted funds.

## **Application of the General Welfare Exclusion to Indian Tribal Government Programs That Provide Benefits to Tribal Members**

### **SECTION 1. PURPOSE**

This revenue procedure describes principles of the general welfare exclusion and provides safe harbors under which the Internal Revenue Service (Service) will conclusively presume that the individual need requirement of the general welfare exclusion is met for benefits provided under Indian tribal governmental programs described in sections 5.02 or 5.03 of this revenue procedure, and will not assert that benefits provided under programs described in section 5.03 of this revenue procedure represent compensation for services. Consequently, under this revenue procedure, the Service will not assert that members of an Indian tribe, as defined in section 4.03 of this revenue procedure, or qualified nonmembers, as defined in section 4.05 of this revenue procedure, must include the value of their benefits described in section 5.02 or 5.03 of this revenue procedure in gross income under § 61 of the Internal Revenue Code (Code) or that the benefits are subject to the information reporting requirements of § 6041.

This revenue procedure provides certainty that the value of the benefits described will be excluded from gross income under the general welfare exclusion. However, this revenue procedure does not limit the applicability to Indian tribes of any existing or future guidance holding that benefits are excluded from gross income under the general welfare exclusion.

### **SECTION 2. BACKGROUND**

.01 Gross income. Under § 61(a), except as otherwise provided in subtitle A, gross income means all income from whatever source derived. Under § 61, Congress intends to tax all gains or undeniable accessions to wealth, clearly realized, over which taxpayers have complete dominion. *Commissioner v. Glenshaw Glass Co.*, 348 U.S. 426 (1955), 1955-1 C.B. 207.

Section 1.61-1(a) of the Income Tax Regulations provides that gross income includes income realized in any form, whether in money, property, or services. Income may be realized, therefore, in the form of services, meals, accommodations, or other property or in-kind benefits, as well as in cash. Indians are citizens subject to the payment of income taxes. *Squire v. Capoman*, 351 U.S. 1, 6 (1956), 1956-1 C.B. 605, 607.

.02 General welfare exclusion. Payments made to or on behalf of individuals or other persons under governmental programs are included within the broad definition of gross income under § 61 unless an exclusion applies. See Notice 2003-18, 2003-1 C.B. 699; Rev. Rul. 79-356, 1979-2 C.B. 28. The Service has consistently concluded, however, that certain payments made to or on behalf of individuals by governmental units under governmentally provided social benefit programs for the promotion of the general welfare are not included in a recipient's gross income (general welfare exclusion). See, for example, Rev. Rul. 98-19, 1998-1 C.B. 840 (relocation payment authorized by the Housing and Community Development Act and made by a local jurisdiction to an individual moving from a flood-damaged residence to another residence is not includible in the individual's gross income); Rev. Rul. 74-205, 1974-1 C.B. 20 (replacement housing payments to aid individuals displaced from their homes in acquiring decent, safe, and sanitary dwellings of modest standards are not includible in gross income).

To qualify under the general welfare exclusion, the payments must (1) be made pursuant to a governmental program, (2) be for the promotion of the general welfare (that is, based on need), and (3) not represent compensation for services. Rev. Rul. 2005-46, 2005-2 C.B. 120; Rev. Rul. 82-106, 1982-1 C.B. 16; Rev. Rul. 75-246, 1975-1 C.B. 24. Thus, the general welfare exclusion applies if "the grant [is] received under a program requiring the individual recipient to establish need. Grants received under social welfare programs that [do] not require recipients to establish individual need" do not qualify under the general welfare exclusion. *Bailey v. Commissioner*, 88 T.C. 1293, 1300 (1987), acq., 1989-2 C.B. 1 (internal citations omitted).

To substantiate that a payment qualifies for the general welfare exclusion, governmental payers and payment recipients must maintain accurate books or records. These payers and recipients must keep these books or records at all times

available for inspection by authorized internal revenue agents or employees, and must maintain them as long as their contents are material in the administration of any internal revenue law. See § 1.6001-1. Whether a payment qualifies under the general welfare exclusion is determined under the federal income tax laws (including provisions not in the Code), not under the laws of state, local, sovereign tribal, or foreign governments, or other federal laws. Thus, an incentive payment that a United States citizen received from the City of Berlin, Germany under a program to encourage spending and consumption was not excludable from the recipient's gross income simply because it was paid pursuant to a program of a sovereign government when the program did not meet the requirements of the general welfare exclusion under U.S. tax law. *Foley v. Commissioner*, 87 T.C. 605 (1986). If the activity engaged in is basically the performance of services, the payments are compensation for services rendered and are includible in the gross income of the recipient. Rev. Rul. 75-246. Thus, Rev. Rul. 74-413, 1974-2 C.B. 333, concludes that payments to participants in a state program that provided short-term employment in disaster relief activities for unemployed individuals, but no training or retraining to help the participants obtain better employment opportunities, are compensation includible in gross income under § 61. In the context of job training programs, however, the Service has held that payments that primarily provide job-training skills to unemployed and underemployed individuals to enhance their employability are not compensation for services and, therefore, are excluded from the gross income of recipients under the general welfare exclusion. For example, Rev. Rul. 68-38, 1968-1 C.B. 446, concludes that payments to participants in a program sponsored by an Indian tribal council to train underemployed and unemployed residents of an Indian reservation in construction skills to enhance employability are excluded from the participants' gross income under the general welfare exclusion because the basic purpose of the program is training. Payments under training programs that include reasonable and limited allowances for meals, travel, transportation, subsistence, emergency, and other purposes also are excluded from gross income under the general welfare exclusion. Rev. Rul. 75-246 (Situation 1). Allowances on the basis of need to cover certain expenses incident to the training (such as payments for auto insurance or to make the trainee's presence possible, or expenditures for work clothing, without which the trainee could not engage in the work training experience) also are excluded from gross income under the general welfare exclusion. Rev. Rul. 75-246 (Situation 3). Benefits qualify under the general welfare exclusion only if they are not lavish or extravagant. Whether a benefit is lavish or extravagant depends on the facts and circumstances. For example, replacement housing payments to help displaced individuals and families acquire dwellings of modest standards qualify for exclusion from gross income under the general welfare exclusion. Rev. Rul. 74-205. Assistance to help disaster victims meet necessary expenses or serious needs in the categories of medical or dental, housing, personal property, transportation, and funeral expenses qualifies for exclusion from gross income under the general welfare exclusion, but assistance for nonessential, luxurious, or decorative items does not qualify. Rev. Rul. 76-144, 1976-1 C.B. 17. Payments to compensate individuals for unreimbursed reasonable and necessary personal, living, and family expenses they incur due to a disaster or emergency situation also are excluded from gross income under the general welfare exclusion. Notice 2002-76, 2002-2 C.B. 917 (Q&As 1 and 2). In general, payments to businesses do not qualify under the general welfare exclusion because the payments are not based on individual or family need. See Rev. Rul. 2005-46; Notice 2003-18. Rev. Rul. 77-77, 1977-1 C.B. 11, however, provides that nonreimbursable grants made under the Indian Financing Act of 1974 to Indians to expand profit-making Indian-owned economic enterprises on or near reservations are excludable from gross income under the general welfare exclusion.

.03 Application of the general welfare exclusion to programs of Indian tribal governments. Indian tribal governments have a unique legal status. They have inherent sovereignty and a government-to-government relationship with the United States. Indian tribes have developed a broad range of programs to address their unique social, cultural, and economic issues. In developing these programs, Indian tribes give significant consideration to individual need as well as the needs of the entire community. The general welfare exclusion applies to payments by Indian tribal governments no less favorably than it applies to payments by federal, state, local, or foreign governments. Payments by Indian tribal governments qualify for the general welfare exclusion if the payments are (1) made pursuant to a governmental program of the tribe; (2) for the promotion of general welfare (that is, based on individual or family need); and (3) not compensation for services. Rev. Rul. 2005-46; Notice 2003-18; Rev. Rul. 75-246; Rev. Rul. 82-106. In addition, programs of Indian tribal governments to help establish Indian-owned economic enterprises on or near a reservation and based on need qualify under the general welfare exclusion regardless of whether the programs receive any federal funding. Compare Rev. Rul. 77-77. Payments under Indian tribal governmental programs meeting these requirements qualify for the general welfare exclusion whether the revenues that the Indian tribal government uses to fund the programs derive from levies, taxes, service fees, revenues from tribally-owned businesses, or other sources. For example, general welfare programs may be funded from casino revenues. However, per capita payments to tribal members of tribal gaming revenues that are subject to the Indian Gaming Regulatory Act are gross income under § 61, are subject to the information



reporting and withholding requirements of §§ 6041 and 3402(r), and are not excludable from gross income under the general welfare exclusion or this revenue procedure. See 25 U.S.C. §§ 2701-2721 and 25 C.F.R. Part 290. Because and in recognition of the unique circumstances of Indian tribes and tribal governments described above, this revenue procedure conclusively presumes that the individual need criterion of the general welfare exclusion is met for payments made under certain programs of such governments, as set forth in section 5 of this revenue procedure, and the Service will not assert that benefits provided under programs described in section 5.03 of this revenue procedure represent compensation for services.

.04 Benefits that are not addressed by this revenue procedure. This revenue procedure does not address benefits under Indian tribal governmental programs that do not fall within the definition of gross income under § 61. For example, an Indian tribal government may provide benefits in the form of public libraries or recreational facilities that are available for the general public use of members of the tribe. Like other taxpayers, members of Indian tribes do not include the value of these benefits in income regardless of whether the requirements of the general welfare exclusion are met because these benefits are not gross income under § 61. In addition, this revenue procedure does not address certain benefits that members of an Indian tribe may exclude from income under a specific provision of the Code or other federal statute. For example, § 139D provides that gross income does not include the value of medical care (as used in § 213) an Indian tribe (as defined in § 45A(c)(6)) provides to a member of the tribe or the member's spouse or dependents. Thus, a payment that an Indian tribe makes to an Indian medicine man to use traditional practices for the purpose of treating a tribal member's disease may be excludable from the tribal member's gross income under § 139D. See *Tso v. Commissioner*, T.C. Memo 1980-399. Similarly, this revenue procedure does not address how § 108(f), which provides an exclusion from income for the discharge of certain student loan indebtedness, applies to members of an Indian tribe.

.05 Procedural history. Representatives of the Service and Treasury Department consulted with tribal leaders and members of Indian tribes concerning the application of the general welfare exclusion to programs of Indian tribal governments. In Notice 2011-94, 2011-49 I.R.B. 834, the Service invited comments concerning the application of the general welfare exclusion to Indian tribal government programs that provide benefits to tribal members. The Service received over 85 comments from Indian tribal governments and other individuals and groups describing various Indian tribal government programs for tribal members and how the general welfare exclusion should apply to those programs. In response to those comments, the Service issued Notice 2012-75, 2012-51 I.R.B. 715, which proposed a revenue procedure that would provide safe harbors under which the Service would conclusively presume that (i) the individual need requirement of the general welfare exclusion would be met for specific benefits provided under described Indian tribal governmental programs, and (ii) certain benefits an Indian tribal government provides under other described programs are not compensation for services. In response to Notice 2012-75, the Service received over 40 comments from Indian tribal governments and other individuals and groups. The more than 120 comments and consultations were very helpful in preparing this revenue procedure.

.06 Changes from Notice 2012-75. In response to comments from Indian tribal governments and other individuals and groups, this revenue procedure makes the following changes from the revenue procedure proposed in Notice 2012-75:

- (1) Section 3 expands the scope of the revenue procedure from members of Indian tribes, their spouses, and dependents to members of Indian tribes and qualified nonmembers, as well as Indian tribal governments.
- (2) Section 4.04 clarifies that for purposes of this revenue procedure the term "pay" means "pay or reimburse in whole or in part." Conforming changes are made throughout this revenue procedure.
- (3) Section 4.05 adds and defines the term "qualified nonmember" to expand the scope of individuals in section 3 who may qualify to receive benefits described in this revenue procedure.
- (4) Sections 4.07 and 4.08 add and define the terms "service area" and "service unit area" to expand the geographic areas for transportation programs described in section 5.02(2)(d)(i).
- (5) Section 5.01(1) clarifies that a tribal government may provide a benefit described in this revenue procedure directly or indirectly, by payment or reimbursement, and in cash or property.

(6) Section 5.02(1)(c) clarifies that a benefit will be considered available to any tribal member or qualified nonmember who satisfies the program guidelines even if the program guidelines limit the benefit to an identified group of these individuals (for example, veterans) and although as a practical matter the benefit is not available to all tribal members, qualified nonmembers, or an identified group because of budgetary restraints.

(7) Section 5.02(1)(f) clarifies that the determination of whether a benefit is not lavish or extravagant depends on the facts and circumstances.

(8) Section 5.02(2) clarifies that the benefits listed in the parenthetical language in section 5.02(2) are illustrative only rather than an exhaustive list, and that a benefit that meets all other requirements may qualify for exclusion from gross income under this revenue procedure even though the benefit is not expressly described in the parenthetical language. Several sections clarify that the exclusion is not limited to the benefits described: 5.02(2)(a)(iii), 5.02(2)(b)(i), 5.02(2)(b)(ii), 5.02(2)(b)(iv)(A) and (C), 5.02(2)(c)(iv), 5.02(2)(d)(iii), 5.02(2)(d)(iv), 5.02(2)(e)(iii), and 5.03.

(9) Section 5.02(2)(a) adds that housing programs relating to principal residences also may relate to ancillary structures that are not used in any trade or business or for investment purposes.

(10) Section 5.02(2)(a)(i) adds housing programs that pay down payments, clarifies that rent payments include security deposits, and deletes the reference to “on or near a reservation.”

(11) Section 5.02(2)(a)(ii) clarifies that habitability of housing includes safety issues (including but not limited to mold remediation).

(12) Section 5.02(2)(a)(iv) clarifies that utility bills include basic communications services, such as phone, internet, and cable.

(13) Section 5.02(2)(b)(i) clarifies that the benefits may be used in both school activities and extracurricular activities.

(14) Section 5.02(2)(b)(ii) expands tuition payments to include payments to attend a school (including a preschool or online school), removes the requirement that a college or university must be accredited and clarifies that room and board may be off campus and that the housing allowances may be provided to a domestic partner.

(15) Redesignated section 5.02(2)(b)(iii) adds programs for the care of children away from their homes to help their parents or other relatives responsible for their care to be gainfully employed or to pursue education.

(16) Redesignated section 5.02(2)(b)(iv)(C) changes “necessary clothing” to “appropriate clothing.”

(17) Section 5.02(2)(c) clarifies that the term disabled individuals means individuals who are physically or mentally disabled as defined under applicable law, including tribal government disability codes.

(18) Section 5.02(2)(c)(i) clarifies that meals for elder and disabled individuals may be provided at a community center or similar facility.

(19) Former section 5.02(2)(c)(iv) is deleted because travel expenses for doctor appointments or other medical care are excluded from income under § 139D.

(20) Former section 5.02(2)(c)(v) is deleted because expenses for educational, social, or cultural programs are covered in new section 5.02(2)(e)(v).

(21) Section 5.02(2)(d)(i) expands transportation programs to include transportation costs such as rental cars, substantiated mileage (see, for example, procedures described in Rev. Proc. 2010-51, 2010- 51 I.R.B. 883), and fares for bus, taxi, and public transportation; and to include transportation to or from a service area or service unit area as well as to

or from an Indian reservation. In addition, the section clarifies that the facilities are those that provide essential services to the public (such as grocery stores or medical facilities).

(22) Section 5.02(2)(d)(ii) replaces “spouse or dependent” with “qualified nonmember.”

(23) Section 5.02(2)(d)(v) clarifies that the assistance is for transportation emergencies, expands the assistance to all transportation costs, removes the limitation that the individual must be stranded off the Indian reservation, and adds the example of being stranded away from home as a situation to which this transportation assistance program might apply.

(24) Section 5.02(2)(d)(vi) adds that programs to provide or reimburse the cost of nonprescription drugs include traditional Indian tribal medicines.

(25) Section 5.02(2)(e)(i) expands the benefits to include payment for all expenses (including admission fees, transportation, food, and lodging) for individuals participating in as well as attending certain tribal activities, and clarifies that the activities include religious activities.

(26) Section 5.02(2)(e)(ii) expands the benefit to all expenses (including admission fees, transportation, food, and lodging) to visit sites, including other Indian reservations, that are culturally or historically significant for the tribe.

(27) Section 5.02(2)(e)(iv) adds other bereavement events and subsequent honoring events.

(28) New section 5.02(2)(e)(v) adds programs that pay transportation costs and admission fees to attend educational, social, and cultural programs supported by the tribe or another tribe, thus extending this benefit, which had been limited under the proposed revenue procedure to tribal elders and disabled individuals, to all tribal members and qualified nonmembers.

(29) Section 5.03 clarifies the following: (i) the items of cultural significance must not be lavish or extravagant under the facts and circumstances; (ii) nominal cash honoraria may be provided to religious or spiritual leaders as well as religious or spiritual officials; (iii) the cultural, religious, and social events include but are not limited to the listed events and subsequent honoring events; and (iv) the conclusive presumption that individual need is met also applies to religious or spiritual leaders receiving these benefits.

### SECTION 3. SCOPE

This revenue procedure applies to Indian tribal governments, members of Indian tribes, and qualified nonmembers.

### SECTION 4. DEFINITIONS

The following definitions apply for purposes of this revenue procedure.

.01 Indian tribal government. The term “Indian tribal government” has the same meaning as in § 7701(a)(40) but for purposes of this revenue procedure includes agencies or instrumentalities of the Indian tribal government.

.02 Indian tribe. The term “Indian tribe” has the same meaning as in § 45A(c)(6).

.03 Member of an Indian tribe. The term “member of an Indian tribe” has the same meaning as in 25 C.F.R. § 290.2.

.04 Pay. The term “pay” means pay or reimburse in whole or in part.

.05 Qualified nonmember. The term “qualified nonmember” means a spouse, former spouse, legally recognized domestic partner or former domestic partner, ancestor, descendant, or dependent of a member of an Indian tribe.

.06 Reservation. The term “reservation” or “Indian reservation” has the same meaning as in § 168(j).

.07 Service area. The term “service area” has the same meaning as in 25 C.F.R. § 20.100.

.08 Service unit area. The term “service unit area” means an area designated for purposes of administration of Indian Health Service programs under 42 C.F.R. § 136.21(l).

## SECTION 5. APPLICATION

.01 Application of general welfare exclusion to Indian tribal government programs. If section 5.01(1) or 5.01(2) of this revenue procedure applies, the Service will not assert that members of an Indian tribe or qualified nonmembers must include the value of the applicable benefits in gross income under § 61 or that the benefits are subject to the information reporting requirements of § 6041. (1) If an Indian tribal government provides a benefit (directly or indirectly, by payment or reimbursement, or in cash or in property) meeting the criteria specified in section 5.02(1) of this revenue procedure and described in section 5.02(2) of this revenue procedure, the Service will conclusively presume that individual need is met for each tribal member or qualified nonmember receiving the benefit. (2) If an Indian tribal government provides a benefit meeting the criteria specified in section 5.03, the Service will conclusively presume that individual need is met for each tribal member or qualified nonmember receiving the benefit and that the benefit does not represent compensation for services.

.02 Benefits provided by a tribe for which individual need is presumed. Section 5.01(1) of this revenue procedure applies to benefits meeting the general criteria of section 5.02(1) of this revenue procedure and described in section 5.02(2) of this revenue procedure.

(1) General criteria. To qualify for exclusion under this revenue procedure, a benefit described in section 5.02(2) of this revenue procedure must meet the following requirements—

- (a) The benefit is provided pursuant to a specific Indian tribal government program;
- (b) The program has written guidelines specifying how individuals may qualify for the benefit;
- (c) The benefit is available to any tribal member, qualified nonmember, or identified group of tribal members or qualified nonmembers (for example, veterans) who satisfy the program guidelines, subject to budgetary restraints;
- (d) The distribution of benefits from the program does not discriminate in favor of members of the governing body of the tribe;
- (e) The benefit is not compensation for services; and
- (f) The benefit is not lavish or extravagant under the facts and circumstances.

(2) Specific benefits. Benefits provided under the following programs are benefits described in this section 5.02(2). The benefits listed in the parenthetical language in section 5.02(2) are illustrative only rather than an exhaustive list. Thus, a benefit may qualify for exclusion from gross income under this revenue procedure even though the benefit is not expressly described in the parenthetical language in this section 5.02(2), provided that it meets all other requirements of this revenue procedure.

(a) Housing programs. Programs relating to principal residences and ancillary structures that are not used in any trade or business, or for investment purposes that—(

- (i) Pay mortgage payments, down payments, or rent payments (including but not limited to security deposits) for principal residences;

(ii) Enhance habitability of housing, such as by remedying water, sewage, sanitation service, safety (including but not limited to mold remediation), or heating or cooling issues;

(iii) Provide basic housing repairs or rehabilitation (including but not limited to roof repair and replacement); and

(iv) Pay utility bills and charges (including but not limited to water, electricity, gas, and basic communications services such as phone, internet, and cable).

(b) Educational programs. Programs to—

(i) Provide students (including but not limited to post-secondary students) transportation to and from school, tutors, and supplies (including but not limited to clothing, backpacks, laptop computers, musical instruments, and sports equipment) for use in school activities and extracurricular activities;

(ii) Provide tuition payments for students (including but not limited to allowances for room and board on or off campus for the student, spouse, domestic partner, and dependents) to attend preschool, school, college or university, online school, educational seminars, vocational education, technical education, adult education, continuing education, or alternative education;

(iii) Provide for the care of children away from their homes to help their parents or other relatives responsible for their care to be gainfully employed or to pursue education; and (

(iv) Provide job counseling and programs for which the primary objective is job placement or training, including but not limited to allowances for--

(A) Expenses for interviewing or training away from home (including but not limited to travel, auto expenses, lodging, and food);

(B) Tutoring; and

(C) Appropriate clothing for a job interview or training (including but not limited to an interview suit or a uniform required during a period of training).

(c) Elder and disabled programs. Programs for individuals who have attained age 55 or are mentally or physically disabled (as defined under applicable law, including but not limited to tribal government disability codes) that provide—

(i) Meals through home-delivered meals programs or at a community center or similar facility;

(ii) Home care such as assistance with preparing meals or doing chores, or day care outside the home;

(iii) Local transportation assistance;

(iv) Improvements to adapt housing to special needs (including but not limited to grab bars and ramps).

(d) Other qualifying assistance programs. Programs to—

(i) Pay transportation costs such as rental cars, substantiated mileage, and fares for bus, taxi, and public transportation between an Indian reservation, service area, or service unit area and facilities that

provide essential services to the public (such as medical facilities and grocery stores);

(ii) Pay for the cost of transportation, temporary meals, and lodging of a tribal member or qualified nonmember while the individual is receiving medical care away from home;

(iii) Provide assistance to individuals in exigent circumstances (including but not limited to victims of abuse), including but not limited to the costs of food, clothing, shelter, transportation, auto repair bills, and similar expenses;

(iv) Pay costs for temporary relocation and shelter for individuals involuntarily displaced from their homes (including but not limited to situations in which a home is destroyed by a fire or natural disaster);

(v) Provide assistance for transportation emergencies (for example, when stranded away from home) in the form of transportation costs, a hotel room, and meals; and

(vi) Pay the cost of nonprescription drugs (including but not limited to traditional Indian tribal medicines).

(e) Cultural and religious programs. Programs to—

(i) Pay expenses (including but not limited to admission fees, transportation, food, and lodging) to attend or participate in an Indian tribe's cultural, social, religious, or community activities, such as pow-wows, ceremonies, and traditional dances;

(ii) Pay expenses (including but not limited to admission fees, transportation, food, and lodging) to visit sites that are culturally or historically significant for the tribe, including but not limited to other Indian reservations;

(iii) Pay the costs of receiving instruction about an Indian tribe's culture, history, and traditions (including but not limited to traditional language, music, and dances);

(iv) Pay funeral and burial expenses and expenses of hosting or attending wakes, funerals, burials, other bereavement events, and subsequent honoring events; and

(v) Pay transportation costs and admission fees to attend educational, social, or cultural programs offered or supported by the tribe or another tribe.

.03 Benefits provided by a tribe that are presumed not to be compensation for services. Except as provided in this section 5.03, section 5.01 of this revenue procedure does not apply to benefits that are compensation for services. However, section 5.01(2) of this revenue procedure applies to benefits provided under an Indian tribal governmental program that are items of cultural significance that are not lavish or extravagant under the facts and circumstances, or nominal cash honoraria provided to religious or spiritual officials or leaders (including but not limited to medicine men, medicine women, and shamans) to recognize their participation in cultural, religious, and social events (including but not limited to pow-wows, rite of passage ceremonies, funerals, wakes, burials, other bereavement events, and subsequent honoring events). The Service will conclusively presume that individual need is met for the religious or spiritual officials or leaders receiving these benefits and that the benefits do not represent compensation for services.

## SECTION 6. EFFECTIVE DATE

This revenue procedure is effective for benefits provided on or after December 6, 2012. Taxpayers may apply this revenue procedure in taxable years for which the period of limitation on refund or credit under § 6511 has not expired.

**DRAFTING INFORMATION** The principal author of this notice is Sheldon Iskow of the Office of Associate Chief Counsel (Income Tax and Accounting). For further information regarding this revenue procedure, please contact Mr. Iskow at (202) 317-4718 (not a toll-free call).

## **GLOSSARY OF TERMS**

**Accrual Method of Accounting** - is the method of recording revenues in the period in which they are earned, regardless of when cash is received, and reporting expenses in the period when the charges are incurred, regardless of when payment is made.

**Budget Period** – is the period for which a budget is approved for an award. The budget period may be equal to or shorter than the project period for an award, but cannot be longer than the project period.

**Consultant** – Individual who provides professional advice or services.

**Contracts** – are entered into by the awarding agency, recipients or sub-recipients, and commercial (profit-making) and nonprofit organizations. With the exception of a few justified sole-source situations, contracts are awarded via competitive processes to procure a good or service.

**Grants** – are awarded to States, units of local government, or private organizations at the discretion of the awarding agency or on the basis of a formula. Grants are used to support a public purpose.

**Indirect Costs** – are the costs incurred for a common or joint purpose benefiting more than one cost objective or program. Examples of these costs include: finance personnel, audit expenses, insurance, human resources personnel, and administrative office supplies. These costs determine what portion of general expenses each program should bear. The Tribe must develop, submit, and negotiate an Indirect Cost Proposal to the National Business Center (NBC).

**Match** - is the recipient share of the project costs. Match may either be “in-kind” or “cash.” In-kind match includes the value of donated services. Cash match includes actual cash spent by the recipient and must have a cost relationship to the Federal award that is being matched. (Example: Match on administrative costs should be other administrative costs, not other matching on program costs).

**Nonexpendable Personal Property** – includes tangible personal property having a useful life of more than 1 (one) year and an acquisitions cost of more than \$5,000.00 per unit.

**Personal Property** – means property of any kind except real property. It may be tangible or intangible (Patents, inventions, copyrights)

**Program Income** – gross income earned by the recipient during the funding period as a direct result of the award.

**Project Period** – is the period for which implementation of a project is authorized. The project period may be equal to or longer than the budget period for an award, but cannot be shorter than the budget period.

**Real Property** – means land, land improvements, structures, and appurtenances thereto, excluding moveable machinery and equipment.

**Reasonable** – means those costs that a prudent person would have incurred under the circumstances prevailing at the time the decision to incur the cost was made.

Supplanting – is to deliberately reduce State or local funds because of the existence of federal funds. Federal funding should only supplement the budgets, not replace existing funds from other sources.