

**TOADLENA/TWO GREY HILLS CHAPTER
FISCAL POLICIES AND PROCEDURES MANUAL**

I. AUTHORIZATION

- A. Pursuant to 26 N.N.C. § 101 (A), the Toadlena/Two Grey Hills Chapter (hereafter “Chapter”) is required to adopt and operate under a Five Management System to ensure fiscal accountability. The Chapter shall also develop the Five Management Systems Policies and Procedures Manual consistent with applicable Navajo Nation law.
- B. Pursuant to Chapter Resolution #TDLA/TGH-10-08-08-05; the Toadlena/Two Grey Hills Chapter Fiscal Policies and Procedures Manual (hereafter “Fiscal Manual”) is hereby approved and adopted.

II. PURPOSE AND SCOPE

A. Principles:

The Fiscal Manual is a statement of policies and procedures which provides for planning, organizing, directing, and controlling the limited resources of the Chapter. The Fiscal Manual will guide the Chapter to achieve its desired mission, goals and objectives, and to ensure compliance with governmental requirements.

B. Compliance:

The general principles of this policy are applicable to all employees, both regular status and temporary, of the Chapter, including Chapter Officials. The Chapter Officials, Chapter Manager, and Administrative Assistant will monitor the financial management system to ensure fiscal records are maintained and that this Policy is enforced.

III. APPLICABLE LAWS

The Chapter shall comply with all applicable state, federal and Navajo Nation laws.

IV. ROLE OF THE CHAPTER OFFICIALS

A. **The Chapter President shall:**

- 1. Work closely with the Vice-President and Secretary/Treasurer, to ensure that the Chapter Administration is adequately meeting the Chapter’s directives and expending funds consistent with conditions set by the Navajo Nation Council and/or the Chapter’s annual budgetary objectives, and shall report to the Chapter membership. 26 N.N.C § 1001 B (1) (j). The Chapter President shall ensure that any regulations, terms and conditions, assurances, and certification requirements of funding agencies other than the Navajo Nation are also met.

B. The Chapter Vice-President shall:

1. In the event the Chapter President is not available, assume the role of the Chapter President and perform in that capacity.

C. The Secretary/Treasurer shall:

1. Monitor the maintenance of an adequate accounting system to ensure accountability of all funds and expenditures, and shall report to the chapter membership. 26 N.N.C. § 1001 (B) (3) (h).
2. Co-sign all checks along with the Chapter Manager. In the event the Secretary/Treasurer is unavailable, the Chapter President or Vice-President may co-sign checks. 26 N.N.C., § 1001 B (3) (l). Any such co-signature by the Chapter President or Vice-President shall require a justification memorandum.
3. Consult with other Chapter Officials to ensure that the administrative personnel prepare all financial reports and accounting records by fund source categories. The Secretary/Treasurer is responsible for providing all financial reports to the Chapter membership at a duly called Chapter Meeting. 26 N.N.C. § 1001 (B) (3) (l).

D. Chapter Officials are prohibited from direct involvement in the management and operation of the Chapter administration. 26 N.N.C. § 1001 (E).

E. Chapter Officials are prohibited from conducting financial transactions three (3) months before or after the general election for chapter officials, *except* for general operation costs.

F. Chapter Officials shall attend, upon taking the oath of office, a training session on Ethics in Government sponsored by the Ethics and Rules Office of the Navajo Nation. Chapter Officials shall maintain a high standard of conduct in all Chapter business consistent with Navajo law, including the Local Governance Act and the Navajo Nation Ethics in Government Law. Chapter Officials are prohibited from rendering opinions, directions or decisions contrary to the sound practice of leadership or contrary to the best interest of the Chapter. 26 N.N.C. § 1001 (l).

G. Chapter funds shall not be used for personal, business or other forms of loans. Per capita distribution of funds by the Chapter is prohibited. 26 N.N.C. § 2003 (D).

H. In accordance with the exception provided in 12 N.N.C. § 820 (N), funds appropriated to the Chapter by the Navajo Nation Council shall not be subject to a lapse of appropriation at the end of the fiscal year provided that the Chapter shall budget those funds in the subsequent fiscal year in accordance with the purposes and conditions originally set forth by the Navajo Nation Council in its appropriations.

V. ACCOUNTING SYSTEM REQUIREMENTS

A. Policy:

Standards for the Chapter accounting system shall be the following:

1. The Chapter's accounting system shall be on a cash-basis method of accounting; therefore, the chapter shall be deviating from the Generally Accepted Accounting Principles (GAAP) with respect to the basis of accounting.
2. The Chapter shall have a records system capable of identifying the source and use of funds.
3. The Chapter shall have a system of internal control procedures to ensure funds are used properly.
4. The Chapter shall have a system for disclosing and reporting the financial position and results of the chapter operation on a monthly, quarterly and annual basis.
5. The Chapter's financial activities shall be audited biennially.

B. Fund Accounting:

1. The accounts of the Chapter shall be organized by funds and account groups, each of which will be considered a separate accounting entity for financial reporting purposes. Each fund will maintain a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, reserve and budgeted expenditures. The funds are governmental fund types and shall be grouped as a General Fund and a Special Revenue Fund(s).
2. The General Fund is the general operating fund of the Chapter. It shall be used to account for all financial resources except those required to be accounted for in another fund.
3. The Special Revenue Fund(s) is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

C. Chapter will maintain the following funds, including but not limited to the following:

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|--------------------------------|----------------------------|
| General Activities Fund | Scholarship Fund |
| Local Governance Act Fund | Housing Discretionary Fund |
| Stipend Fund | Maintenance/Utilities Fund |
| Public Employment Project Fund | Emergency Fund |
| Land Claims Trust Fund | Student Employment Fund |
| Veterans Fund | Sales Tax Revenue |

D. Financial Accounting Records:

1. The Chapter's accounting system consists of accounting records and procedures, which allow the Chapter to identify, assemble, analyze, classify, record and summarize its financial transactions and report on its financial position and results of operation.
2. The primary objectives of the Chapter's accounting system are to provide reliable and consistent financial information on a timely basis, safeguard the chapter's assets, and to provide reasonable assurance that the chapter complies with all applicable laws and regulations.
3. The Chapter's accounting records provide the documentary support for account balances and must be properly maintained to provide fiscal accountability for the chapter. Accounting records include source documents, journals, registers, ledgers and other supplementary records.
4. The chapter will maintain all accounting records in accordance with the Chapter Records Management Policy and Procedures Manual.

VI. CHAPTER OPERATING BUDGET

- A. It shall be the Chapter's policy that no expenditure of Chapter funds shall be made without an approved annual budget and that no expenditures shall exceed the budgeted amounts without prior approval by the Chapter voting members.

Any person, agent or Chapter official misappropriating or misusing Chapter funds or property shall be subject to prosecution under the applicable laws of the Navajo Nation, and, if appropriate, under the laws of the federal government.

- B. The Chapter Fiscal Year shall begin October 01 and shall end September 30 of each calendar year.

C. Budget Preparation and Procedures:

1. Upon notification of the Chapter's base allocation from the Navajo Nation, the Chapter Manager, in consultation with the Chapter Officials, shall review and follow the budget instruction manual of the Navajo Nation Office of Management and Budget (OMB) when formulating the annual budget.
2. The Chapter Manager and officials will formulate a proposed budget using the Navajo Nation OMB budget forms for all revenues the Chapter will receive or generate and for all expenditures the Chapter will make, including all Navajo Nation and non-Navajo Nation funds.

3. The proposed budget shall be based upon the goals and objectives established through budget hearings, which shall be held at least four (4) months before the end of the fiscal year (by June).
 4. The Chapter Manager, in consultation with the Chapter Officials, shall prepare a proposed budget and schedule a public meeting to obtain input on the proposed budget from the Chapter membership (which may be a duly-called regular Chapter Meeting).
 5. At least two (2) months before the beginning of each fiscal year (by August), the Chapter Manager and Chapter Officials shall prepare, present and explain the Chapter proposed annual budget to the Chapter membership for discussion at a duly-called Chapter Meeting.
 6. The Chapter membership shall vote to approve or disapprove the subsequent fiscal year's budget at a duly called regular Chapter Meeting in September. This regular Chapter Meeting will be publicly advertised at least (30) days in advance of said meeting by posting notices to inform the chapter membership of the intent to discuss and approve the subsequent fiscal year's annual budget.
 7. The approved Chapter operating budget may also include funds other than Navajo Nation appropriated funds as well as carryover of the previous fiscal year's unexpended funds, except where the funding agency(s) does not permit the carryover of funds.
 8. The Chapter Manager shall notify the Chapter Officials if any changes in the budget are necessary after the budget's adoption. At the next duly-called Planning meeting, the Chapter Officials will discuss any proposed amendments or modifications to the budget.
 9. The Chapter Manager will present in full detail all proposed budget related documents for review by the Chapter membership prior to approval of amendments. The proposed budget amendment(s) will be forwarded to the next scheduled Chapter meeting for discussion and approval by the Chapter membership.
 10. All modifications or revisions during that fiscal year will be by budget transfers, and shall require Chapter membership approval. The Chapter Manager will prepare and present the request for budget transfers.
 11. The Chapter Manager will establish fund and subsidiary ledgers based on the chapter-adopted budget for each Chapter fund. The Chapter Manager will refer to these ledgers during the course of the fiscal year when reviewing expenditures, purchase requests, and transfers.
- D. The Administrative Assistant will maintain current records of all financial transactions at all times, including budget modifications or transfer(s) of funds.

VII. INTERNAL CONTROL POLICIES AND PROCEDURES

It is the policy of the Chapter to establish internal controls to ensure its assets and resources are protected against waste, fraud, and inefficiency, and to ensure that accounting data are accurate, dependable and compliant with any regulations, terms and conditions, assurances, and certification requirements of funding agencies.

A. Cash Receipts:

1. Cash Receipts Control Policies:

- a. The Chapter administrative staff will use a two-copy receipt form to record all cash received whether by check, money order, or currency. The cash receipt forms will be pre-numbered.
- b. All checks and money orders received shall be endorsed "for deposit only" immediately upon receipt.
- c. Cash receipts shall be deposited (if practical) on a weekly basis to the Chapter's checking account.
- d. Cash receipts shall be adequately contained in a cash box and further safeguarded in a safe or locked file cabinet at all times, promptly recorded, and accurately classified.
- e. The handling of all cash receipts shall be segregated to ensure that no one employee (cash custodian) is in a position to solely collect, deposit, safeguard and reconcile all cash receipts.
- f. Cash receipts shall not be co-mingled with petty cash or be used as cash disbursements for any expenditures, including travel, salary advances, or personal loans.
- g. The Administrative Assistant shall be designated the custodian of cash receipts by Chapter resolution.

2. Cash Receipt Control Procedures:

- a. Upon receipt by mail or other means, the Administrative Assistant shall record all cash received, whether check or currency, on a two-copy pre-numbered receipt form which shall be recorded in the cash receipt journal on a daily basis.
- b. The Administrative Assistant shall ensure all checks or money orders are immediately stamped with a restrictive endorsement.

- c. All cash receipts shall be recorded in ink on the cash receipt form daily, and which shall include the following: (1) the payer's name; (2) the purpose of the cash receipt; (3) the amount received, including check or money order numbers and the bank that the check is drawn on; (4) the date received; and (5) the initials and position of the person receiving the money. The Administrative Assistant will record all cash received in the cash receipts journal at the end of each day.
- d. The Administrative Assistant shall mail or give an original copy of the receipt form to the person or organization from which the money is received.
- e. The Administrative Assistant shall safeguard all un-deposited cash receipts in a locked cash box and safe at all times.
- f. The Administrative Assistant shall prepare the bank deposit slips and forward all cash receipts and restrictively endorsed checks, including the cash receipt book, cash log, and cash receipts journal to the Chapter Manager for reconciliation.
- g. The Chapter Manager shall ensure that the deposit amount reconciles with the total cash receipts in the cash receipts journal and shall initial the cash receipts journal to indicate the reconciliation was completed and shall resolve any variances.
- h. The Chapter Manager shall deposit the monies into the Chapter's bank account on a weekly basis or as practical. The Chapter Manager shall deposit all monies within ten days of receipt.
- i. The Chapter Manager shall obtain a deposit receipt and return the duplicate deposit receipt to the Administrative Assistant who shall record the deposit in the appropriate check/savings fund and subsidiary ledgers when updating the Chapter books.
- j. On a monthly basis, the Chapter Manager shall reconcile the cash receipts records to deposits and actual cash by comparing receipts and deposits. The aggregate amount of receipts issued should equal the amount deposited in the bank.
- k. In the event of any discrepancies or variances in receipts and deposits, the Chapter Manager/Administrative Assistant shall immediately report said discrepancies or variances to the Chapter Officials at a regular Planning Meeting. Any variances shall be investigated and resolved. If the Chapter Manager/Officials determine any negligence or willful wrongdoing on the part of the Chapter staff, he/she shall take immediate action in accordance with the policies set forth in the Chapter Personnel Policies and Procedures Manual.

- l. Once any variance or discrepancy is resolved, the Chapter Manager shall adjust the cash receipts journal and shall document the basis for the adjustment in the Chapter records.
- m. The Secretary/Treasurer will report the cash receipts as part of the monthly financial reporting to the Chapter membership at all duly called regular Chapter Meetings.

B. Cash Disbursements:

- 1. Cash Disbursement Policies:
 - a. The handling of all cash disbursements shall be properly segregated to insure that no single employee is in a position to authorize, execute, and/or approve all phases of cash disbursements.
 - b. All disbursements (payments) shall be made by check only from the Chapter general checking account, and not from the savings account.
 - c. The Chapter Manager and the Chapter Secretary/Treasurer will co-sign all checks for payment. In the event the Secretary/Treasurer is unavailable for co-signature, the Chapter President or Vice-President will be authorized to co-sign checks as the secondary signatory. Co-signature by the Chapter President or Vice-President shall require a justification memorandum. Two signatures shall be required for all checks.
 - d. All checks will be pre-numbered and the Administrative Assistant shall maintain a log of the numbered checks held by the Chapter. The checks shall contain the name and address of the Chapter, the bank drawn on, and the account number at the bank.
 - e. The Chapter chart of accounts shall be used to determine the appropriate accounts to which the disbursement will be charged.
 - f. No checks shall be written out to "cash" or bearer; and no blank check shall be signed before it is completely filled out.
 - g. The Chapter is prohibited from making monetary loans to individuals using Chapter funds.
 - h. All disbursement transactions shall be reconciled on a monthly basis to ensure funds are disbursed with proper approval, based on adequate documentation and in compliance with funding guidelines and budget stipulations.

- i. All paid invoices and supporting documentations shall be properly defaced by indicating "paid", amounts paid, and date, to avoid duplicate payments.
 - j. Disbursements of funds which were not budgeted are prohibited. Disbursements of Chapter funds require Chapter membership approval during a scheduled regular Chapter Meeting to be documented in the Chapter meeting minutes.
 - k. All restricted funds shall be properly budgeted before funds are expended.
 - l. The Chapter Secretary/Treasurer and Chapter Manager shall ensure compliance with all fund disbursements and monitor payables.
 - m. The Chapter shall submit timely payments to take advantage of any purchase discounts or payment-term discounts.
2. Cash Disbursements control procedures:
- a. The Administrative Assistant shall prepare a Fund Approval Form indicating the date, amount, check number, account number and fund availability.
 - b. The Administrative Assistant shall ensure that the Fund Approval Form indicates payment authorization and that all source documents (i.e., invoices, quotes, claim forms, timesheets and similar documents) support each fund disbursement before preparing a check for payment.
 - c. The Administrative Assistant shall upon receipt of goods review all invoices to ensure completeness of the transaction and that those particular goods or services have been received. He/she shall then submit the payment authorization form to the Chapter Manager for payment approval or disapproval.
 - d. The Chapter Manager shall review each fund disbursement for necessity, reasonableness and budgetary authorization. He/she shall ensure that each fund disbursement (check) is payable to the vendor. The Chapter Manager and Secretary-Treasurer shall review the completed check with all supporting documentation before co-signing the check.
 - e. The original check shall be given to the Administrative Assistant for mailing, or distribution to the payee(s).
 - f. The Administrative Assistant shall ensure that all disbursements are recorded immediately in the check ledger and the subsidiary fund balance ledger.

- g. When a check is written to a primary signatory (Chapter Manger or the Secretary-Treasurer), the President or the Vice-President shall substitute as co-signer. A memorandum of justification shall be required for the substitute signatory. When there is no substitute cosigner, the primary signatory, as payee, may sign the check provided all essential documents and a memorandum of justification are attached.

C. Bank Reconciliation Control Policies:

- 1. The following policies shall apply to bank reconciliation:
 - a. One person, who must be other than the primary signatories, shall be designated to prepare the bank reconciliation.
 - b. Reconciliation shall be accomplished within one day upon receipt of the bank statement.
 - c. Any unexplained discrepancies shall be reported immediately to the Chapter Manager for corrective action.
 - d. Any outstanding check that exceeds 90 calendar days from issue date shall be automatically voided. The 90 day stale-check notice should be printed on the Chapter's checks to provide additional notice to the payee (e.g. "this check void after 90 days.")
- 2. Bank Reconciliation Control Procedures:
 - a. Upon receipt of the unopened bank statement and cancelled checks, the Administrative Assistant shall compare the cancelled checks to the Check Ledger to ensure that the numbers, dates, payees, and amounts are in agreement. Cancelled checks shall be examined for alterations, authorized signatures, and irregular endorsements.
 - b. The Administrative Assistant shall prepare a list of outstanding checks. If the list of outstanding checks discloses checks that have been outstanding for three months (90 calendar days) or longer, the Administrative Assistant shall delete those checks from the list of outstanding checks and shall credit the checkbook register and the fund balance ledgers by the amount of the voided checks.
 - c. All voided check(s) shall require proper justification from the payee and approval from the Chapter Manager prior to re-issuance. Any bank service fee incurred will be assessed to the payee.
 - d. The Administrative Assistant shall compare the date and the amount shown on the bank statement to the validated bank deposit slips and check ledger maintained on file, and shall prepare a listing of deposits in

transit. Any variances shall be investigated, resolved and the check register balance shall be adjusted as necessary. The Administrative Assistant shall record the bank charges indicated on the bank statement in the check register.

- e. The Administrative Assistant shall begin with the bank statement ending balance and adjust as follows:
 - (+) Deposits in transit
 - (-) Outstanding Checks
 - (=) Month-end reconciled balance should be the same as the balance in the check ledger
- f. The Chapter Manager shall investigate all discrepancies and seek to resolve differences.
- g. The Administrative Assistant shall sign and date the computation and reconciliation. Once completed, the reconciliation, check ledger, validated bank deposit receipt slips and bank statements shall be forwarded to the Chapter Manager for review.
- h. The Chapter Manager shall cross reference the documents received and review for accuracy and assurance immediately. If there are discrepancies, the Chapter Manager shall consult with the Administrative Assistant for appropriate action.
- i. The Chapter Manager shall review the reconciliation for accuracy and completeness and return the documents to the Administrative Assistant for filing.
- j. The Administrative Assistant shall file all completed reconciliation forms, bank statements, and cancelled checks by account and month.

D. Bank Accounts Control Policies:

- 1. The Chapter shall maintain only one checking account and one savings account at a federally insured depository institution; and:
 - a. All bank records shall be sent directly to the Toadlena/Two Grey Hills Chapter's mailing address at: Toadlena/Two Grey Hills Chapter, P.O. Box 7894, Newcomb, NM 87455.
 - b. A signature authorization card for each bank account shall be maintained and kept on file at the bank and at the Chapter Administration Office.
 - c. Upon a change in authorized bank account signatories by Chapter resolution, the Chapter Administration shall immediately notify the bank.

- d. All bank accounts shall be held in the name of the Chapter.
- e. Each Check issued shall have two required signatures.
- f. The Chapter shall have its own employer identification number for its bank account, including for its investments and savings account.
- g. The Chapter shall prohibit unauthorized direct cash withdrawals and ATM/debit cards bank transactions. However, the Chapter may make cash withdrawals for cash-only transactions (e.g. coal and medicine men's services), provided that the authorized signatories (e.g. Secretary/Treasurer and Chapter Coordinator/Manager) prepare and sign memoranda of authorization and justification. Moreover, all invoices and receipts must be provided to the Chapter just as with all other financial transactions. Such a debit card must be prepaid only and controlled by the Chapter Coordinator/Manager.
- h. All unissued checks will be safeguarded in a locked safe at the Chapter administrative offices.

E. Certificate of Deposits and Other Investments:

- 1. The Chapter may establish reserves for funds not budgeted for operations, and its policies shall include that:
 - a. Investments shall be limited to readily marketable and negotiable instruments that are low in risk.
 - b. Establishment of an investment account shall require community participation and approval by Chapter resolution.
 - c. Funds withdrawn from investment accounts shall be transferred by an approved Chapter resolution and only by authorized signatories to the checking or savings account in order to be expended.
 - d. Investment documentation shall include the investment accounts, maturity dates, the custodian, location, account numbers and changes in value, and shall be sent directly to the Chapter's mailing address.
 - e. Any changes to the investment(s) (i.e., withdrawals, sale, rollovers, etc.) shall be approved by the Chapter membership at a regularly called Chapter Meeting.
 - f. All interest income received from interest bearing accounts shall revert to the General Activities Fund. This applies to all restricted and/or

unrestricted funds. The interest income shall be recorded under line item interest income.

- g. All original documents pertaining to investment accounts shall be properly secured in a locked safe at the Chapter Administrative Office.

2. Investment Control Procedures:

- a. The Chapter Manager shall ensure that proper documents are maintained and that investments are recorded in the proper journals, ledgers, and financial statements on a monthly basis.
- b. The Administrative Assistant shall record all interest income on a monthly basis to appropriate ledgers in the General Activities Fund.
- c. Upon request for investments of chapter funds, the Chapter Manager shall provide pertinent information to the Chapter Officials and community members.
- d. The Chapter Manager shall consult with the Chapter Officials on a monthly basis in the event of any investment changes or activities.
- e. The Chapter Secretary/Treasurer shall maintain periodic monitoring over the investment and keep the community members informed of investment results at a regular Chapter Meeting.

F. Capital Assets:

1. Capital Asset Policy:

It shall be the policy of the Chapter that accurate and reliable records be maintained on all Capital Assets purchased or acquired by lease or lease/purchases. The records shall include a description of the asset, identification numbers, cost of the asset, date acquired, location, and custodial responsibility. Expected lifetime and depreciation records shall be maintained.

2. Capital Assets Control Procedures:

- a. The Administrative Assistant shall maintain the Capital Asset records. He/she shall insure that all Capital Assets are tagged with identification tags bearing a description, date acquired, and an identification number.
- b. The Administrative Assistant shall record and report in the Chapter's accounting financial records the total dollar value of inventory items and any changes to said inventory, including acquisition and disposition of Capital Assets and the funding source.

- c. The Administrative Assistant shall verify the inventory on an annual basis through a physical count. Any differences from the financial records shall be investigated for cause and the records adjusted. Any adjustment to the records shall require a justification memorandum and/or appropriate documentation.
- d. If there are no documents to show the cost of any chapter Capital Asset, the value will be estimated by the Chapter Manager based on fair market value.
- e. The Chapter Manager shall be responsible for the disposition of these assets, and in the event of loss or theft, for which he/she is responsible, refer to Chapter Property Policy and Procedures Manual, Section X (B).
- f. The recording and reporting of the Chapter's Capital Assets into accounting records and financial statements will be the responsibility of the Administrative Assistant pursuant to Chapter Property Policy and Procedures Manual Section VIII.
- g. The Capital Assets account group shall be reported on the Combined Balance Sheet financial statement.
- h. The total of the Capital Asset inventory shall be entered into the Combined Balance Statement under Capital Assets column. An equal amount shall be entered into the statement under Investments column.
- i. All Capital Assets shall be identified by fund source.

G. Chart of Accounts:

- 1. The Chapter, pursuant to the Navajo Nation Local Governance Act (LGA) 26 N.N.C., Section 2003 (C) (1), is required to follow the Navajo Nation Budget Instructions Manual when formulating its annual base allocation chapter budget. The Chapter will use the Chapter Chart of Accounts for all budget purposes and accounting system.
- 2. The Chapter Manager, in consultation with the Chapter Officials, will be authorized to make changes to the Chapter Chart of Accounts.

H. Payroll:

- 1. Payroll Control Policies:

The following policies shall be applied to ensure effective control over payroll and disbursement:

- a. The Chapter shall establish and maintain a salary and wage schedule. The Chapter will abide by the federal minimum wage law then in effect.
- b. Appropriate segregation of duties shall be maintained to ensure that chapter employees are not in a position to authorize, execute and approve all aspects of payroll processing and disbursements.
- c. The Chapter shall operate under a cash basis of accounting; therefore, all payroll expenses will be recorded on the check date.
- d. The Chapter shall establish and maintain a system to account for the accrual and use of annual leave (compensatory, personal) and sick leave.
- e. The Chapter will follow all applicable Navajo Nation, state and federal laws and regulations relating to payroll.
- f. The Chapter shall have its own employer identification number for tax purposes when reporting and remitting applicable payroll taxes to the IRS.
- g. Personnel records on each employee shall be maintained at the Chapter administration on authorized chapter Forms. These records include but are not limited to:
 - (a.) Personnel Action Form (PAF)
 - (b.) Employment Application Form
 - (c.) Employee's Federal Withholding Allowance Certificate (W-4)
 - (d.) Copy of Social Security Card
 - (e.) Voluntary Deductions Authorization
 - (f.) Employee Performance Evaluation Form
 - (g.) Arizona New Hire Form
 - (h.) Wage Garnishments
 - (i.) Parental Consent Form
 - (j.) Copy of voter registration

2 Payroll Processing and Procedures:

- a. The Administrative Assistant will record employee's Personnel Action Form information on the employee's earning subsidiary ledger. The ledger will contain the employee's name, social security number, mailing address, authorized pay rate, date of employment, payment due, hours earned, gross pay, withholdings for FICA and federal taxes, any other deductions, net pay and leave account.
- b. The immediate supervisor is responsible to maintain an attendance sheet on all Chapter employees. The attendance sheet shall be signed by chapter employees each day to record employees' time of arrival and

departure, including for public employment projects and student employment personnel. These records shall be provided weekly to the Administrative Assistant who shall forward these documents to the Chapter Manager for review. The Administrative Assistant shall retain these records and file them chronologically in accordance with the Records Management Policies and Procedures Manual.

- c. The Administrative Assistant is responsible for calculating the time and hours worked for each employee and shall enter the total hours on the timesheet. Timesheets shall also document regular and overtime hours worked, annual, sick leave and leave without pay taken during each pay period.
- d. The Administrative Assistant shall prepare payroll checks, attach all supporting documents and submit to the Chapter Manager for review and approval.
- e. The Chapter Manager shall review all timesheets, and sign the payroll checks. She shall then forward the payroll checks with applicable documentation for review and co-signature by the Secretary/Treasurer.
- f. After completing the signature requirement, the payroll checks shall be given to the Administrative Assistant for distribution. Each employee is required to personally obtain his or her check. In the event the employee is unable to pick up his/her check, the employee shall provide a written authorization to release his/her payroll check to the Chapter Manager. The written documentation shall contain the employee's social security number, address, signature and the name of the person designated to pick up the payroll check.
- g. The Chapter Manager's time and attendance and payroll check shall be reviewed and signed by the designated immediate supervisor. The Chapter Officials will decide among themselves who will be designated the local direct supervisor of the Chapter Manager.
- h. The Chapter Administration shall ensure that Worker's Compensation is available for all Chapter employees by paying requisite premiums to the Risk Management Department of the Navajo Nation. The Chapter, not the employee, is responsible for paying any premiums for Worker's Compensation coverage for its employees.
- i. The Chapter shall also participate in the State Unemployment Compensation Act Fund. The Chapter Administration is responsible for submitting the requisite contribution to the Department of Economic Security or Department of Employment Security on a quarterly basis.

- j. The Administrative Assistant shall prepare Social Security, Medicare (both employer and employee), and Employee Federal Taxes to be withheld on Form 8109, monthly at the Chapter's designated banking institution. The Administrative Assistant shall ensure that timely deposits are made on the monthly payroll tax deposit to avoid penalties. Form 941 shall be filed with the Internal Revenue Service on a quarterly basis according to the due dates set forth by the IRS. In the event the designations of these forms change, the Chapter shall comply with all Internal Revenue Service filing requirements. The Chapter Administration shall consult with Office of Management and Budget in November of each calendar year for any changes in Internal Revenue Service filing requirements.
- k. The Administrative Assistant shall prepare and submit an Internal Revenue Service Form 1099-MISC to each vendor to whom \$600 or more in fees, commissions, or other forms of compensation is paid. Such vendors include independent contractors, attorneys, accountants and other professionals contracted for services. These forms shall be submitted to the vendor by January 31st and to the Internal Revenue Service by February 28th of the following calendar year.

I. Travel Policies and Control Procedures:

- 1. It shall be the policy of the Chapter that only reasonable and necessary travel expenses are reimbursed and that the traveler shall submit a report for each trip describing what was accomplished and how the Chapter and community benefited from the travel.
- 2. The Chapter may issue pre-paid debit cards for an authorized amount to cover only reasonable and necessary travel expenses. Such a prepaid debit card must be prepaid only and controlled and issued by the Chapter Coordinator/Manager. The authorized signatories (e.g. Secretary/Treasurer and Chapter Coordinator/Manager) must prepare and sign memoranda of authorization and justification. As with reimbursement checks, the traveler shall submit a report for each trip describing what was accomplished and how the Chapter and community benefited from the travel. All receipts and invoices must be submitted to the Chapter Manager.
- 3. The designated duty station for Chapter officials and Chapter employees is the Chapter house. This designated duty station will be used to calculate all travel mileage claims for meetings outside the designated duty station. For Chapter employees and officials, travel between an employee or official's home and duty station is not considered official travel.
- 4. Travel Authorization: Authorized travel expenses will include transportation, lodging, meals and other costs directly related to Chapter business travel conducted by a chapter employee or official. All requests for travel funds are only reimbursable if funds are available in the Chapter's approved budget. To

reduce costs, travel shall be limited to the most cost efficient method of travel available.

5. Travel Advances: The Chapter will allow travel advances up to 50% of the total estimated travel expense. An employee/Chapter official can only have one outstanding pay advance at any one time. Any outstanding travel advances delinquent over ten (10) calendar days after completion of travel shall be deducted from the employee's salary or the Chapter official's meeting stipend.
6. Travel Expenses: The Chapter officials and employees shall be reimbursed for reasonable expenses while on Chapter business travel including lodging, meals, transportation, telephone and for Chapter business related calls, email, and other incidental expenses, all of which shall require receipts in support of costs. The Chapter may pay any special fees in advance for the traveler, which may include seminars, symposium, registration fees, etc.
7. Transportation: The Chapter shall reimburse all necessary transportation expenses for private vehicles, commercial airfare, rental vehicles, and other modes of transportation. Receipts shall be required for airfare, taxis and buses. Reimbursements shall be made at a rate equal to the least expensive mode of transportation, which is reasonably available. If a personal vehicle is used on Chapter business, employees shall be reimbursed for actual mileage at the Navajo Nation established mileage rate. If the traveler does not provide an odometer reading, the Administrative Assistant is required to use a mileage chart.
8. Meals and Incidental Expenses: The Chapter may establish a maximum amount allowable for reimbursement for meals, and incidental expenses. In any circumstances, the Chapter reimbursement rate for meals shall not exceed the Navajo Nation established rates. Meal expenses shall be reimbursable when incurred beyond a five (5) hour travel period or beyond a fifty (50) mile radius from the Chapter house. Meals provided at no additional cost to the traveler (such as meals included in travel, conference, etc.) shall not be reimbursed. The Chapter Manager may prohibit employees and Chapter officials from obtaining government credit cards for travel.
9. Each traveler shall submit the completed travel authorization (TA) form with attached receipts and a trip expense report stating the purpose of the trip, accomplishments and benefits to the chapter, within ten (10) calendar days of his/her return. Failure to submit a trip expense report within ten (10) calendar days forfeits the traveler's right to reimbursement, unless reimbursement is approved by the Chapter Manager or designated Chapter Official for good cause shown. However, the traveler is still required to submit a trip report.
10. Travel Authorization (TA) Process and Payments:

- a. A verbal travel request indicating the estimated travel costs and purpose shall be made to the Chapter Manager.
- b. Upon approval the Administrative Assistant shall type and complete all requests for travel authorization.
- c. The Administrative Assistant shall be required to obtain from each traveler proof of current insurance and a valid driver's license when the traveler is using his/her personal vehicle. Photocopies shall be obtained and filed.
- d. The Administrative Assistant, after reviewing the TA, shall forward the TA for signature to the Chapter Manager.
- e. If the traveler requests a travel advance, the Chapter Manager must first approve the advance before disbursement by the Administrative Assistant. The Chapter Manager approves any advance for Chapter officials.
- f. On completion of the signature requirement for the TA, the Chapter Manager shall return the travel documents to the Administrative Assistant.
- g. The Administrative Assistant shall provide the TA to the traveler and file copies of the travel request documents.
- h. Upon completion of travel, the employee/chapter official shall submit a trip expense report to the Chapter Manager. The Chapter Manager shall review all supporting statements and calculate over or underpayment. Traveler shall remit payment within (10) ten working days to the chapter for any overpayment, or said amount shall be deducted from the employee's salary or the Chapter official's meeting stipend.
- i. The Chapter Manager, after approval of the trip expense report, shall return the travel documents to the Administrative Assistant for preparation of the reimbursement check, and to file copies of the travel documents. The reimbursement check shall be co-signed by the required two signatures pursuant to Section V (C) (2). The check shall be made out to the traveler and disbursed by the Administrative Assistant.

J. Resale Inventory:

The development and implementation of the resale inventory policy prevents overstocking, shortage and loss as a result of theft, spoilage, breakage, etc.

1. The Chapter shall maintain detailed records of inventory items showing the description, cost, quantity and location.
2. The total dollar value of inventory items and the changes thereto shall be recorded in the chapter's financial records.

3. Verification of inventory shall be made on a monthly basis through a physical count.
4. Any differences in the financial records shall be investigated for cause and the records adjusted accordingly.
5. The inventory shall consist of goods purchased and/or produced for resale. Examples of such inventory are hay, grain, craft items and fuel for households.
6. First-in-First-Out (FIFO) Inventory Method: Chapter shall use the FIFO inventory method. It is based on the assumption that the first items in are the first out of inventory. Under this method, the ending inventory balance will reflect the cost of the most recent purchases. The advantage of this method is that it gives an up-to-date inventory value.
 - a. The following example illustrates the use of the FIFO method for one inventory item under a perpetual inventory system. In this method, a cost must be assigned to each item of inventory purchased or sold.

Date	Quantity	Cost	Sale(s)	Adjmt	Quantity (On-hand)	Cost	Balance
03/02/06	100 bales	1.50	0		100	150.00	150.00
03/10/06	50 bales	1.60			50	230.00	380.00
03/15/06	100 bales	1.50	150.00		(100)	150.00	230.00
"	25 bales	1.60	40.00		25	40.00	270.00
03/20/06	25 bales	1.55			25	38.75	308.75
"	50 busted bales	1.50		75.00	(50)	75.00	230.00

- b. The Chapter shall also use the FIFO inventory method for all resale items. Determining the cost and value of the resale items will depend upon the following factors:
 - (1.) Cost to produce the item
 - (2.) Economic demand for the item
 - (3.) Comparable price on the market
 - (4.) Chapter approved amount (hay, grain, etc.)
7. The Chapter shall maintain support documentation on all inventory transactions on an ongoing basis. These inventory records shall reflect the inventory receipts, issuances and balances. The inventory record keeping and custodial functions shall be segregated for internal control measures.
 - a. Inventory Sales Receipt (cash receipt): Pre-numbered and numerically controlled sales receipt forms shall be prepared in duplicate for each sale.

Each form shall be properly prepared and have the following information: number and quantities issued; unit sale price; vendor; date; total amount of sales; and the signature of employee who sold the inventory. The inventory sale receipts shall be reconciled with the inventory records on a monthly basis, or whenever necessary.

8. Inventory Control Procedures:

- a. The Administrative Assistant, at the time of inventory count, shall obtain the current perpetual inventory record and cross reference items during a physical count to determine whether any items are missing, damaged, spoiled, or obsolete.
- b. The Administrative Assistant shall report any discrepancies in the inventory immediately to the Chapter Manager.
- c. The Chapter Manager shall review the inventory count listing and any findings by the Administrative Assistant. If there is a major deficiency or changes in the inventory not properly recorded, the Chapter Manager shall consult with the Chapter officials as soon as possible, and correct the deficiencies with the Administrative Assistant. Any changes/corrections to the inventory shall be documented with a justification memorandum.
- d. It shall be the responsibility of the Administrative Assistant to handle all daily inventory record keeping. The Chapter Manager shall perform monthly physical count and reconciliation of cash receipt tickets to the inventory records. Nevertheless, it shall be the responsibility of the Administrative Assistant to handle all daily inventory record keeping and to perform monthly physical counts and reconciliation of cash receipt tickets to the inventory records.
- e. The Chapter Manager shall also ensure that fair market value will be used to determine the sale of any items that are for resale.

K. **Financial Assistance:**

No financial assistance shall be awarded without a Chapter-approved budget where the Chapter's general funds are utilized. The Chapter Manager is authorized to approve requests by simply complying with the respective budgets which have been approved by the Chapter membership, and all financial assistance shall comply with applicable policies and procedures. Nevertheless, regardless of the type of assistance, the Chapter shall always comply with the following criteria for all financial assistance:

1. All recipients must be registered members of the Chapter.

2. All requests for assistance shall be documented on a standard assistance application form with supporting documents as required by the type of assistance requested (i.e. scholarship award will need transcripts, etc).
3. All assistance awarded shall be based on availability of funds and in accordance with the ceiling limits set forth in the policies approved by the Chapter.
4. Generally, checks shall be made payable directly to the vendor(s) and or institution(s). When allowable pursuant to Chapter approved policies and in accordance with Navajo Nation or other applicable law, check(s) may be made payable directly to the requestor.
5. Assistance shall be limited to one per family every 12 months, unless specified otherwise. For purposes of this section, "family" is defined as those persons related either by blood or marriage who reside at the same domicile. "Unless specified otherwise" means otherwise lawful expenditure of funds in extraordinary circumstances that are approved by community resolution.
6. Financial assistance includes but is not limited to the following:
 - a. Student Enrichment/Scholarship Financial
 - b. Housing material
 - c. Emergency (burnout; natural and man-made disasters)

L. Financial Statements:

1. Policy:

The Chapter shall generate the following basic financial statements and prepare reports on the Chapter's financial position and results of operations on a monthly basis in the following areas:

 - a. Combined Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Fund Types.
 - b. Combined Balance Sheet - All Fund Types and Account Groups.
 - c. Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds.
2. Procedures:
 - a. The Chapter Manager shall prepare monthly financial statements and the Secretary/Treasurer shall present it to the community at a duly called Chapter Meeting following the end of the month.

- b. Within 60 days after the end of the fiscal year the Chapter Manager shall prepare the annual financial statements and forward to the Secretary/Treasurer to present to the community at a duly called Chapter Meeting.

M. Audit Requirements:

1. The Chapter shall obtain an audit of its financial operations at least every two years and which shall include funds received from all Navajo Nation, State, County Federal sources and other fund sources.
2. The Chapter may obtain the services of the Auditor General of the Navajo Nation, subject to sufficient resources at the Office of the Auditor General, or shall contract with an independent licensed Certified Public Accountant to conduct the biennial audit. The Chapter Manager, in consultation with the Auditor General, Navajo Nation, shall ensure that the independent Certified Public Accountant meets all requirements of the Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States.
3. In the process of selecting an auditor, the Chapter shall follow the policies and procedures established for procurement of professional services.
4. Upon completion of the audit, the auditors shall furnish a statement of findings on the results of the examination.
5. The Chapter shall conduct an exit conference between the auditor(s) and Chapter officials to review the procedures taken by the auditor(s) and the findings identified. The Chapter Manager and officials may furnish written comments concerning the report which shall be incorporated into the overall report and submitted to the funding agency and to the Chapter membership.

Procedures:

- a. The Chapter Manager, in consultation with the Auditor General, Navajo Nation, shall ensure that the independent licensed Certified Public Accountant meets all requirements of the federal General Accounting Office standards for the audit of governmental organizations and programs.
- b. The Chapter Manager and Officials shall have an entrance conference with the Auditor.
- c. The Chapter Manager and Administrative Assistant shall ensure that the Auditor receives all information requested.
- d. The Chapter Manager shall ensure that the auditor furnishes twelve certified copies of the audit results. The reports shall be prepared in

accordance with the reporting standards published by the American Institute of Certified Public Accountants.

- e. The Chapter Manager and Officials shall have an exit conference with the Auditor.
- f. The Chapter Manager and Officials shall develop a Corrective Action Plan for any discrepancies cited.

N. Misuse of Chapter Funds or Assets:

Any individual, Chapter employee or official who witnesses or has knowledge of misuse of funds or financial improprieties shall immediately report the violation to the appropriate Navajo Nation entity or official. Each official and employee should understand that it is part of his/her fiduciary duty to report any and all violations.

Procedures:

- a. All Chapter officials and Chapter employees shall refrain from making, participating in or influencing decisions where there is any real or potential conflict of interest. In the event of a real or potential economic conflict of interest where the Chapter official or employee is required to participate as part of his or her official duties, the individual shall write a justification memorandum disclosing the real or potential conflict of interest and the necessity for that individual's continued participation, a copy of which shall be provided to the Navajo Nation Ethics and Rules Office and the Chapter Administration. In the event that the individual does not properly disclose the real or potential conflict of interest to the Ethics and Rules Office and the Chapter Administration, any Chapter official or employee aware of the real or potential conflict of interest shall make said disclosure or take other action as appropriate.
- b. The Chapter Manager shall monitor all allocation of chapter funds, property, or personnel to investigate alleged conflicts of interest or misuse of chapter resources.
- c. The Chapter Manager shall report all alleged misuse of chapter resources and assets to the proper authority.

VIII. DEFINITIONS

The language contained in this section applies to this Fiscal Manual:

- A. Accounting System – is the method and records established and maintained to identify, assemble, analyze, classify, record and report the Chapter's financial transactions and to maintain accountability, in accordance with generally accepted accounting principles, of such transactions and related assets and liabilities.

- B. Assets – The total amount of petty cash, undeposited revenue, checking, saving and investment balances and resale inventory, and property and equipment that are recorded in the General Capital Assets Account Group.
- C. Bank Account – is any money held in a bank.
- D. Bank Reconciliation – is the verification of bank balances to the Chapter book balance.
- E. Bank Transfer – is funds transferred between Chapter bank accounts without withdrawing cash.
- F. Budget – a plan of financial operations embodying an estimate of proposed expenditures for a given period and the proposed means of financing them, it usually indicates a financial plan for a single fiscal year.
- G. Carry over Funds – means unexpended funds from the previous fiscal year that are authorized to be carried into the fiscal year.
- H. Cash – is currency, coin, checks, money orders, and bankers draft on hand or on deposit with an official or agent designated as custodian of cash and bank deposits.
- I. Cash Basis Method of Accounting – is the basis of accounting under which revenues are recorded when received in cash and expenditures are recorded when cash is disbursed.
- J. Cash Disbursements – is payments for goods and services.
- K. Cash Receipts – is receiving cash, coins, checks, dividends etc, in the form of payment.
- L. Chapter Manager – means the individual who is responsible for administering the Five Management Systems and the administration of the Chapter.
- M. Chapter Membership –
 1. For purposes of services and benefits, all tribal members who either reside within or are registered chapter members. An individual may not be a member of more than one Chapter.
 2. For voting purposes and participation in the chapter government, all registered voters of the chapter.
- N. Chapter Officials –means the following public officials elected by the Chapter membership; Chapter President, Chapter Vice-President, and Chapter Secretary/Treasurer. .
- O. Custodian – means an individual having day-to-day charge of official books, records, documents, equipment, property and funds of the Chapter government.

- P. Five Management Systems – means a management system that includes; fiscal, procurement, records, personnel and property management.
- Q. Form W-2 – is an earnings statement for employee’s salary/wages.
- R. Form 941 – is an employer’s quarterly federal tax return.
- S. Form 1099 – is a non-employee earnings statement to report income that is not salary or wage (self employment income).
- T. Fund Accounting – provides the means to segregate financial resources into funds or account groups in order to determine compliance with finance related legal, contractual, or other restrictive requirements; aid chapter management by transactions related to certain restrictions and specific chapter functions and activities.
- U. Fund Balance – The difference between all asset and liability balances. Represents the net worth of a particular fund and is increased by revenues and decreased by expenditures.
- V. Capital Assets – Capital assets are items of tangible property having a value of more than \$500.00 and have an estimated useful life of one year or more as distinguished from intangible property and consumable tangible property. Includes building, infrastructure, improvements, property and equipment.
- W. Capital Assets Account Group – is a self-balancing group of accounts, set up to account for the general Capital assets of the chapter.
- X. General Ledger – is the summary of financial transactions and the basis for preparing trial balances and financial reports.
- Y. General Purpose Financial Statements - Describes the five-combined financial statement of the reporting entity that is required by Generally Accepted Accounting Principle. (Combined Balance Sheet, Combined Statement of Revenues and Expenditures – Change in Fund Balance and Combined Statement of Revenues and Expenditures – Budget vs. Actual).
- Z. Generally Accepted Accounting Principles (GAAP) – are financial accounting and reporting assumptions, standards, and practices that a business or governmental entities rely upon in preparing fair and consistent financial statements.
- AA. Investments - Securities and real estate held for the production of income in the form of interest, dividends, and rental or lease payments. The term does not include capital assets included in governmental operations.
- BB. Journal – is defined as a book of original entry. Journals provide a chronological detailed record of daily financial transactions and support balances in the general ledger accounts. Journals may be posted manually or generated by computer.

- CC. Liabilities – Amounts owed for goods and services (labor, materials, or services), which are recognized each month and recorded in the financial records of the chapter so as to properly reflect the chapter’s financial condition. Debts maturing more than a year later should be shown in the General Long Term Debt Group.
- DD. Payroll Taxes – consist of federal withholding, social security, Medicare, FUTA and SUTA taxes.
- EE. Source Documents – are used to initiate accounting transactions and should be retained to support each entry recorded in the accounting records. Examples of cash receipts include source documents; pre-numbered cash receipt tickets, cash register tapes and validated bank deposit receipts. Examples of cash disbursements source documents include requisitions, purchase orders, receiving reports, and vendor invoices.
- FF. Subsidiary Ledgers - a book of accounts that provides supporting details in individual balances, the total of which appears in a general ledger.

IX. APPENDICES

A.	Cash Receipts Journal	Exhibit A
B.	Payroll Journal	Exhibit B
C.	Individual Employee Earnings Subsidiary Ledger	Exhibit C
D.	Timesheet	Exhibit D
E.	Work Site Sign-In Sheet	Exhibit E
F.	Monthly Check Ledger	Exhibit F
G.	Capital Asset Inventory	Exhibit G
H.	Checking Account Reconciliation	Exhibit H
I.	Savings/Investment Account Reconciliation	Exhibit I
J.	Fund Approval Form	Exhibit J
K.	Budget Transfer Form	Exhibit K
L.	Travel Authorization & Trip Report	Exhibit L
M.	Assistance Application (General)	Exhibit M
N.	General Claim Form	Exhibit N
O.	Housing Application Forms & Ranking	Exhibit O
P.	Personnel Action Form	Exhibit P