



Accounting Manual

Accounting Policies, Procedures &

Internal Controls of the

Sisseton-Wahpeton Oyate

SWO Resolution SWO 16-148

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SECTION 1: INTRODUCTION

The Accounting Manual is intended to provide an overview of the accounting policies and procedures applicable to the Sisseton-Wahpeton Oyate, which shall be referred to as “SWO” throughout the manual. The manual shall document the financial operations of SWO primary central government; however, the manual does not apply to SWO’s enterprise funds. The primary purpose of the manual is to formalize accounting policies and selected procedures for the Accounting and Budgeting staff, and to document Internal Controls.

2 CFR Chapter I, Chapter II, Part 200, et al. *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule* are incorporated in this document where applicable in relation to federal and state awards. Also, P.L. 93-638 is incorporated in this document where applicable to self-determination contracts.

The contents of this manual were approved by SWO Council as official policy of the Sisseton-Wahpeton Oyate. All SWO staff is bound by the policies herein, any deviation from established policy is prohibited.

Note: SWO Council and/or SWO Executives may authorize deviations from this manual for non-Federal or non-State expenditures in the best interests of SWO. This manual in no way restricts elected leadership from authorizing legal expenditures of SWO monies.

SECTION 2: ORGANIZATION

The Sisseton-Wahpeton Oyate is a federally recognized Indian tribe whose constitution was formally adopted by its members on August 1-2, 1966 and approved by the United States Secretary of the Interior on August 25, 1966 pursuant to the Indian Reorganization Act of 1934. SWO provides General Government, Public Health and Welfare, Public Safety, Education, Public Works, Culture and Recreation, Economic Development, Social and Health Services for the benefit of the SWO members, which shall be referred to as “Oyate” or “Sisseton-Wahpeton Oyate.”

SECTION 3: INTERNAL CONTROLS FOR THE CONDUCT OF SWO BUSINESS

A. Internal Controls for the Practice of Ethical Behavior

Representatives of SWO are expected to conduct themselves in a high ethical manner. Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions. The policies and reputation of SWO depend to a very large extent on the following considerations.

Each Program Department Head, Employee, SWO Council Representative, SWO Executive or agent must apply his/her own sense of personal ethics, which should extend beyond compliance with applicable laws and regulations in business situations, to govern behavior where no existing regulation provides a guideline. In addition, apply common

sense in business decision making to make ethical decisions by carefully weighing all courses of action suggested in ethical, as well as, economic terms and base final decisions on the guidelines provided by the policies of the Accounting Manual.

B. Internal Controls for Conflicts of Interest

Each Program Department Head, Employee, SWO Council Representative, SWO Executive or agent of SWO shall not participate in the selection, award, or administration of a contract involving SWO if the possibility of a real or apparent conflict of interest would be involved. Such a conflict of interest would arise when the Program Department Head, Employee, SWO Council Representative, SWO Executive or agent or any member of his/her immediate family, partner, or an organization that employs, or is about to employ any of the parties indicated herein, may have a financial or other interest or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the SWO must neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts and must conduct themselves in accordance with the Nepotism policy as adopted by SWO Personnel Policies.

C. Internal Controls for Conflicts of Interest over Federal and State Awards

2 CFR, Part 200.112 *Conflict of Interest* is incorporated in this document where applicable in relation to Federal and state awards. SWO must disclose in writing any potential conflict of interest to the Federal or state awarding agency or pass-through entity in accordance with applicable Federal or state awarding agency policy.

D. Conflicts with Personnel Policies

Contents of the Accounting Manual do not modify any portion of the SWO Personnel Policies. If a conflict arises between any section of the Accounting Manual and any portion of the SWO Personnel Policies, the Personnel Policies shall take precedence.

E. Conflicts with Ordinances

Contents of the Accounting Manual do not modify any SWO Ordinances. If a conflict arises between any section of the Accounting Manual and any Ordinance, the Ordinance shall take precedence.

SECTION 4: INTERNAL CONTROLS FOR GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

SWO applies Generally Accepted Accounting Principles (GAAP) practiced in the United States (U.S.) of America including applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as private-standard pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. SWO does not apply private-standard pronouncements after November 30, 1989. If specific programs and funding sources require non-GAAP procedures, the program director will notify the Chief Financial Officer of the exception(s), and records will be maintained as source requires.

SWO Governmental Funds are reported using the flow of current financial resource measurement focus and then modified using Accrual Basis of accounting. Under this method, revenue is recognized when measurable and available. SWO considers all revenue reported in Governmental Funds to be available if the revenue is collected within sixty-days after year end. Expenditures are recorded when the related fund liability is incurred. General Capital Asset acquisitions are reported as expenditures in Governmental Funds. Proceeds from long-term debt and acquisitions under Capital Leases are reported as other financing sources.

A. Cash and Cash Equivalents

Certificates of Deposit, Demand Deposits, and Interest Bearing Deposits with original maturities of three months or less are considered Cash Equivalents.

B. Investments

Investments are recorded at Fair Market Value in accordance with GASB Statement 31. The SWO Investment Policy allows investments in obligations of the U.S. government, Corporate and Government Bonds, and Mutual Funds that invest in Government or Corporate Bonds.

C. Accounts Receivable

Accounts Receivable includes normal business receivables, as well as loans to SWO members. Allowance for Doubtful Accounts is maintained in the General Fund to adjust for those accounts SWO deems uncollectible.

D. Grants Receivable

Grants Receivable consists of amounts due for reimbursement of approved expenditures on grants entered in with various government agencies. Receivables of this nature should only be recorded if they are considered fully collectible.

E. Inter-fund Transactions

During the course of operations, transactions occur between individual funds. These receivables and payables should be classified as "due from other funds" or "due to other funds" in the fund Financial Statements. When an Inter-fund Receivable or Payable is

recorded in a fund, it is the responsibility of the individual initiating the transaction to ensure the transaction balances between funds and is properly recorded in both funds.

F. Inventories

Inventories are stated at lower of Cost or Market Value. Cost is determined by the First-in, First-out (FIFO) Method. Inventories of finished goods include allocations for direct labor and overhead costs.

G. Capital Assets

Capital Assets are recorded at historical costs. Contributed assets, including those from the Federal and state Government, are recorded at Estimated Fair Market Value on the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs for repairs and maintenance are expensed as incurred. Reservation lands and related resources (i.e. timber stands and other natural resources) are not capitalized unless there are historical costs associated with these assets.

Capitalization thresholds (dollar values above which asset acquisitions are added to the Capital Asset accounts) for governmental activities are \$5,000; estimated useful lives of Capital Assets for these activities are as follows:

Buildings and improvements	10-50 years
Equipment	2-30 years
Vehicles	3-10 years
Infrastructure	25 years

Depreciation is provided using the Straight-Line Method over estimated useful lives.

H. Impairment

Long-lived Assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate related carrying amounts may not be recoverable. When required, impairment losses on Long-lived Assets to be held and used would be recognized based on excess of the assets' carrying amount over the best estimate of expected undiscounted future cash flows. Long-lived Assets to be disposed of are reported at the lower of carrying amount or Fair Value less cost to sell.

I. Prepaid Items

Certain cash payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the Financial Statements.

J. Deferred Revenue

SWO recognized Deferred Revenue in its Special Revenue Funds to the extent cash receipts from a grant or contract exceeded program expenditures.

K. Compensated Absences

SWO has a Personal and Medical Leave Policy for eligible employees and restricts carryover of personal leave to the next fiscal year to 240 hours and pays unused personal leave at separation. SWO does not restrict the carryover of medical leave, but does not pay unused medical leave at separation. Compensated absence liabilities are updated to actual at the end of each fiscal year.

L. In-Kind Items

Donated services and other costs provided by SWO to meet grantor matching requirements are recorded as both revenue and expenditures in accompanying Financial Statements. The services and costs are valued at rates and amounts consistent with those paid for other similar work or activities of SWO. 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. 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. The value of donated land and buildings must not exceed its fair market value at the time of donation to SWO as established by an independent appraiser. 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 SWO. In those instances in which the required skills are not found in SWO, rates must be consistent with those paid for similar work in the labor market in which SWO competes for the kind of services involved.

M. Use of Estimates

The preparation of Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure or contingent assets and liabilities at the date of the Financial Statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

N. Federal and State Income Taxes

SWO, as a Federal Recognized Sovereign Government, is exempt from Federal and state Income Taxes. As such, no income taxes are recorded in the accounting records. However, it is SWO's policy to follow and apply all applicable IRS regulations in the normal course of operations.

O. Indirect Costs

Indirect Costs represent recoverable Overhead Costs charged by SWO to Federal, state, and SWO Programs in connection with administering and accounting for programs funded by Federal, state, and SWO resources. Certain programs are limited to lesser amounts as

prescribed in the grant/contract award and a number of programs were not funded for the full amount of Indirect Costs based on the approved rate. *Programs that are limited by the Federal or state Government, and therefore do not collect the full amount of Indirect Costs, shall budget and receive approval for, SWO Program Support for any indirect shortfall.* Indirect Costs are reflected as expenditures of SWO Governmental Funds and as revenue to reimburse the expenditures of the Indirect Cost Fund.

P. Federal and State Award Financial Management

2 CFR, Part 200.302 (b) *Financial Management* and is incorporated in this document where applicable in relation to federal and state awards. SWO will comply with the financial management system requirements stated therein. Also, P.L. 93-638 is incorporated in this document where applicable to self-determination contracts.

Q. Federal and State Award Internal Controls

In addition, 2 CFR, Part 200.303 *Internal Controls* is incorporated in this document where applicable in relation to federal and state awards. SWO has establish and will maintain effective internal controls over federal and state awards as stated therein. Also, P.L. 93-638 is incorporated in this document where applicable to self-determination contracts.

SECTION 5: INTERNAL CONTROLS FOR BUDGET MANAGEMENT

The purpose of the Budget Management Section is to control the use and expenditures of funds available to SWO. SWO revenues may be considered in the subsequent budget process. Revenues include, but are not limited to, funds received through Gaming Distributions, Federal and state contracts and grants, taxes, charitable donations, and private and corporate funding. All funds will be considered in the overall budget planning process for each department/program. The budget process will also assist in establishing priorities of SWO for each fiscal year.

It is the policy of SWO to develop a budget process which identifies all revenues and use of funds based on anticipated program expenditures. An annual fiscal year budget shall be prepared, reviewed, adopted, and amended as outlined in the budget process below.

SWO Budget and Fiscal Year Accounting Cycle begin October 1 and ends September 30 the following year. In instances where a funding agency may have an alternate funding year cycle, the agency funded year award will be incorporated as the official accounting cycle. SWO Annual Budget Cycle begins 90-days prior to the start of a new fiscal year accounting cycle.

Annual SWO program and departmental operating budget estimates/requests for Program Support Funding are due to the Supervisory Executive a minimum of 90-days prior to the start of a new fiscal year.

A. Funding Source Definitions

1. *Gaming Distributions* means distributions SWO receives from the Dakota Nation Gaming Enterprise. The Indian Gaming Regulatory Act (IGRA) (Pub. L. 100-497, 25 U.S.C. Sec. 2701) requires net revenues from any SWO Gaming Operation to be used for the following purposes:
 - a. Fund SWO Government operations;
 - b. Provide for the General Welfare of the SWO and its members;
 - c. Promote SWO Economic Development;
 - d. Donate to Charitable Organizations; and/or,
 - e. Help fund operations of Local Government Agencies.

2. *Program Support* means a SWO derived funding source allocated for a SWO Program. Funding shall be allocated to various SWO programs on an annual need basis for needs where the funding source does not allow or is limited. Program Support is not intended to fully fund programs. Needs such as a vehicle, furniture, computers, equipment, software, etc. that will be used to further and enhance services to the Sisseton-Wahpeton Oyate will be considered, prioritized, and approved by the Executive Committee.

3. *Central Government* means funding for central functions of SWO Government that significantly affect SWO, such as the Executive Offices, Council, Enrollment, and Legal Department.
4. *District Distributions* means the seven (7) SWO districts (Big Coulee, Buffalo Lake, Enemy Swim, Lake Traverse, Long Hollow, Old Agency, and Veblen) operate as local governments that are allocated funds from Gaming Distributions on a monthly basis.
5. *Section 7 (Economic Diversification)* is defined further within the North Dakota Gaming Compact and only effects revenue from the Dakota Magic Casino.
6. *Youth Activities* means Gaming Distributions that are allocated towards Youth activities on a monthly basis.
7. *Tax Revenue* means revenue gained by SWO Government from the taxation of businesses, corporations, services and other areas as defined by SWO Chapter 67 Tax Code.
8. *Program Income* means Gross Income that is directly generated by a supported activity or earned as a result of the Federal or state award during the period of performance.
9. *Federal Grant Awards and Agreements* is any funding provided by the U.S. Government directly assisting or benefiting SWO.
10. *State Grant Awards and Agreements* is any funding provided by a U.S. state government directly assisting or benefiting SWO.

B. Internal Controls for Budget Formulation

1. Each SWO Executive office has the authority to prepare program and departmental budgets for approval by the Executive Committee, aligned with the approved allocated amounts by SWO Council. Budget formulation consists of all steps, actions, and documentation in the budget process that are required or that properly should be taken in advance of SWO Council budget approval.
2. Staff and elected officials at all levels must rely on the budget and program staff for analysis and summary of the information developed in the budget formulation process. Therefore, budget personnel shall make every effort to provide appropriate staff and elected officials with reports and documentation as requested in a timely manner.
3. Every program under the management of SWO Government must have an Executive Committee approved annual operating budget to support utilization of SWO, Federal and/or state funding.
4. Program Department Heads shall immediately notify the Supervisory Executive and the Budget Audit and Compliance Office of any income received for compliance with proper accounting and budgeting procedures.
5. The annual SWO budget process follows a uniform format, updated as necessary by the Budget Audit and Compliance Office, with supporting cost justification statements. For financial accounting purposes, sufficient cost information must be readily

identified for the finance Bookkeepers to establish a complete financial chart of accounts.

6. SWO overall budget formulation process requires the compilation of all operating budget requests to match against available funding sources.
7. Any programs and departments required to submit cost justification statements shall attach each statement to operating budget requests. New budgets or budget requests submitted without identified funding sources will not be approved until a viable funding source can be identified. No spending activity will be allowed on these classifications of budget requests until funding allocations are approved by SWO Council and the individual program or department budgets by the Executive Committee.
8. Financial accounting codes for development of program budgets shall be provided to Budget Audit and Compliance Office by the Bookkeeper. The Supervisory Executive and the Budget Audit and Compliance Office shall provide technical assistance as needed for the development of each budget.

C. Additional Budget Formulation Internal Controls for Programs with Federal and State Grant or Contract Requirements

1. Per 2 CFR 200, SWO has developed and implemented a uniform budgetary process to ensure compliance with the use of Federal and state financial resources. This is accomplished by the proper formulation, presentation, justification and execution of program and departmental budgets.
2. 2 CFR, Part 200.308 *Revision of Budget and Program Plans* is incorporated in this document where applicable in relation to federal and state awards. SWO will comply with the requirements stated therein.
3. All appropriate programs shall submit annual Federal and state contract and/or grant operating budget estimates, work, and cost justification statements to the Supervisory SWO Executive and the Budget Audit and Compliance Office a minimum of 30 days prior to the funding agency's grant budget due date.
4. Programs applying for and receiving new funding sources shall notify in a timely manner the Supervisory Executive and the Budget Audit and Compliance Office on the status of any application or award for new or additional funding. All initial budget information must be submitted in preparation for the pending award. Indirect Cost must be included if allowed by the grantor.
5. Program Department Head shall ensure all new funding source budgets are approved by the Supervisory Executive along with SWO Council, and forwarded to the Budget Audit and Compliance Office for proper processing prior to expenditure of any funding.

D. Internal Controls for Program Department Head Budget Formulation and Budget Management

1. A separate budget must be prepared and submitted for each currently approved funding source. The combining of two funding sources into one budget is not an acceptable fund accounting practice. Any non-monetary In-kind or matching contributions budgets can be developed on a case-by-case basis.
2. On a monthly basis, Program Department Heads shall receive a Management Report and upon request, will receive a General Ledger on each financial account from the assigned Bookkeeper for review and to ensure proper reconciliation of all General Ledger financial activity.
3. Establish a tracking process to monitor bi-weekly employee salary and benefit cost registers.
4. Establish a tracking process to monitor annual/monthly operating costs, e.g. line-item cuff accounts.
5. Reconcile employee cost registers and all cuff accounts to the financial General Ledger reports.
6. Note any differences between approved budgeted amounts and actual paid costs. Post differences to appropriate cost register line-item, i.e., cost savings or additional cost adjustments.
7. Once a program budget is approved, program and managers are responsible for meeting the mission and goals of their budget operating plans within their available resources.

E. Internal Controls for the New Budget Year

1. Request a current Management Report from assigned Bookkeeper to review current spending activity on each program account.
2. The Management Report should mirror all budget line-items. For employee position cost, it is recommended that one line-item code be used for each position. Contact your assigned Bookkeeper to help establish new line-item codes for each employee, if needed.
3. Identify your most recently approved budget funding amount(s). If there are Federal or state funding sources, use approved Federal or state funding levels. If SWO is the funding source, begin with your current funding source approved by SWO Council.

F. Internal Controls for Carryover funding

1. Programs are not allowed to carryover unused budget Program Support Revenues from SWO monies.
2. Programs may be allowed to carryover Program Income. A budget modification must be submitted for carryover and/or anticipated current year program income.
3. Monies set aside through Section 7 of the North Dakota Gaming Compact are automatically carried over to the next fiscal year and are dedicated to Economic Diversification in accordance with the North Dakota Gaming Compact.
4. Program Income must be spent before Program Support Revenues.
5. For all Federal and state funded programs, if the funding source does not accept the SWO budget format, a second budget may be required for funding source purposes.

In some cases, where an electronic budget submission is required, programs are encouraged to prepare the SWO budget template first, and then transfer data to the electronic format.

6. If a Federal and state program is allowed to carryover unused budgeted funding into the new budget year cycle, a budget modification must be submitted as soon as the program Bookkeeper has identified the carryover amount.
7. Federal and state funding must be spent before Program Support Revenues.

G. Budget Formulation Duties for the Budget Audit and Compliance Office

1. Update and maintain a preformatted budget template.
2. Compile all Budget Requests in preparation for budget reviews by fund type.
3. Prepare Budget Matrix of funding sources based on budget submissions.
4. Analyze funding sources and match budget requests against each known funding or revenue source.
4. Identify which funding sources are over obligated from budget requests or which resources have sufficient funding to cover budget requests.
5. Recommends alternate plans to eliminate over obligation of funding sources. This may include across the board funding cuts or utilization of alternate funding sources.
6. Develop a plan to fund new budget requests to present during budget reviews.
7. Update the Budget Matrix and post all approved budgets and modifications in the accounting system.

H. Internal Controls for Budget Approval/Authorization

1. SWO Council establishes funding priorities, authorizes, and approves funding allocations.
2. SWO Council will ensure compliance with the budget process.
3. SWO Council shall not fund a program upon determination that such funding would result in the duplication of services to the SWO.
4. Funds appropriated under this policy may only be used for the specific purpose for which they have been appropriated.
5. Any officer or employee of SWO *shall* not make or authorize an expenditure or obligation exceeding an amount available in an appropriation or to fund such expenditures or obligations.
6. Any officer or employee of SWO *shall* not involve SWO in a contract obligation for the payment of money before an appropriation is made for such contract or obligation unless authorized by law.

I. Internal Controls for Budget Submittal to SWO Council

1. The Budget Audit and Compliance Office shall have until August 15 of each year to submit final budget recommendations to Council for consideration and final review.
2. By resolution or motion, SWO Council shall complete a review of program budgets to approve, disapprove or recommend changes to budget requests no later than September 15 of each year. Budgets are automatically approved at prior year levels if not approved, disapproved or recommended for changes by September 30 of each year.

3. If not approved, individual budget requests may be returned to Program Department Head to be revised to include any changes or modifications discussed during the review.
4. Council may approve limited program spending if budgets are not approved before the start of the fiscal year.

J. Internal Controls for Budget Modifications

1. All budget modifications which increase the total amount of a previously approved budget require prior approval from SWO Council.
2. The Program Department Head shall have the authority to submit budget modifications that do not result in an increase to the total amount of a previously approved budget to the Budget Audit and Compliance Office.
3. The Budget Audit and Compliance Office will then submit the budget modifications to the Supervisory Executive.

K. Additional Budget Modification Internal Controls for Programs with Federal and State Grant or Contract Requirements

2 CFR, Part 200.308 *Revision of Budget and Program Plans* is incorporated in this document where applicable in relation to federal and state awards. Also, P.L. 93-638 is incorporated in this document where applicable to self-determination contracts. SWO will comply with the requirements stated therein:

(a) The approved budget for the Federal award summarizes the financial aspects of the project or program as approved during the Federal award process. It may include either the Federal and non-Federal share (see § 200.43 Federal share) or only the Federal share, depending upon Federal awarding agency requirements. It must be related to performance for program evaluation purposes whenever appropriate.

(b) Recipients are required to report deviations from budget or project scope or objective, and request prior approvals from Federal awarding agencies for budget and program plan revisions, in accordance with this section.

(c) For non-construction Federal awards, recipients 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 Subpart E—Cost

Principles of this Part or 45 CFR Part 74 Appendix E, ‘Principles for Determining Costs Applicable to Research and Development under Awards and Contracts with Hospitals,’ or 48 CFR Part 31, ‘Contract Cost Principles and Procedures,’ as applicable.

(5) The transfer of funds budgeted for participant support costs as defined in § 200.75 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. This provision does not apply to the acquisition of supplies, material, equipment or general support services.

(7) Changes in the amount of approved cost-sharing or matching provided by the non-Federal entity. No other prior approval requirements for specific items may be imposed unless a deviation has been approved by OMB. See also §§ 200.102 Exceptions and 200.407 Prior written approval (prior approval).

(d) Except for requirements listed in paragraph (c)(1) of this section, the Federal awarding agency are authorized, at their option, to waive prior written approvals required by paragraph (c) this section. Such waivers may include authorizing recipients 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). See also § 200.458 Pre-award 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 (d)(2)(i) through (iii) of this section 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.

(4) For Federal awards that support research, unless the Federal awarding agency provides otherwise in the Federal award or in the Federal awarding agency’s regulations, the prior approval requirements described in

paragraph (d) are automatically waived (i.e., recipients need not obtain such prior approvals) unless one of the conditions included in paragraph (d)(2) applies.

(e) The Federal awarding agency may, at its option, restrict 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.

(f) All other changes to nonconstruction budgets, except for the changes described in paragraph (c) of this section, do not require prior approval (see also § 200.407 Prior written approval (prior approval)).

(g) For construction Federal awards, the recipient must request prior written approval promptly from the Federal awarding agency for budget revisions whenever paragraph (g)(1), (2), or (3) of this section 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 applicable OMB cost principles listed in Subpart E—Cost Principles of this Part.

(4) No other prior approval requirements for budget revisions may be imposed unless a deviation has been approved by OMB.

(5) When a Federal awarding agency makes a Federal award that provides support for construction and nonconstruction work, the Federal awarding agency may require the recipient to obtain prior approval from the Federal awarding agency before making any fund or budget transfers between the two types of work supported.

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

(i) Within 30 calendar days from the date of receipt of the request for budget revisions, the Federal awarding agency must review the request and notify the recipient whether the budget revisions have been approved. If the revision is still under consideration at the end of 30 calendar days, the Federal awarding agency must inform the recipient in writing of the date when the recipient may expect the decision.

SECTION 6 INTERNAL CONTROLS FOR PERFORMANCE, FINANCIAL MONITORING AND MANAGEMENT REPORTING

It is the policy of SWO to furnish, for internal management purposes, financial reports that are current, complete and accurate. Such reports on expenditures shall provide a comparison of amounts budgeted with actual costs for each contract, grant and fund which SWO administers. SWO shall also furnish current, complete, and accurate Financial Statements to funding agencies in the format and within the time frames specified in the funding agreements. In all cases the Financial Statements will be taken from and reconcilable to the official accounting records. SWO shall furnish to the Federal or state awarding agency financial data related to performance accomplishments of the Federal or state award.

The responsibility for the preparation of all financial reports for both Federal, state and SWO programs is with SWO Accountants, Bookkeepers, along with the Chief Financial Officer and Vice-Chairman having oversight responsibility. Activities related to management reporting are categorized as follows:

- Monthly SWO reports
- SWO funded financial reporting
- Funding agency reports
- Drawdown of funding agency revenue
- Procedure for preview of Trial Balance

A. Internal Controls for Monthly Financial Reports

The Accountants and/or Bookkeepers shall provide accurate, current, and complete disclosure of the financial results of federally or state funded contract or grant activities as well as state or SWO funded program activities to Program Department Head, and as requested to SWO leadership on a monthly basis. The deadline for submitting monthly financial reports is no later than the end of the following month.

General Ledger history for any accounts can be reviewed through either printing the activity or reviewing the account on the computer screen. This is done on an as needed or requested basis.

The Program Department Head shall compare actual expenditures or outlays with the amounts budgeted for each Federal, state, or SWO funded contract, grant, or program they are responsible for, on a monthly basis. The Program Department Head shall inform their assigned Accountant or Bookkeeper of any variances of actual revenues and expenditures to the budget. The Program Department Head or their authorized and designated representative, shall follow-up on significant unresolved variances with the designated SWO Executive of the corresponding contract, grant or program. Documentation shall be

kept by the Program Department Head and the Accountant or Bookkeeper regarding explanation of the variance and follow-up or corrective actions taken.

B. Internal Controls for SWO Funded Financial Reporting

Any SWO program that is funded solely on SWO Revenue must complete quarterly reports and submit them into the SWO Executive that oversees the program. The quarterly reports are due no later than the last day of the month following the end of the quarter. The report shall include the financial revenue and/or expenditures, budget-to-date, fund status report, progress reports and/or work statements.

C. Internal Controls for Federal and State Funding Agency Reports

The Accountants and/or Bookkeepers shall provide the Federal or state funding agency with accurate, current, timely and complete disclosure of the financial results of Federal or state funded contract or grant activities, as required by the contract or grant document. Each Accountant and/or Bookkeeper is responsible for identifying the financial reporting requirements associated with funds received for their assigned programs. They are also responsible for preparing required financial reports and submitting those in a timely manner. Requirements will vary by funding source both in the format required and in the timing.

Program Department Heads are responsible for the preparation and submission to the funding agency of all narrative and nonfinancial reports required by contract or grant terms. Program Department Heads shall furnish to the Federal or state awarding agency financial data related to performance accomplishments. To facilitate efficient auditing of SWO records, all narrative reports must be submitted to the Accountant and/or Bookkeeper at the same time they are submitted to the funding agency. Copies of all reports submitted are filed in accordance with the special conditions of the award.

In preparing the financial results of Federal or state funding grant activity reports, the Accountants and/or Bookkeepers shall review the data for unallowable costs and compliance with 2 CFR 200, Subpart E and other applicable contract or grant regulations. If any compliance problems arise, the Accountants and/or Bookkeepers shall notify the Chief Financial Officer or Vice-Chairman and provide a recommendation as to the corrective action to be taken. However, the primary responsibility for determining which costs are allowable for a contract or grant rests with the Program Department Heads.

D. Internal Controls for Drawdown of Funds from Funding Agency

Each Accountant and/or Bookkeeper is responsible for determining how funds are received for their respective programs. This responsibility also includes the timing and completion of the actual procedures required to receive funds. For Federal and state funds these procedures should comply with applicable guidance in the grant award and 2 CFR 200.305(b). These procedures vary by funding source with the majority of funds received

through Federal and state sources made through wire transfer procedures either through a computer located in the SWO Office building or (for BIA funds) through the BIA Agency computer.

2 CFR, 200.327-328 *Financial Reporting and Monitoring and Reporting Program Performance* is incorporated in this document where applicable in relation to federal and state awards. SWO will comply with the requirements stated therein.

Each Accountant and/or Bookkeeper is also responsible for maintaining control over the amount of funds spent, received, and the remaining contract/grant balance. The format used to maintain this information varies by Federal and state agency. If the information is available on documents received from the funding source, as in the case of BIA funds, the information should be reconciled and is maintained in the contract file. If the information is not available, it is recommended a form be maintained to provide this information. In this case all drawdowns must be recorded to this log. All funds except BIA do have logs, they are located in the drawdown folder(s) (Smartlink or ASAP).

Each Accountant and/or Bookkeeper, in cooperation with the Program Department Head, monitors the individual program's expenditures and requests funds. These funds are requested through the system required by the funding agency. The Accountant and/or Bookkeeper shall maintain a copy of the available documentation applicable to the request for funds. In the case of the PMS system of Smartlink, this will consist of a print screen of the request. For BIA funds, the print screen is made from the BIA Agency system and used by SWO to make their request. This document is signed and dated by the BIA Agency as approved and transmitted with a copy returned to SWO. All drawdown information is maintained by the Accountant and/or Bookkeeper in a chronological file of requests. If funds received are for only one program a copy of the documentation will be filed in the contract folder. The original will be filed in the drawdown folder(s) (Smartlink or ASAP).

All drawdowns are made after expenditures are incurred and only in sufficient amount to cover allowable costs. Advanced drawdowns are not currently made for non-638 programs. However, if the payment is minimized to the time elapsing between the transfer of funds from the United States Treasury and disbursement by SWO, in accordance with 2 CFR, 200.305(b) *Payment*, advance drawdowns are allowed. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by SWO for direct program or project costs and the proportionate share of any allowable indirect costs. Whenever possible, advance payments must be consolidated to cover anticipated cash needs for all Federal and state awards made by the Federal awarding and state agency to SWO.

Also, P.L. 93-638 is incorporated in this document where applicable to self-determination contracts.

E. Internal Control Procedure for Review of Trial Balances

The Trial Balance reflects all Balance Sheet and Income Statement accounts for the program. The Income Statement accounts are reviewed in connection with the review of monthly reports. Therefore, a Trial Balance review will focus on the Balance Sheet accounts. The Accountants and/or Bookkeepers are responsible for maintaining records to identify the detail comprising each Balance Sheet account for the programs they are responsible for and to provide this information in connection with SWO's annual audit or as requested. Accountants and/or Bookkeepers are responsible for review the Balance Sheet on a monthly basis.

SECTION 7 INTERNAL CONTROLS OVER CASH RECEIPTS

All SWO funds are required to be deposited on a daily basis in checking accounts that are under control of SWO. Limited exceptions are made to this policy for instances of inclement weather or situations beyond SWO's control (see SWO personnel policies). Funds received shall be kept in a secure area at all times with access restricted.

Individuals intentionally misappropriating Federal or state funds for SWO expenditures are subject to severe disciplinary actions in accordance with the Personnel Policies. Deposit of SWO Funds to accounts that are not under control of SWO shall be considered embezzled funds and shall be turned over to the BIA for investigation. As clarification, this would include establishing an account at the credit union, another financial institution or an individual account that does not have at least one SWO Executive or SWO Councilperson as an authorized signer. Also, any fundraising that is done in the name of the SWO must be deposited into an account that is under the control of the SWO.

Co-mingling of Federal, state and SWO monies is prohibited. Federal or state funds shall not be “borrowed or lent” to SWO Funds for temporary cash flow purposes.

Funds are generally received from outside sources one of three ways:

1. Checks, including rebate checks, through the mail or through hand delivery.
2. Wire/ACH transfer requested by SWO received directly by the bank.
3. Cash and/or currency received from the individual.

Checks that are generally received through the mail room are copied, logged, stamped “For Deposit Only” and distributed to the appropriate department/program. The Department/program is responsible for the preparation of a daily check /cash/coin collection register. Miscellaneous checks that remain in the mail room or SWO Office(s) are routed to the designated Cash Collections Clerk to prepare a daily check/cash/coin collection register. A copy of the daily collection register may be requested by programs as needed.

Note: Cash Collections Clerk duties are currently performed in the Vice-Chairman’s Office.

Employees or individuals with cash and/or currency are directed to the designated Cash Collection Clerk to initiate a daily collection register receipt. Daily check/cash/coin collections shall be submitted via hand delivery and are received by the designated Cash Collection Clerk where a physical count of all checks/cash/coins is performed. A collection register receipt documenting the funds received is prepared by the cash collection clerk and a copy is given to the representative of the program that delivered the funds to be deposited. Cash receipts along with a copy of the collection register receipt are then forwarded to the Accounts Receivable Clerk at least once each

day. Upon receiving daily cash collection registers, the Accounts Receivable Clerk enters the receipts in the computer and immediately prepares bank deposit tickets.

Deposits to SWO Accounts through ACH (Automated Clearing House), transfers (ASAP or Smartlink) via bank notice and/or internal documentation which includes date, amount of request, and program distribution are recorded by Accountants/Bookkeepers. Notification of actual receipt and deposit by the bank is received from the bank through monthly bank statements and is reconciled each month. ACH deposits often require allocation between various funds.

ASAP drawdown payments through ACH method are used for the following programs but are not limited to: EPA, Food Distribution Program and EDA.

Smartlink drawdown payments through ACH method are used for the following programs but are not limited to: Title VI, Block Grant, Injury Prevention, USDA Meal reimbursements, Diabetes, Child Protection, Head Start, Child Support, Women's Circle, LIHEAP and Tribal Historic Preservation.

All cash receipts shall be carefully reviewed and reconciled on a timely basis. Documentation associated with deposits is maintained by the Accounts Receivable Clerk, including:

1. A copy is made of the checks received from sources outside SWO. Any notes attached to the check should be stapled to this copy of the check along with the envelope for treasury checks and any envelopes that contain notes.
Example: If where the check should be deposited is indicated on the envelope, it is stapled to the check copy and maintained in monthly file.
2. For cash received, a copy of the cash receipt and deposit ticket is maintained.

A. Internal Controls for SWO Offices Cash Collection Clerk

Upon initial receipt of checks received from the Mail Room Clerk, the Cash Collection designee will sort daily checks and prepare a daily cash collection register. The daily collection register will include the following information:

1. Current date, Rec'd by and Title (corresponding day of the week (optional)).
2. Check date, Check number, Received from, Issued to, Purpose, Amount.
3. Verify daily log matches all checks received and is complete and accurate.

If SWO Cash Collection Clerk receives a check that is not already stamped "For Deposit Only" then he or she shall immediately stamp the check "For Deposit Only".

The original daily cash/check collection register will be forwarded to the SWO Accounts Receivable Clerk and a copy of the daily check register retained for filing or budget monitoring purposes.

1. If immediate preparation of the cash/check log is not possible, all cash/checks will be stored in a safe or secure area until daily cash/check register can be documented and immediately forwarded to the SWO Accounts Receivable Clerk.
2. Cash/check deposits will not be delayed longer than 2 to 3 business days without valid reason.

Daily cash/check collection registers may be used to reconcile to the SWO General Ledger cash and/or revenues accounts whenever a discrepancy occurs between the SWO program and the Accounts Receivable Clerk.

Upon request, a courtesy copy of daily cash/check collection logs can be forwarded to SWO Programs for their local documentation purposes.

B. Internal Controls for Checks/Cash/Coin Received Through Hand Delivery to Programs

SWO Programs shall designate one staff person and/or one alternate to receive all cash and checks. SWO Program designee(s) will be responsible for the issuance of a cash receipt for each payment received as follows:

A cash receipt will be prepared on every check/cash/coin payment received.

1. By date
2. By remitter
3. Check number or specify cash
4. Purpose
5. Amount
6. Received by

All checks will be stamped "For Deposit Only" as soon as practical.

The prepared Cash receipt will be distributed as follows:

1. Original to the individual making payment.
2. Copy retained for program files.
3. Copy to support daily cash collection log.

A daily cash receipt log/register will be prepared by the designated staff member as follows:

1. Originating Program

2. Log/Register date, prepared by
3. Cash receipt number, cash receipt date, remitter, purpose, amount
4. Make a copy of all checks for back-up documentation to cash receipt log
5. Summarize revenue source categories (if applicable)
6. Sub-total by cash and/or checks
7. Combine daily cash and checks Grand Total.

SWO program staff member shall hand-carry daily cash/check log to the SWO Collections Clerk with a copy of the log/register retained in the programs' office for filing and/or budget monitoring:

1. If unable to prepare a cash receipts log on the same day received, the cash/checks must be stored in a safe or secure area until a daily log can be prepared.
2. Cash/checks will not be delayed longer than 2 to 3 business days.
3. Daily cash/check logs may be used to reconcile to the SWO General Ledger cash and revenue accounts on a monthly basis.

Upon receipt of a daily program cash receipt register/log, the SWO Collections Clerk will verify the daily cash log by physically counting all cash and checks in the presence of the program staff member.

1. The SWO Collections Clerk will verify the exact amount of cash and the exact amount of checks before signing initials and date verified.
2. The SWO Collection Clerk will make a copy of the daily cash log for file purposes and then forward the cash log to the SWO Accounts Receivable Clerk.

C. Internal Controls for SWO Accounts Receivable Clerk

Upon receipt of daily SWO Cash/check collection registers from Cash Collection Clerk, will review registers to determine appropriate cash accounts and line-items to credit within the accounting system. All deposits are generally considered revenue line-item credits. Overpayment reimbursements may be credited against appropriate expenditure line-items. However, work performed by program employees should be posted to a revenue line-item, not posted as a reduction to their salaries expenditure line-item. Rebates shall be considered revenue line-item credits and not reductions to the related expenditure line-item. If questions arise on these, please ask the Chief Financial Officer to clarify the correct recording of the deposit.

Per daily register, each deposit will be entered into the Accounting system to generate a Cash Receipt (CR) of deposits as follows:

1. By date
2. From Whom
3. Check number or cash
4. Revenue accounting code

5. Amount

A file copy of all checks is made after posting entries into the accounting system.

Print two (2) copies of the computer generated cash receipt and prepare to distribute copies as follows:

1. One copy of cash receipt for Program.
2. One copy of cash receipt to attach to the copy of the deposit ticket and copy of the check(s).

Select appropriate bank deposit book and prepare a hand written daily bank deposit ticket, by program from computer generated postings, in triplicate.

1. White – to bank with deposit.
2. Pink – to bank for validation and return to Accounts Receivable.
3. Yellow - maintain in deposit book with copy of cash receipts attached.

Note: If any discrepancies are found, immediately notify the CFO.

D. Internal Controls for Revenue Received after the End of the Fiscal Year

Revenue is recognized when measurable and available. Revenue received that is allocable to the prior fiscal year shall be recorded in the prior fiscal year if the revenue is collected within sixty days after year end.

E. Internal Control Cash Procedures for the Cafeteria

1. Internal Controls for the Opening Cash Bank:

The SWO Café will be opened daily with a \$100 opening bank. After the designated employee has clocked in, they will contact a Security Guard and proceed to the Finance Document Storage room to retrieve their \$100 bank. Security will be responsible for unlocking the Finance Document Storage room, the employee will unlock the combination safe to retrieve the daily bank. Before placing money into the cash register, the employee will count out the money and along with the Security Guard, will sign off on the opening slip, to remain in the register until closing out.

2. Internal Controls for the Closing Cash Bank:

When the employee is ready to close out their cash register for the day, they will contact Security at least 15 minutes before they are needed. Once Security arrives, the employee will run the daily sales report and proceed to count out the cash drawer. Each monetary amount will be recorded. The \$100 bank will be separated from the gross sales.

1. The deposit form will then be signed by employee and Security, documenting all cash, charges, and credit card receipts, listing the balance after the opening bank is taken out.

2. The employee will then fill out the Bank Deposit Slip to be put into the cash deposit sealed envelope.
3. Cash will then be placed into the sealed deposit bag.
4. The sealed deposit bag will then be placed into the locked bank bag.
5. The cash deposit will be taken by Security and a second employee to be deposited directly to the bank each afternoon after closing. They will also check with the SWO Accounts Receivable to collect any deposits she needs transported.
6. A copy of the daily transaction tape will be made and submitted to the Finance Bookkeeper and to the SWO Café manager. Credit Cards Receipts will be submitted to the SWO Café Manager.
7. The SWO Café and Café Supervisor will have access to the bank deposit bag keys. This key will stay with the bank deposit bag in the safe until it is needed to lock the bank deposit bag at the end of the day.
8. The other key will be maintained by the bank staff at Dacotah Bank. Security will have access to the key for the Finance Document Storage Room. The employee will not be allowed in this area unless accompanied by Security.
9. Closing of the SWO Café will take place daily by 3:30pm, allowing enough time to close out the cash registers, ready the daily bank deposit and transport deposits to Dacotah Bank.
10. Once the designated bank deposit employee and the security guard have taken receipt of the money, this will end the closing procedure for the SWO Café.

F. Internal Controls for NSF (Insufficient Funds) Checks Received

There will be a \$50 fee assessed to the issuer of NSF checks to cover the bank charge back fee and processing. NSF checks will be returned to the program that originated the deposit for collection.

SECTION 8 INTERNAL CONTROLS FOR CASH DISBURSEMENTS

A. Internal Controls for Timeliness of Cash Disbursements

1. Each program has up to two (2) business days to submit a WorkPlace Check Request after an invoice or other supporting documentation for payment is received.
2. Each Bookkeeper has up to two (2) business days to review, approve and submit a WorkPlace Check Request to the appropriate SWO Executive for review and approval. WorkPlace Check Requests that are not approved should be returned to the program within two (2) business days. Programs should attempt to resolve the issue causing the return of the WorkPlace Check Request by the following business day and resubmit the WorkPlace Check Request to the Bookkeeper.
3. Each SWO Executive Office has up to two (2) business days to review, approve and submit a WorkPlace Check Request to Accounts Payable. WorkPlace Check Requests that are not approved should be returned to the program within two (2) business days. Programs should attempt to resolve the issue causing the return of the WorkPlace Check Request by the following business day and resubmit the WorkPlace Check Request to the SWO Executive Office.
4. Accounts Payable has up to two (2) business days to prepare a check. All checks are submitted to the authorizing Tribal Executive Office. Checks are not released by Accounts Payable.
5. The SWO Executive Office should generally mail out or otherwise disburse checks received the day they are received or the next business day at the latest.

Note: These guidelines are considered maximum days to complete. Every effort should be made to complete the tasks on a daily basis.

B. Internal Controls for WorkPlace Check Request and Payments

1. In most cases, program personnel prepare the WorkPlace Check Request. Exceptions to this include disbursements for indirect cost and payroll reimbursements. In these cases the WorkPlace Check Request is prepared by finance personnel.
2. Program personnel are responsible for determining that the payment request is allowable, appropriate (relevant and beneficial) for the program, and is included as part of the programs approved budget. See Allowable Costs below and the Budget Management Section of the Accounting Manual.
3. Bookkeeper review includes insuring that vendor number and accounting codes are correct. Also, the Bookkeeper reviews the supporting documentation for the WorkPlace Check Request to insure that the documentation is attached and is accurate (totals are correct, invoices match, etc...). The Bookkeeper has the authority to question whether a payment request is an allowable cost for the program. However, it is not the responsibility of the Bookkeeper to ensure that a payment request is allowable. This is

- the responsibility of the program requesting the payment as they have knowledge of the Federal, state and/or SWO requirements associated with the program.
4. Each SWO Executive (SWO Executive Office) reviews and approves each WorkPlace Check Request. The SWO Executive may deny or delay the processing of a WorkPlace Check Request's.
 5. Under no circumstances are checks to be processed without an approved WorkPlace Check Request. All WorkPlace Check Request's must have documentation attached to support the payment including purchase orders, receiving reports and invoices.
 6. A payment shall never be made from a monthly statement, only invoices.
 7. All payments are made by check. SWO does not have the ability to make payment directly to a vendor's bank account. However, it is anticipated that paperless payments will eventually be available.
 8. Once the check is issued it is returned to the SWO Executive Office that approved the payment. The SWO Executive's Office will then review the check before mailing or otherwise distributing the payment to the vendor. The review process includes matching the check to WorkPlace Check Request for proper payee and amount.
 9. In the instances where an emergency check is needed, the request should be made prior to noon, thereby allowing for the check to be available by 3:00pm. Some emergency situations may not allow for this kind of time structure. Emergency situations should be held to a minimum.
 10. There may be instances when the Accounts Payable department and/or the Accountant and/or Bookkeeper become aware of bills not being paid. In this situation, the Program Department Head or the SWO Executive Office should be notified for resolution.
 11. Calls for collection should be forwarded to the program requesting the payment.

C. Internal Controls for Allowable Costs/Unallowable Costs

Programs with Federal and state Grant Contract Requirements will have limitations on allowable costs per 2 CFR 200, Subpart E *Cost Principles*, award terms and conditions, funding agency statutes and regulations and perhaps other limitations. SWO has developed and implemented a uniform budgetary process to ensure compliance with the use of Federal and state financial resources. This is accomplished by the proper formulation, presentation, justification and execution of program and departmental budgets. In addition, **it is the responsibility of each Program Department Head to insure that only allowable costs are charged to their programs. Factors that Program Department Head must consider include whether the cost is necessary and reasonable, conforms to any limitations in the Federal award as to types or amounts of cost, be consistent with policies and procedures of the SWO, is adequately documented and incurred during the period of performance of the Federal award.**

Note: SWO auditors have identified flowers (funerals, holiday events, etc...), purified water billings and late payment fees and/or late payment interest charged by vendors as

disallowed costs. Therefore, flowers, purified water billings and late payment fees and/or late payment interest should never be submitted for payment using Federal funds. In addition, the auditors have determined that bank charges are generally unallowable expenditures to Federal program monies.

2 CFR 200 identifies various costs that are unallowable for payment using Federal funds. The unallowable costs include alcoholic beverages, bad debts, contributions and donations, entertainment costs, fines, penalties, damages and other settlements, fund raising and investment management costs, travel costs of officials unless prior written approval of the Federal awarding agency is obtained when the travel is specifically related to the Federal award.

If uncertainty exists concerning a proposed expenditure, specific costs that might otherwise be considered an unallowable Federal expenditure may have a programmatic purpose and may be authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency.

D. Internal Controls for 1099 Information Reporting – Internal Review Service (IRS)

The Accounts Payable Supervisor completes 1099-MISC forms according to Internal Revenue Service regulations. Generally these forms are issued for non-employee compensation and other income. All vendors shall complete the necessary Internal Revenue Service form (currently Form W-9) so that SWO can complete 1099-MISC or other required information returns. Vendors that refuse to complete Form W-9 with all proper and current information will not be issued payment. Vendors providing improper information will be eliminated from the SWO vendor data base.

Any questions or concerns on this issue shall be made directly to the Internal Revenue Service or researched on www.irs.gov to ensure that current regulations are followed. However, some excerpts concerning current 1099 reporting requirements are:

1. *Non-employee Reporting Form 1099-Misc* – Includes non-employee workers, businesses, and Independent Contractors that are paid \$600 or more per year for services, rents, prizes and awards, Indian Gaming profits, medical/health care, attorney fees, and gross proceeds to attorneys. Also, includes payments for repairs (nonemployee compensation). If parts or materials are minor, both parts and labor are included. If parts and materials are significant only labor is included.
2. *Other Income, Prizes and Awards* – Includes door prizes, prizes for contests, events and Pow-wow's.
3. *Exceptions to Filing Form 1099-Misc* – Payments to corporations, except medical corporations and legal service corporations.
4. Items not reported on 1099-Misc include employee compensation, commissions, bonuses, cash prizes to employees, market value to trips, prizes, services, and contests. All of these payments to employees are reported on W-2's.

5. SWO Council Member compensation is not reported on 1099-Misc.

Note: Stipend checks to Boards, Committee members and Commission members shall be issued by payroll. Current IRS regulations require that stipends be reported on W-2's and proper Federal income tax and FICA withholding be made.

Also, SWO Council members are considered employees by the IRS and payments made for duties performed as SWO Council members are reported on W-2's and are subject to Federal income tax. However, per Revenue Ruling 59-354, SWO Council wages are not subject to FICA. Federal Income Tax Withholding is not required for SWO Council wages, but is recommended, as the payments are subject to Federal income tax. SWO Council members shall not voluntarily subject their wages to FICA.

E. Internal Controls for Lost Checks

A check that is lost may be reissued. There will be a fee assessed to cover the bank stop payment fee (currently \$30.00). The CFO or head bookkeeper will contact the bank to see if the check was cashed. If the check was not cashed, the check may be reissued less the bank stop payment fee. If a check is lost in the mail, there will be a ten business day waiting period as the lost check will generally be returned within this time period. Copies of stop payments will be kept on file by the Accounts Payable Supervisor.

F. Minimum Dollar Amount of Checks Issued

A check will not be issued in an amount less than \$5.00 due to the cost to SWO to process the check.

G. Internal Controls for Petty Cash Funds

Petty cash funds are generally not allowed. If a program can justify the need for a petty cash fund due to special conditions or circumstances, the petty cash fund must be approved by the Executive Committee.

Petty Cash Funds must be established at an established dollar amount. Petty Cash Funds must be replenished by a SWO check with appropriate documentation. Donations must be deposited according to the cash receipts procedures. Donations and miscellaneous cash receipts should not be deposited in the petty cash fund. Petty Cash Funds must include cash and receipts for purchases that add up to the established dollar amount. Periodic audits of the Petty Cash Funds will be made by the SWO Internal Auditor or an individual selected by the SWO Executive Committee.

I. Internal Controls for Emergency Assistance – General Welfare

An Executive Emergency Assistance Application must be completed to receive a General Welfare payment. The form is available in the SWO Chairman's Office Suite, the SWO Vice-Chairman's Office Suite and the SWO Secretary's Office Suite.

SECTION 9 INTERNAL CONTROLS FOR BANK RECONCILIATIONS

The CFO receives the monthly bank statements from the Mail Clerk. The bank statements are distributed to the individual who is responsible for the respective bank account reconciliation. The responsibility to reconcile the various bank accounts is divided among the Accountants and Bookkeepers, and. For purposes of noting the responsible individual in the procedures below, the title “Preparer” will represent any of these two positions.

A. Internal Controls for Preparer

1. The Preparer must obtain bank statements which include bank scans of the cancelled checks and deposit slips that will assist in completing reconciliation.
2. Select the returned check box in the computer accounting software for each check that cleared the bank.
3. Identify outstanding deposits and record them in the bank reconciliation software.
4. Review checks written for the month to insure that all checks have been recorded in the computer accounting system.
5. Reconcile the account to the bank statement and the activity recorded in the accounting system through the bank reconciliation module set up on the computer accounting software. The top half of the form reconciles to the bank balance after consideration of outstanding deposits and checks. The bottom half of the form reconciles the activity for the month based on the beginning balance from the prior month, adding receipts for the month, subtracting cash disbursements for the month, and taking into consideration voided checks and journal vouchers.
6. Bank reconciliations for each month shall be completed within 30-days (end of month).
7. The bank is notified immediately if an error is found. The bank must be notified within 60-days after the statement is sent, or the error may not be corrected.
8. Any correction involving another bank account should be forwarded to the Accountant/Bookkeeper that is responsible for preparing the bank reconciliation for that bank account.

B. Internal Controls for Finalization

The bank reconciliation is forwarded to the Bookkeeping Supervisor for monthly review. The Chief Financial Officer shall review the bank reconciliations that are prepared by the Bookkeeping Supervisor.

SECTION 10 INTERNAL CONTROLS FOR JOURNAL VOUCHERS

A. Internal Controls for Standard Journal Vouchers

Adjustments to the General Ledger are documented and made with a Standard Journal Voucher. Standard Journal Vouchers generally originate from the Accountant, Bookkeepers or CFO. Documentation for the journal voucher is kept in the contract folder, the bank transfers folder or by the CFO. All Program **requests for journal vouchers will be retained in writing as backup for the journal voucher.**

B. Reversing Journal Vouchers

Reversing journal vouchers are used when the journal voucher is made at the end of the fiscal year or the end of the grant period; it is reversed at the beginning of the following month.

C. Recurring Journal Vouchers

Recurring journal vouchers are used when the same journal voucher is made on a monthly or quarterly basis.

D. Internal Controls for Journal Voucher Approval

Journal vouchers are approved by the Bookkeeping Supervisor or the CFO.

SECTION 11: INTERNAL CONTROLS FOR TRAVEL

As a convenience, SWO provides payment of travel advances for authorized travel. The Travel Advance Form used by SWO provides for authorization of the travel. Notification is made to the traveler that a Travel Expense Form and Trip Report must be submitted to SWO within five (5) business days of their return from travel status. SWO is authorized to make payroll deductions or to deduct from other payments made by SWO, including payroll deductions from other SWO entities, in order to collect excess travel advance loans.

The Travel Expense/Trip Report form requires receipts for lodging, airline transportation, parking, car rentals, and other necessary costs related to the travel. Once the travel costs have been documented as authorized and proper, the traveler will be reimbursed for accepted costs in excess of the travel advance or required to repay any excess advance received either through cash payments or payroll deductions.

SWO shall use General Services Administration, 41 CFR Chapter 301, Federal Travel Regulation; maximum per diem rates and also general and temporary duty (TDY) travel allowances (maximum per diem rates), as amended.

SWO maintains what the Internal Revenue Service (IRS) refers to as an “Accountable Plan” in order to ensure that travel advances are not required to be included in employee income. According to the IRS there are three requirements for an “Accountable Plan” as follows:

1. The expenditures must have a SWO (business) connection.
2. The employee must adequately account for the expenditure within a reasonable period of time.
3. The employee must return any excess reimbursement or allowance within a reasonable period of time.

No travel will be allowed if the traveler has previous outstanding travel advances. All travel will be kept current before any travel advances will be authorized.

A. Internal Controls for Travel Authorization Limitations

When authorizing payment of travel expenses Program Department Heads and SWO leadership shall consider the following:

1. Alternatives, including teleconferencing, prior to authorizing travel.
2. Limiting the authorization and payment of travel expenses to travel that is necessary to accomplish the mission in the most economical and effective manner. This includes ensuring that travel is by the most expeditious means practical and authorization and payment of transportation expenses that result in the greatest advantage to SWO.
3. Budget constraints, adherence to travel policies, and the reasonableness of expenses.

B. Internal Controls for Method of Transportation

When selecting a particular method of transportation the following should be considered:

1. The total cost to SWO, including per diem, overtime, lost work time, actual transportation cost, total distance of travel, number of points visited, the number of travelers and energy conservation.
2. Travel shall be by the most expeditious means of transportation practicable and shall be commensurate with the nature and purpose of the duties of the employee requiring such travel.
3. Travel by common carrier (air, rail, bus) is considered the most advantageous method to perform most official travel. Other methods of transportation may be authorized as advantageous only when the use of common carrier transportation would interfere with the performance of official SWO business or impose an undue hardship upon the traveler, or when the total cost by common carrier exceeds the cost by another method of transportation. A determination that another method of transportation is more advantageous to SWO than common carrier shall not be made on the basis of personal preference or inconvenience to the traveler.
4. The Executive over a program and the Vice-Chairman will determine what method of transportation is more advantageous to SWO.

C. Internal Controls for Privately Owned Vehicle

If an employee elects to use a Privately Owned Vehicle (POV) instead of an alternative form of transportation authorized by SWO, shall:

1. Limit reimbursement to the total constructive cost of the most advantageous authorized method of transportation, which is the sum of per diem and transportation expenses the employee would reasonably have incurred when traveling by the authorized method of transportation.
2. Charge annual leave for any duty hours that are missed as a result of travel by POV.

D. Internal Controls for SWO Vehicle

The Executive over a program will determine when an employee will be:

1. Required to use a SWO vehicle.
2. Allowed to use a SWO vehicle.
3. Prohibited from using a SWO vehicle.

E. Internal Controls for Travel Advances

All employees, SWO Council members and Executives must have advance approval to travel by the approved Executive Office. It is the policy of SWO to advance authorized travelers 100% of the estimated costs of their trip. It is a *loan* to the traveler, and is recorded in a Subsidiary Ledger as an Advanced Travel Receivable until the Travel

Expense/Trip Report is submitted. Accordingly, the traveler is responsible for and accountable to SWO for those funds at the conclusion of their travel.

In order to receive the travel advance there are several steps that must be taken and followed.

1. A Travel Request & Authorization – Travel Advance Form must be submitted to the Executive Office by the employee after review and approval by Program Department Head.
2. The request shall be in accordance with Federal Travel Regulations.
 - a. The *Federal Travel Regulations* may be found online. They are currently at the following shortcut: <http://www.gsa.gov/fttr>.
 - b. A list of the *High Rate Cost Areas* in the U.S. is maintained by the Finance Office and must be verified before submitting travel advance. This may also be found online at the following shortcut: <http://www.gsa.gov/perdiem>.
 - c. A breakdown of meals and incidental expenses may be found online at the following shortcut: <http://www.gsa.gov/mie>. The first day and last day of travel is calculated at 75 percent.
 - d. A list of the current mileage rates may be found online at the following shortcut: <http://www.gsa.gov/pov>.
3. The request must have the proper fund/account code.
4. Documentation must be attached regarding the purpose and justification of travel. This may include a narrative, agenda, or brochure of the meeting/conference and must show the necessity, the relevance and the benefit to the program of the travel.
5. The traveler must sign the Loan Terms of the Travel Advance of the Travel Request & Authorization Travel Advance Form.
6. The Program Department Head must review, approve and sign the Loan Terms of the Travel Advance section of the Travel Request & Authorization Travel Advance Form.
7. The Executive of the Traveler's program must review, approve and sign the Travel Request & Authorization Travel Advance Form.
8. The Budget Office must review, approve and sign the Travel Request & Authorization Travel Advance Form.
9. The Travel Request & Authorization Form should be submitted to the Accountant/Bookkeepers 5 business days before the travel date. If the form is not submitted within this timeframe, the traveler may not receive a travel advance.
10. The Accountant/Bookkeeper verifies the information on the Travel Request & Authorization Travel Advance Form and inputs the advance into the employees travel advance subsidiary ledger. If the Accountant/Bookkeeper identifies outstanding travel, the Travel Request & Authorization Travel Advance Form will be returned to the Program or traveler.

11. The Travel Advance is then submitted to the Accounts Payable Department for processing in accordance with the Cash Disbursement Procedures.

F. Internal Controls for Travel Advances to Non-employees and Independent Contractors/Consultants

Travel advances are not given to non-employees. Also, travel advances are not given to independent contractors/consultants.

G. Internal Controls for Travel Expense/Trip Reports

After returning the employee is responsible for completing a trip report which must be submitted within five working days. It must be signed and dated by the traveler and by the Program Manger. The trip report must then be matched with the proper travel advance that was originally given to the traveler.

Note: A Travel Expense/Trip Report may not be completed without an approved Travel Request & Authorization – Travel Advance Form. If there was inadequate time to complete the travel advance before an approved trip, the form should be completed after returning without requesting travel advance monies.

1. The Travel Expense/Trip Report must be reviewed by the Program Department Head for accuracy in accordance with SWO polices and Standard Federal Travel Regulations.
 - a. Proper approval signatures are present.
 - b. Per Diem rates are charged correctly.
 - c. Documentation consists of originals and matches costs reflected and timing of travel.
2. If an amount is due from the traveler, determine amount to be repaid. If this is the case the employee may return the funds immediately or a payroll deduction form must be filled out and distributed to the Payroll Department, the traveler, program Accountant, and/or Bookkeeper. A reasonable period for repayment is considered 2-3 ongoing pay periods. If the repayment is \$50.00 or less, the entire amount will deducted in the next pay period.
3. The Accountant and/or Bookkeeper will review travel advances and trip reports. Statements showing outstanding travel will be sent to the employees, at least quarterly, to ensure that trip reports are turned in and excess reimbursement for travel is repaid within a reasonable time period.
4. Program Department Heads are responsible for monitoring the travel or their employee, including insuring that Travel Expense/Trip Reports are submitted on a timely basis.

All lodging receipts must be kept and submitted with the Travel Expense/Trip Report, but meal receipts need not be. The Per Diem rate includes incidental expenses such as taxes and gratuities, so travelers will not be reimbursed separately for those items. Cab fares may be charged over and above lodging and subsistence in which travel is by commercial carrier. A receipt is required for this reimbursement. Travelers may also be reimbursed for any parking fees incurred. A receipt is required for this reimbursement. Also, receipts for registration fees should be kept and submitted with the Travel Expense/Trip Report.

H. Restatement of Key Internal Controls for Travel

As stated in the Authorization to Travel/Request for Advance, all receipts should be returned to the Finance Office, along with the Trip Report, within five working days of the traveler's return. Any reimbursements to be made, either to or from the traveler, will be determined from the report and receipts the traveler submits.

The Authorization to Travel/Request for Advance includes a statement which, when signed by the traveler, permits the Finance Office to deduct outstanding travel advances from the employee's next payroll check. Travel advances shall be considered outstanding if the required reports are not submitted within five working days. In addition, the Finance Office shall not allow any travel advances to be made to a traveler who has an outstanding travel advance.

I. Internal Controls for Day Travel

According to the Federal Travel Regulation (FTR), travelers are entitled to 75% of the prescribed meals and incidental expenses for one day travel away from your official station if it is longer than 12 hours. Please see FTR 301-11-101 (www.gsa.gov/fttr). One day travel away from your official station is defined as travel in excess of 50 miles from your official station and residence.

J. Internal Controls for Mileage Reimbursement

SWO reimburses employees for the use of their personal vehicle for SWO business purposes. Mileage is reimbursed at the rate set by the Federal government as part of the General Services Administration Federal Travel Regulations (not the rate determined by the Internal Revenue Service). In order for an employee to receive mileage reimbursement, a Local Travel Expense Statement must be completed. The Statement details the employee name, date, position, program, account code, date(s) of travel, beginning odometer reading, ending odometer reading, number of miles traveled, and the purpose of the travel.

The employee must certify on the Local Travel Expense Statement the amounts claimed and attachments are true, correct, and complete to the best of their knowledge and belief, and the payment for the amount claimed has not been received. Employees may not receive mileage reimbursement for use of a SWO vehicle. Also, mileage cannot be claimed on a

Trip Report and a Local Travel Expense Statement. However, employees can be reimbursed for gas purchased while on SWO business with a SWO vehicle. Gas receipts along with proof that the amount was paid by the employee must be submitted with your Trip Report in order to receive reimbursement. No mileage reimbursement or mileage advance is permitted when a SWO vehicle is used.

K. Internal Controls for Travel When Using Federal Funding

2 CFR, 200.474 *Travel Costs* is incorporated in this document where applicable in relation to federal awards. SWO will comply with the requirements stated therein:

(a) General. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-Federal entity. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the non-Federal entity's non-federally-funded activities and in accordance with non-Federal entity's written travel reimbursement policies. Notwithstanding the provisions of § 200.444 General costs of government, travel costs of officials covered by that section are allowable with the prior written approval of the Federal awarding agency or pass-through entity when they are specifically related to the Federal award.

(b) Lodging and subsistence. Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the non-Federal entity in its regular operations as the result of the non-Federal entity's written travel policy. In addition, if these costs are charged directly to the Federal award documentation must justify that:

- (1) Participation of the individual is necessary to the Federal award; and*
- (2) The costs are reasonable and consistent with non-Federal entity's established travel policy.*

(c)(1) Temporary dependent care costs (as dependent is defined in 26 U.S.C. 152) above and beyond regular dependent care that directly results from travel to conferences is allowable provided that:

- (i) The costs are a direct result of the individual's travel for the Federal award;*
- (ii) The costs are consistent with the non-Federal entity's documented travel policy for all entity travel; and*
- (iii) Are only temporary during the travel period.*

(2) Travel costs for dependents are unallowable, except for travel of duration of six months or more with prior approval of the Federal awarding agency. See also § 200.432 Conferences.

(3) In the absence of an acceptable, written non-Federal entity policy regarding travel costs, the rates and amounts established under 5 U.S.C. 5701–11, (“Travel and Subsistence Expenses; Mileage Allowances”), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter must apply to travel under Federal awards (48 CFR 31.205–46(a)).

(d) Commercial air travel.

(1) Airfare costs in excess of the basic least expensive unrestricted accommodations class offered by commercial airlines are unallowable except when such accommodations would:

(i) Require circuitous routing;

(ii) Require travel during unreasonable hours;

(iii) Excessively prolong travel;

(iv) Result in additional costs that would offset the transportation savings;

or

(v) Offer accommodations not reasonably adequate for the traveler’s medical needs. The non-Federal entity must justify and document these conditions on a case-by-case basis in order for the use of first-class or business-class airfare to be allowable in such cases.

(2) Unless a pattern of avoidance is detected, the Federal government will generally not question a non-Federal entity’s determinations that customary standard airfare or other discount airfare is unavailable for specific trips if the non-Federal entity can demonstrate that such airfare was not available in the specific case.

(e) Air travel by other than commercial carrier. Costs of travel by non-Federal entity-owned, -leased, or -chartered aircraft include the cost of lease, charter, operation (including personnel costs), maintenance, depreciation, insurance, and other related costs. The portion of such costs that exceeds the cost of airfare as provided for in paragraph (d) of this section, is unallowable.

Also, P.L. 93-638 is incorporated in this document where applicable to self-determination contracts.

SECTION 12: INTERNAL CONTROLS FOR PAYROLL

The Payroll Department is responsible for maintaining and processing all functions of payroll. Payroll periods are weekly with pay periods beginning on Sunday at 12:00am and ending on Saturday at 11:59pm. Pay checks are issued the following Friday. Paychecks are only issued on Fridays. The payroll system is integrated with the accounting system whereby the appropriate General Ledger accounts are posted for each payroll. The total cost of the payroll including benefits or SWO's portion of the payroll costs are reimbursed from the various program accounts each pay period.

2 CFR, 200.430 *Compensation-Personal* is incorporated in this document where applicable in relation to federal awards. SWO will comply with the requirements stated therein. Also, P.L. 93-638 is incorporated in this document where applicable to self-determination contracts.

It is SWO's policy to follow and apply all applicable Internal Revenue Service regulations in the normal course of issuing SWO payroll. If in question, research the Internal Revenue Service directly or online at www.irs.gov.

A. Payroll Forms

1. *I-9 Employment Eligibility Verification* – All employees (citizens and noncitizens) hired after November 6, 1986, and working in the United States must complete Form I-9. The purpose of this form is to document that each new employee (both citizen and noncitizen) hired after November 6, 1986, is authorized to work in the United States.
2. *Form W-4 Employees Withholding Allowance Certificate* – Form W-4 is used to determine the correct Federal income tax withholding from the employee's pay. A Form W-4 should be completed when an employee is hired, each year (generally at the beginning of January) and anytime your personal or financial situation changes.
3. *Employee Action Report (EAR)* – All paperwork, including the Employee Action Report (EAR), must be complete and processed prior to an employee starting work. The EAR must be completed to include any changes in salary/wage amounts for a current employee. In addition, the Payroll Department is notified if an employee is terminated when the EAR is received.

All information entered for new employees must be reviewed for accuracy. The EAR information provides most of the information for new employees. The EAR is maintained in the employee file. Employee terminations are to be communicated to the payroll department after verification by Human Resources.

4. *Payroll Correction Form* – Any discrepancies on your payroll check will be corrected by completing a Payroll Correction Form and submitting the form to the same process as the Time Report approval. Correction will be made on the next scheduled payday.

B. Internal Controls for Time Matrix

Time Matrix is used to track time and attendance. Employees are required to clock in at the beginning of their shift and clock out at the end of their shift. Employees may use their “swipe card” or their Personal Identification Number (PIN) to clock in and clock out. Employees are not allowed to clock in or clock out for other employees. Employees are also required to request leave using Time Matrix, in addition to the requirements spelled out in the SWO Personnel Policies.

Program Department Heads are required to review and approve program employee time and attendance in Time Matrix. SWO Executives are required to review and approve Program Department Heads time and attendance in Time Matrix. Time Reports may be printed at the end of each week to verify correct time entries.

C. Internal Controls for Paycheck Processing Timelines

1. Payroll is processed from Program Department Heads and SWO Executive approved Time Matrix time report logs which must be submitted no later than noon on Tuesday following the pay period ending date.
2. The Payroll Manager will submit exception reports to each Program Department Head and SWO Executive detailing any issues identified in the submitted payroll time report logs. The exception reports will be submitted beginning at 1pm on Tuesday and every two hours thereafter that until all payroll time report logs are submitted and approved without exceptions. If there are uncorrected exceptions as of noon on Wednesday following the pay period ending date, employees with exceptions will not be included in the ACH payroll file submittal. The applicable Program Department Head will be subject to disciplinary action in accordance with the SWO Personnel Policies.
3. The Payroll Department is responsible for submitting the ACH payroll file and posting payroll no later than 4:00 p.m. on Thursday following the pay period ending date.
4. The Accountants/Bookkeepers are responsible for preparing program payroll reimbursement and submitting them to accounts payable no later than noon on Friday following the pay period ending date.

5. Accounts Payable is responsible for preparing checks to reimburse payroll no later than noon on Friday following the pay period ending date.
6. The Accounts Receivable Clerk is responsible for depositing payroll reimbursement checks no later than 3:00 p.m. on Friday following the pay period ending date.
7. If for some reason any of these timelines cannot be accomplished by due dates/times, the Chief Financial Officer shall be notified.

Note: These guidelines are considered maximum times and dates to complete. Every effort should be made to complete the tasks as quickly as possible each day.

D. Internal Controls for Overtime/Compensatory Time

Overtime and compensatory time will be processed only if SWO Personnel Policy procedures are followed. Overtime/Compensatory Time will be paid in accordance with the Fair Labor Standards Act and 2 CFR 200.

E. Internal Controls for Incentives Awards

IRS regulations require that SWO report incentive awards it pays an employee and include them as wages on the W-2 form. If the incentive awards are in the form of goods or services, SWO will add the Fair Market Value to the employee's income.

F. Internal Controls for Benefits

The Payroll department is responsible for paying all applicable benefits to the proper vendors, including payroll taxes and employee benefits resulting from the payroll processed. These payments are generally processed on the Tuesday after the date payroll is paid. The majority of the employee benefits are paid directly to the vendor. The exceptions to this are retirement costs, workers compensation costs, and both employer and employee paid insurance costs.

Retirement Plan deductions are generally made from every paycheck. However, retirement plan deductions may be changed or suspended by contacting the Human Resources Department and completing the appropriate paperwork.

G. Internal Controls for Payroll Deductions

Payroll deductions paid to vendors is an extra service provided to employees and vendors. Employees and vendors are reminded that this is not a normal function of a payroll department and may be withdrawn at any time. SWO is not responsible for any late charges accessed by vendors to employees. Any disputes concerning these payments should be handled by the employee and the vendor directly. Once a payroll deduction is approved it will not be removed until paid in full. Payroll deduction forms are available from the payroll department. Payroll deductions will be limited to the listing approved by the

Executive Committee. A fee is charged (currently \$2.00) for each deduction except for court ordered deductions and SWO deductions. Employees that are on probation and temporary status employees are not eligible for voluntary payroll deductions.

H. Internal Controls for Direct Deposits of Payroll Checks

Employees are required to have their payroll and stipend checks directly deposited into their checking or savings account. Direct deposit forms are available in the payroll department. New employees must submit a direct deposit form no later than three weeks from their first day of work.

I. Internal Controls for Early Paychecks/Payroll Advances

Since paychecks are issued each week for work performed the previous week, early paychecks are not possible or allowed under any circumstance. In addition, payroll advances are not allowed under any circumstance. Payroll checks for salary adjustments, work performance, annual leave payments, uncorrected Time Matrix exceptions, etc... will only be available after 4:00pm on Fridays.

J. Internal Controls for Final Paychecks

Paychecks for employees who resign or are terminated will be paid their final check on the next scheduled payday along with accrued annual leave if approved in accordance with the SWO Personnel Policies.

K. Internal Controls for State Unemployment Reports

Employer's Quarterly contribution report for the State of South Dakota is filed to report wages, taxable wages and contribution due for state unemployment tax (SUTA). The report is filed each calendar quarter and is due by the end of the month following the close of the quarter. The SUTA contribution to the State of South Dakota is computed and based on taxable wages. The payroll Accountant is responsible for making sure that the taxes are being paid with the State of South Dakota.

L. Internal Controls for Employer's Quarterly Tax Return

Employer's Quarterly Federal Tax Return (Form 941) is filed to report wages paid along with income tax and social security tax withheld from these wages, and the employer's share of social security tax. The return is filed each calendar quarter and is due by the end of the month following the close of the quarter.

M. Internal Controls for EFTPS

FICA and Federal income tax withholdings are deposited according to IRS regulations using the Electronic Filing Taxpayer Payment System. It is the responsibility of the Payroll Accountant to ensure that filings are made timely. This is extremely important, as penalties for late deposits are substantial. In order to minimize the possibility of penalties for late deposit of tax withholdings, paychecks will only be issued on Fridays.

N. Internal Controls for Annual Wage Reporting (W-2)

Form W-2 is used to report to the employee and the Social Security Administration wages and withheld income, social security, and Medicare taxes for the year. It is prepared on a calendar year basis and is furnished to each employee by the Internal Revenue Service deadline. Due to the number of W -2s, the information must be filed with the Social Security Administration via magnetic media as opposed to paper filing.

O. Internal Controls for Stipend Checks

Stipend checks shall be issued by payroll. Current IRS regulations require that stipends be reported on W-2's and proper Federal income tax and FICA withholding be made.

Completed WorkPlace check requests for stipends must be received by the Payroll Department no later than noon on the Wednesday before stipend checks are issued. WorkPlace check requests for stipends received after the noon on Wednesday deadline will be processed during the following weekly stipend check processing. Also, if the WorkPlace check request for stipends is incomplete or incorrect, it will be returned to the program and processed during the following weekly stipend check processing.

P. Internal Controls for SWO Council Wage Reporting

SWO Council members are considered employees by the IRS and payments made for duties performed as SWO Council members are reported on W-2's and are subject to Federal income tax. However, per Revenue Ruling 59-354, SWO Council wages are not subject to FICA. Federal Income Tax Withholding is not required for SWO Council wages, but is recommended, as the payments are subject to Federal income tax. SWO Council members shall not voluntarily subject their wages to FICA.

Revenue Ruling 59-354

SECTION 61 – Gross Income Defined

1959-2 Cumulative Bulletin 24; July 1959

26 CFR 1.61-2: Compensation for services, including fees, commissions, and similar items (Also Sections 3121, 3306, 3401; 31.3121(a)-1, 31.3306(b)-1, 31.3401(a)-1.)

Although includible in gross income under section 61 of the Internal Revenue Code of 1954, amounts paid to members of Indian tribal councils for services performed by them as council members do not constitute "wages" for the purposes of the Federal Insurance Contributions Act, the Federal Unemployment Tax Act and the collection of income tax at source on wages.

Amounts paid to other salaried employees of such Indian councils and to employees of private tribal business enterprises constitute "wages" subject to the Federal employment taxes, including the withholding of income tax under section 3402 of the Internal Revenue Code of 1954.

Advice has been requested whether the salaries of members of Indian tribal councils are subject to Federal income tax and Federal employment taxes and whether the tribal councils are liable for the withholding and payment of such taxes.

The constitution and bylaws of the various Indian tribes provide that the members of the council are elected from among the full tribal membership; that their duties include representing the tribe in business dealings with the United States Government and the public generally; that the council is a policy determining group; and that the members also have some duties to perform in legislative and executive capacities for the tribe. Their duties appear to be similar to the duties of a city council.

Section 61(a) of the Internal Revenue of 1954 defines the term "gross income" to include "income derived from any source whatever."

Exemption from the payment of Federal income tax may not be implied and, if exemption of Indians from the payment of such tax exists, it must derive plainly from the Federal tax statutes or from treaties or agreements with the Indian tribes concerned or some Act of Congress dealing with their affairs. See Revenue Ruling 54-456, C.B. 1954-2, 49. Accordingly, Indians are required to include in gross income all income they receive which has not been specifically exempted in some manner from Federal income tax.

There is no provision in the Federal income tax laws, which would exempt Indians, as such, from income taxation. Accordingly, unless income of an Indian derived from a particular source is otherwise exempt; such income will be subject to tax in his hands the same as it would be in the hands of any other taxpayer. Similarly, all remuneration received by an Indian for services performed as an employee for his employer which constitutes "wages," as that term is defined in the Federal employment tax statutes, is subject to the taxes imposed by such statutes.

Where a business enterprise of an Indian tribe is organized and operated by the tribe itself, such enterprise is considered a private tribal activity and services performed in its employ constitute employment. In this connection, see Revenue Ruling 56-110, Cumulative Bulletin 1956-1, 488.

A review of many court decisions and legislative enactments pertaining to Indian tribes indicates that the powers vested in any tribe or tribal council by existing law, within the meaning of section 16 of the Wheeler-Howard Act, 25 U.S.C. 476, precludes a conclusion that services performed by members of such councils in their capacities as council members constitute employment for Federal employment tax purposes. Accordingly, it is held that the amounts paid to members of tribal councils for services performed by them as council members do not constitute "wages" for purposes of the Federal Insurance Contributions Act, Federal Unemployment Tax Act and the collection of income tax at source on wages (chapters 21, 23 and 24, respectively, Subtitle C, Internal Revenue Code of 1954).

It is held further that services performed by other salaried employees of tribal councils and by employees of tribal business enterprises constitute employment and their wages are subject to the Federal employment taxes, including the withholding of income tax under section 3402 of the Code. The tribal councils are responsible for the withholding of taxes where applicable and for the payment of any taxes owing with respect to the wages paid to such employees.

SECTION 13: INTERNAL CONTROLS FOR PROCUREMENT

SWO governmental organization's procurement policies and procedures are in accordance with 25 CFR Part 900.47, Subpart F Standards for Tribal Organizational Management Systems, Procurement System Standards and 2 CFR 200.

To facilitate the orderly and fair processing of bids, the Procurement and Contracting Officer should be supplied with a clear and accurate description of the technical requirements for the items to be procured. Such description shall not contain features which unduly restrict competition. "Brand name or equal" description may be used only as a means to define the performance or other salient requirements of procurement. When so used, the specific features of the named brand which must be met by bidders should be clearly specified.

The above bid structure applies to equipment only. Equipment is defined as an article of non-expendable, tangible personal property having a useful life or more than year.

Program personnel are for inputting the WorkPlace Requisition Request and submitting the request to the Procurement and Contracting Officer for obtaining the necessary bids. WorkPlace Requisition Requests are required for all purchases including equipment and office supplies. Program personnel shall not place orders for purchases. Program Personnel that place orders without using SWO Procurement are subject to the Serious Violations provisions of the SWO Personnel Policies.

2 CFR, 200.318-326 *General Procurement Standards, Competition, Methods of Procurement to be Followed, Contracting with Small and Minority Businesses, Women's Business Enterprises and Labor surplus Area Firms, Procurement of Recovered Materials, Contract Cost and Price, Federal Awarding Agency or Pass-Through Entity Review, Bonding Requirements and Contract Provisions* are all incorporated in this document where applicable in relation to federal awards. SWO will comply with the requirements stated therein. Also, P.L. 93-638 is incorporated in this document where applicable to self-determination contracts.

2 CFR, 200.320 *Methods of Procurement* to be followed for Federal Awards. The SWO must use one of the following methods of procurement for Federal Awards:

(a) Procurements by micro-purchase procedures. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed \$3,000 (or \$2,000 in the case of acquisitions for construction subject to the Davis-Bacon Act). To the extent practicable, SWO must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the SWO considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small

purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply.

(1) In order for sealed bidding to be feasible, the following conditions should be present:

(i) A complete, adequate, and realistic specification or purchase description is available;

(ii) Two or more responsible bidders are willing and able to compete effectively for the business; and

(iii) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

(2) If sealed bids are used, the following requirements apply:

(i) The invitation for bids will be publicly advertised and bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids;

(ii) The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;

(iii) All bids will be publicly opened at the time and place prescribed in the invitation for bids;

(iv) A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and

(v) Any or all bids may be rejected if there is a sound documented reason.

(d) Procurement by competitive proposals. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost reimbursement type contract is awarded. It is generally used when conditions are

not appropriate for the use of sealed bids. If this method is used, the following requirements apply:

(1) Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical;

(2) Proposals must be solicited from an adequate number of qualified sources;

(3) SWO must use a written method for conducting technical evaluations of the proposals received and for selecting recipients;

(4) Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered; and

(5) SWO may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort.

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

(1) The item is available only from a single source;

(2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;

(3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or

(4) After solicitation of a number of sources, competition is determined inadequate.

A. Internal Controls for Timeliness of Procurement

- 1.** The Procurement Department and/or the Management Information System Department has up to three (3) business days to contact vendors and prepare the information necessary to complete a purchase order.
- 2.** Each Tribal Executive Office has up to two (2) business days to review, approve and submit a WorkPlace Requisition. WorkPlace Requisition Requests that are not approved should be returned to the program within two (2) business days. Programs should attempt to resolve the issue causing the return of the WorkPlace

Requisition Request by the following business day and resubmit the WorkPlace Requisition Request.

3. Receiving reports must be completed and submitted by the Property Management Department to the Procurement Department on the date the item is delivered.
4. Accounts Payable has up to two (2) business days to prepare a check
5. The SWO Executive Office should generally mail out or otherwise disburse checks received the day they are received or the next business day at the latest.

Note: These guidelines are considered maximum days to complete. Every effort should be made to complete the tasks on a daily basis.

B. Internal Controls for WorkPlace Requisition Requests/Purchase Orders

1. It is anticipated that disbursements will not be made without an approved purchase order. The steps necessary to obtain a purchase order are documented in the Procurement Section of the Accounting Manual. Depending on nature of the expenditure, the Procurement Department and/or the Management Information System Department must review prices and/or obtain necessary bids.
2. Items purchased by programs without using the SWO Procurement Department, the Management Information System Department, or otherwise not following SWO procurement procedures will be considered the personal responsibility of the individual placing the order.
3. Only the items on the approved purchase order will be paid. Additional items included on the vendor invoice will not be paid, with a written explanation to the vendor explaining why the full invoice amount was not paid.
4. Purchase orders are also subject to approval by the SWO Executive Office based on the approved WorkPlace Requisition Request.
5. As a general rule, all items should be delivered to the Property Management Department, or at least Property Management Department personnel should prepare receiving reports for the items. A copy of the receiving report is forwarded to the Procurement Department to notify them that the items have been received. Payment is not processed until a receiving report is obtained from Property Management. If a receiving report is not obtained, program personnel must be contacted to determine that the items have been received.
6. There are limited instances whereby a purchase order is not required. These primarily consist of payments for utilities, indirect cost, payroll, travel, and billings from the General Fund. In addition, certain emergency situations may not allow for preparation of a purchase order.
7. When a purchase order is not required, the same general procedures outlined above under WorkPlace Check Request and Payments are followed. Invoices or related documentation are submitted along with the WorkPlace Check Request to the

Accountant and/or Bookkeeper and the procedures relating to purchase orders are not performed.

C. Internal Controls for Charge Accounts – Open Purchase Orders

Open purchase orders for charges for repetitive purchases of similar items may periodically be approved. The program must justify the need for the open purchase order and provide proper supporting documentation to pay the vendor. Open purchase orders must be approved by a SWO Executive. It is the Program Department Head's responsibility to document who is allowed to make charges at local businesses and to keep the documentation up to date with the vendor and with the Finance Department.

D. Internal Controls for Basic Standards for Procurement

All SWO governmental organization programs shall utilize and apply the following basic procurement standards:

1. The Program Department Head shall ensure that its vendors *and/or* contractors/subcontractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. If a compliance issue arises, the Program Department Head shall immediately notify the Procurement and Contracting Officer and the Supervisory Executive.
2. SWO governmental organization maintains a centralized procurement office.
 - a. The Procurement and Contracting Officer shall perform all purchasing and contracting for supplies, goods, and equipment for the entire SWO governmental organization. Equipment is defined as an article of non-expendable, tangible property having a useful life of more than one year.
 - b. The Procurement and Contracting Officer shall evaluate, select, and award procurement contracts for supplies, goods or equipment based on written solicited bids with specifications. The Program Department Head and employees may recommend a vendor; however, the Procurement and Contracting Officer alone shall have final authority to process for approval and award of procurement contracts for supplies, goods or equipment, subject to the following requirements established by the SWO Council:
 - i. Procurement contracts or purchases for the acquisition of supplies or services, the aggregate dollar amount of which does not exceed \$3,000 for equipment, \$2,500 for contracts and services and \$2,000 for construction may be solicited by the Procurement and Contracting Officer without soliciting competitive quotations if the SWO considers the price to be reasonable. The SWO Program Department Head may provide input, provided the vendor is selected from the SWO Tax Department's list of approved vendors who have applied for and obtained a SWO Business License necessary for transacting business

on the Lake Traverse Reservation as well as the TERO Director's listing of Indian Preference Certified businesses, and the Vice Chairman's listing of certified vendors.

Note: Contracts must be reviewed and approved by the Legal Department.

Upon the recommendations of a SWO Program Department Head, the Procurement and Contracting Officer may utilize a sole source vendor, provided written justification is provided, and such written justification shall state reasons for sole sourcing:

- a. The item is available only from a single source.
 - b. The emergency for the requirement will not permit delay resulting from competitive solicitation.
 - c. The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the SWO.
 - d. After solicitation of a number of sources, competition is determined inadequate by the Procurement and Contracting Officer.
 - e. If a sole source is to be granted during the procurement of an item or contract, it must be submitted to the Procurement and Contracting Officer in writing with concurrence with the SWO Executive. One or more of the above reasons must be explained in writing in order to sole source an item/contract.
- ii. Procurement contracts or purchases for the acquisition of supplies or services, the aggregate dollar amount of which exceeds the micro purchase threshold (\$3,000 for equipment, \$2,500 for contracts and services and \$2,000 for construction) but is \$5,000 or less shall require at least three (3) written bid quotes and shall be approved by one member of the Executive Committee by virtue of a SWO Executive's signature on the approval document.
 - iii. Procurement contracts having a value greater than the Small Purchase Threshold of \$5,000 shall require advertising in both North and South Dakota plus contacting at least three (3) known vendors to obtain written bid-quotes and shall be approved by motion or resolution of the SWO Council. A copy of the motion or resolution shall be attached to the procurement document. Note: The written bid-quote provision does not apply to contract change orders that are approved by Tribal Council when a contract is already in place. This applies even if a budget line-item was approved for the procurement contract.
 - a. The SWO Procurement and Contracting Officer shall require the SWO Program Department Head to provide specification(s) for each and

every item being solicited in the bidding process. The SWO Procurement and Contracting Officer may contract for the statement of design and specification for a required procurement item, however in no event shall the firm contracted to design specifications be allowed to prepare and submit a bid for the solicited procurement item when this item is solicited for bids.

- b. The Program Department Head must submit a WorkPlace Requisition Request to the Procurement Department for bidding of items. If more information is required from the manager then the request will be sent back to the manager for additional information.
- c. Vendors will be contacted by the SWO Procurement and Contracting Officer for appropriate bids.
- d. Programs and the SWO Procurement and Contracting Officer will be able to view the budgeted line item and find out if funds are available.
- e. If funds are not available then the request is denied and sent back to the program until a budget modification is completed and approved.
- f. If funding is available, proper approval from Executives and or SWO Council must be obtained.
- g. If approval is given then a purchase order is created by the Procurement Department and sent to the vendor.
- h. The purchase order is sent to the vendor.
- i. When the requested item is delivered, the SWO Property Management department staff shall prepare a receiving report for the delivered item. Copies of this receiving report shall be given to the SWO program which had originated the request, as well as a signed copy to the Procurement Department. Receiving reports must be completed and submitted on the delivery date.
- j. The Procurement Department then completes the WorkPlace submittal by matching the WorkPlace Requisition Request, receiving report and invoice and forwarding the completed WorkPlace Requisition to the Accounts Payable Department for payment. Receiving reports must be submitted to the Procurement Department on the date the item is delivered.
- k. For all approved procurement contracts in document form, the SWO Procurement and Contracting Officer shall maintain in a secure and locked cabinet the original and one (1) copy of each approved procurement contract and shall maintain these contracts in document form for a period of no less than three (3) years from date of approval and execution, and thereafter shall commit such contracts in document form to a safe and secure SWO records retention center established by

the SWO Council for permanent storage of these contract documents for archival purposes.

3. The following standards shall be applied to the procurement of essential services and products.
 - a. The procurement of essential goods and services shall be subjected to competitive bidding processes based on specification and description of scope of service. Where appropriate, items shall be procured using government rates.
 - b. The SWO Procurement and Contracting Officer shall consolidate and/or break out procurement to obtain more economical purchases through a process of large scale purchases on common supply items.
 - c. On an annual basis, the SWO Procurement and Contracting Officer shall conduct a pre-procurement planning initiative so as to estimate supply items to be purchased in bulk by the SWO governmental programs for each following fiscal year.
 - i. All SWO programs shall be required to forecast needs in writing no later than 90 days before the expiration of the fiscal year, so that the SWO Procurement Officer can compile a comprehensive listing of such items commonly used by the programs.
 - ii. The SWO Procurement Officer then shall prepare an Invitation for Bid (IFB) containing independently obtained specifications for these items, requesting bids from all eligible vendors and/or suppliers, so that the most economical price can be obtained through volume buying of common items needed by the SWO programs during the course of a 12 month period.
 - iii. Such goods and supplies shall be stored in a safe and secure facility.
 - d. For various types of equipment required by the SWO programs, the SWO Procurement and Contracting Officer furthermore shall assess the option of implementing lease versus purchase alternatives so as to obtain the most economical value for needed equipment. To expedite this process of discernment, the SWO Procurement and Contracting Officer shall:
 - i. Review the inventory of currently owned equipment, noting those items of equipment which have been 100% depreciated as well as those items of equipment nearing the end of their usefulness according to the SWO schedules of depreciation.
 - ii. Notify the appropriate SWO Program Department Head of the above conditions, and shall request the Program Department Head to prepare and submit recommendations, to include but not be limited to:
 - Replacement of the item;
 - Disposal of the item in accordance with SWO procedures for surplus and disposition of fully depreciated equipment; or
 - Continued use of the item of equipment.

- iii. The SWO Chief Financial Officer shall provide the most recent depreciation schedule to the Procurement and Contracting Officer as requested.
 - iv. The Property Management Department shall provide the most recent inventory to the Procurement and Contracting Officer as requested.
4. All procurement transactions are subject to full and open competition to the greatest extent possible to obtain fair, free, and open commercial competition from eligible and qualified vendors, suppliers, contractors, and subcontractors. The SWO Procurement and Contracting Officer shall not arbitrarily restrict nor eliminate competition for any and all procurement transactions.
5. Indian preference and tribal preferences apply in any procurement award with the following criteria.
- a. *First* preference shall be granted to eligible and certified Indian-owned businesses that are owned by members of the SWO Lake Traverse Reservation, only if the procurement is funded with '638 funds - otherwise all Indians will be treated equally.
 - b. *Second* preference shall be granted to eligible and certified Indian-owned businesses regardless of tribal affiliation.

Preference shall be given in bided procurements by identifying in the solicitation the award criteria. Award for sealed less than \$5,000 shall be made to the Indian firm if the Responsible Indian firm is within 10% of the lower non-Indian firm. For IFB's Indian Preference shall be given by granting points to the Indian firm using a weighted point factor evaluation and selection methodology. For sealed bids of \$5,000 or more, Tribal Council, along with the funding agency where applicable, will determine the applicable preference percentage.

6. The administration of contracts shall be conducted according to the laws and regulations of SWO pertaining to the procurement process.
- a. SWO shall make procurement awards, based upon the above defined methods, only to the above described preferential and responsible entities that have the ability to perform successfully under the terms and conditions of the proposed procurement, wherein the specifications for the procurement item shall be independently obtained, described, and defined. The SWO Procurement and Contracting Officer shall put in each procurement file a written statement summarizing the rating criteria used and how each bidder or vendor measured according to the criteria.
 - b. The SWO Procurement and Contracting Officer must review the firms qualifications in the case to Indian Preference firms to determine the firms Responsibility in light of:

- i. Integrity and compliance with public policy.
 - ii. Financial and technical resources.
 - iii. The contractor's record of past performance.
- c. In September of each fiscal year, the SWO TERO Director shall present to the SWO Procurement and Contracting Officer a complete listing of certified Indian Preference businesses, and on a monthly basis the TERO Director shall update and submit additional listings of newly certified Indian Preference contractors and/or businesses, and shall include an itemization of types of products or services available.
- d. For non-Indian owned contractors, vendors, and/or firms, the certification process to transact business with SWO shall include obtaining a current SWO business license pursuant to Chapter 53 of the SWO Codes of Law, except for instances of sole source vendors or specialty item-procurements as identified above under "Basic Standards of Procurement". The firm shall set forth the company's financial and technical resources, references, previous experience in providing product(s) or goods, and other business data deemed necessary to establish the company's integrity and compliance with public policy.
- e. The Vice Chairman thereafter shall review the application for certification and may certify or reject the application for certification to transact business with the SWO. In assessing a non-Indian firm's application for certification, the Vice Chairman may take into consideration the applicant's extent of compliance if applicable with the firm's utilization of the Federal Acquisition Regulations (FAR) particularly those relating to compliance with the Davis Bacon Act, Federal debarment, capacity to be bonded, extent to which warranties and guarantees can be provided for products, extent of maintenance of equipment items sold to SWO, and whether the firm employs SWO members and/or Native Americans in their company, the firm's extent of utilization of Indian contractors or subcontractors or vendors in the operation of their company, their extent of investment of funds or assets within the SWO owned and controlled community, and the firm's extent of public service and volunteerism as regards charitable and non-profit work in the local SWO community.
- f. In conducting the assessment for certification of a non-Indian business so as to determine its qualifications to transact business with SWO, the Vice Chairman may utilize both in-house personnel and/or departments of SWO to assist in the assessment of the firm's qualifications. The Vice Chairman may also contract for such services with local and regional business financial certification firms.
- g. The SWO Procurement and Contracting Officer shall maintain records of all major procurement transactions, to be located in a safe and secure place, regarding the

significant history of all major procurement transactions. These records may include, but are not limited to:

- i. the selection of contract type,
- ii. the rationale for the method of procurement,
- iii. the contract selection or rejection, and
- iv. the basis for the contract price.

Note: The original contracts shall be filed in the Legal Department.

7. The SWO, through the Office of the Vice Chairman and the SWO Procurement and Contracting Department, is solely responsible, using good administrative practice and sound business judgment, for processing and settling all contractual and administrative issues arising out of procurement. These issues include, but are not limited to: source evaluation, protests, disputes, and claims.
 - a. The settlement of any protest, dispute, or claim shall not relieve SWO of any obligations under a Federal self-determination contract or other grant.
 - b. Violations of law shall be referred to the SWO or Federal authority having proper jurisdiction to investigate the matter.

E. Internal Controls for Procurement Standards Applicable to Contracts/Subcontracts

1. SWO shall require that each subcontract entered into and utilizing Federal, state, or SWO funds for program purposes, shall at a minimum contain the following:
 - a. Documented in writing.
 - b. Identify the interested parties, their authorities, and the purposes of the contract.
 - c. State the work to be performed under the contract and contract deliverables.
 - d. State the process for making any claim, the payments to be made, and the terms of the contract, which shall be fixed.
 - e. Be subject to SWO's Indian Preference standards and regulations as specified by these Procurement Standards.
 - f. Be reviewed and approved by legal counsel before signing.
2. Applicable Federal laws, regulations, and Executive Orders
 - a. SWO shall require that certain provisions of the Indian Self-Determination and Education Assistance Act of 1975 (ISDEAA), PL 93-638, as well as other applicable Federal laws, regulations, and Executive Orders apply to subcontracts awarded under those contracts utilizing ISDEAA funds. As a result, subcontracts shall contain a provision informing the recipient that their award is funded with Indian Self-Determination Act funds and that the recipient is responsible for identifying and ensuring compliance with applicable Federal laws, regulations, and Executive Orders.

- b. SWO may through negotiation identify all or a portion of such requirements in the self-determination contract and, if so identified, these requirements should be identified in the subcontracts. Specifically, requirements may include those contained in 25 CFR 900.125(c) and, most importantly, the Federal Acquisition Regulations (FAR), the Health and Human Services Acquisition Regulations (HHSAR) or their equivalent, and in compliance with the Davis Bacon Wage Determination Act. The HHSAR at 352.239-9, -4, -6, -7, -8, -9, -10, -11, -12, -13, -14, and -15 in particular may be applied to subcontractors.

F. Internal Controls for Application of 2 CFR 200 Cost Principles

The following procedures shall be adhered to with Sisseton-Wahpeton Oyate governmental organization's financial, procurement, and property management systems for Federal funds and SWO matching funds:

G. Internal Controls for Allowable Costs

SWO organization's financial management system incorporates and adopts 2 CFR 200 so as to provide a uniform approach for determining costs and to promote effective program delivery, efficiency, and better relationships between governmental units and the Federal Government. All SWO governmental programs shall follow 2 CFR 200. The Procurement and Contracting Officer shall ensure compliance with the procurement requirements of 2 CFR 200. The Chief Financial Officer shall monitor compliance with the procurement requirements of 2 CFR 200 and shall report any non-compliance issues to the Vice-Chairman and recommend the appropriate corrective action. The Circular does not apply to SWO expenditures from Gaming Distributions, Tax, TERO, lease income and other non-Federal sources of revenue.

H. Internal Controls for Source Documentation

The financial management system shall contain accounting records that are supported by source documentation, such as bid documents, canceled checks, paid bills, payroll records, time and attendance records, contract award documents, purchase orders, and other primary records that support Federal contracts or grants as well as state or SWO funded program expenditures.

I. Internal Controls for Ethical Conduct for Procurement

SWO governmental organization shall follow the standards of conduct below governing the performance of its employees who award and administer any and all procurement contracts, and the Executive Committee shall have the primary responsibility of enforcing these written standards of conduct.

1. No employee, officer, elected official, or agent of SWO shall participate in the selection, award, or administration of a procurement supported by Federal funds, state contract or grant funds, as well as all SWO funds if there is a conflict of interest; real

or apparent. Any employee knowingly participating in the selection, award, or administration of a procurement contract where a conflict of interest exists shall be subject to corrective action pursuant to SWO Personnel Policies, up to and including termination from employment.

2. An employee, officer, elected official or agent of SWO, or of a subcontractor of SWO, is not allowed to solicit or accept gratuities, favors, or anything of monetary value from contractors, potential contractors, or parties of sub-agreements, with the following exceptions:
 - a. SWO may exempt a financial interest that is not substantial or a gift that is an unsolicited item of nominal value.
 - b. In all cases such a gift shall be donated to the appropriate SWO social service or educational agency for use by clients being served by such agencies and a record of such gifts shall be made in a special file in the Procurement Office, including a notation of disposition of the gift.
3. Any vendor, supplier, contractor, or subcontractor who provides gratuities, kickbacks, or similar monetary payment or pre-paid significant gift of service to a SWO employee, elected official, or agent so as to obtain favorable consideration for being selected as a vendor, supplier, contractor, or subcontractor shall be debarred and suspended from conducting business with SWO government organization or any of SWO's commercial, social, or educational agencies for at least a period of one year.
4. Any violations of paragraph C shall be referred to the Office of the Criminal Investigator, Bureau of Indian Affairs, Sisseton Agency, for violation of applicable Federal laws.

If the BIA-Criminal Investigator determines that the accused vendor, supplier, contractor, or subcontractor did not in fact provide gratuities, kickbacks, or similar monetary payments in exchange for favorable consideration for award of a contract or service, then the accused may be restored as an eligible vendor, supplier, contractor, or subcontractor to SWO.

J. Internal Controls for Excess or Surplus Property Acquisition

The SWO Procurement and Contracting Officer is responsible for establishing procedures to acquire excess or surplus Government property for programs under 25 USC 450j (f) (2) and (3).

All property requests will be screened to determine availability from the Government agencies BIA/IHS and other agencies rather than by direct purchase. The Program

Department Head will regularly provide a list of requirements to the Procurement and Contracting Officer for assistance in fulfilling these requirements.

Periodically, the Procurement and Contracting Officer will screen catalogs to determine availability of surplus items from the various Government agencies and will notify the Program Department Head of material or property that is available.

The Procurement and Contracting Officer will review all documents to assure both parties have same information.

K. Internal Controls for Dispute Resolution

SWO, through the Office of the Vice Chairman and the Procurement and Contracting Department, shall provide for the following formal procedures to handle and resolve disputes and claims relating to procurement so as to assure provision of due process:

1. Administrative resolution:

- a. Any person, vendor, or company who is aggrieved with regard to a procurement matter regarding and affecting SWO with specific reference to its procurement policies and practices may file a written grievance with the SWO Procurement and Contracting Officer. The written grievance shall state:
 - i. The person/firm filing the grievance.
 - ii. The person/firm address and telephone number.
 - iii. The date of grievance.
 - iv. The nature of the grievance and shall include:
 - Date of occurrence.
 - Product or service involved.
 - Issue of protest, dispute, or claim.
 - v. The signature of the aggrieved party.
- b. Upon receipt of the signed grievance, the SWO Procurement and Contracting Officer shall date and acknowledge receipt of the grievance.
- c. Within thirty (30) days of receipt, the SWO Procurement and Contracting Officer shall be required to respond to the grievant in writing, either denying the request for relief, or setting forth a course of action to resolve the grievance.
- d. For each grievance, the SWO Procurement and Contracting Officer shall establish a secure and safe file wherein all documents involved in each grievance shall be filed and retained for a minimum of three (3) years.

2. Review of Decision by Vice-Chairman:

In the event that the grievant is not satisfied with the administrative remedy and/or decision of the SWO Procurement and Contracting Officer, within sixty (60) days after the date of the administrative decision, the grievant may appeal the SWO Procurement/

and Contracting Officer's decision to the Vice Chairman in writing and in the form of a written complaint.

- a. This written complaint may set forth the reasons for appealing the decision of the SWO Procurement and Contracting Officer, as well as pertinent information regarding the reason for the complaint.
- b. The Vice Chairman within thirty (30) days of receipt of the complaint thereafter may direct the Chief Financial Officer or other staff person of the SWO Finance Department to investigate the matters alleged in the complaint.
- c. A written record of the complaint and investigation shall be made, kept, and stored in the official records of the Vice Chairman in a safe and secure place for a period of three (3) years.
- d. After reviewing the results of the investigation, the allegations in the complaint, and the response of the SWO Procurement and Contracting Officer, the Vice Chairman may propose a voluntary, informal solution to the matter through negotiation between the grievant and the SWO Procurement and Contracting Officer.

3. SWO Council Hearing

If the parties fail to reach an informal settlement, the Vice Chairman shall notify SWO Council and request a date for a formal hearing on the matter. The SWO Council shall then set a hearing date.

- a. The Vice Chairman then shall serve written notice of the hearing, including the date, time and location to:
 - i. The complainant.
 - ii. The Procurement and Contracting Officer.
 - iii. Any other involved or interested person(s) or firm(s).
- b. The written notice of hearing shall advise each party of:
 - i. The nature of the hearing.
 - ii. The right to be present and participate in the hearing.
 - iii. The right to present witness testimony and documentary evidence.
 - iv. The right to question witnesses.
 - v. The right to be represented by counsel at one's own expense.
- c. If at any hearing before the SWO Council, the SWO Council determines that an actual or potential conflict of interest exists between any member of the SWO Council and a hearing participant, the conflict shall disqualify such member or members of the SWO Council from participation in the hearings.
- d. The SWO Council on its own initiative or at the request of any person notified of a SWO Council hearing may call identified witnesses to appear and subpoena

documents and/or records necessary for the hearing. The following rules of procedure shall be followed at all hearings conducted by the SWO Council:

- i. Each notified party shall have the right to be present and participate in the hearing;
 - ii. Each notified party shall have the right to present relevant sworn testimony and documentary evidence;
 - iii. Each notified party shall have the right to call witnesses on his or her own behalf and to cross examine witnesses called by any other hearing participant;
 - iv. Each notified party shall have the right to be represented by counsel at his or her own expense;
 - v. The SWO Chairman or in his absence, the Vice Chairman, shall preside over the proceedings;
 - vi. Formal rules of evidence need not be observed, but the SWO Council shall act to ascertain the facts in a reasonable and orderly fashion. Any evidence submitted to the SWO Council for consideration shall exclude hearsay, innuendo and personal attacks;
 - vii. The SWO Council shall record the hearing by utilizing its Recording Secretary and a reliable audiotape recorder;
 - viii. The proceedings may be recessed and continue at the discretion of the SWO Council;
- e. At the conclusion of the proceedings, the SWO Council may either enter an immediate decision or take the matter under advisement and issue its decision and order no later than seven (7) days from the conclusion of the hearing.
 - f. The written decision and order, setting forth specific findings, shall be sent to the complainant and respondent. Should the SWO Council determine that the SWO Procurement and Contracting Department failed to comply with any requirements set forth in the Procurement Standards of SWO and/or any rule, regulation, or guideline established by the SWO Council in the procurement of supplies, goods, and services, or Federal law, the SWO Council may order the SWO Procurement and Contracting Department through its SWO Procurement and Contracting Officer to take corrective action to remedy any harm caused by the non-compliance issue.

SECTION 14: INTERNAL CONTROLS FOR PROPERTY MANAGEMENT

SWO is responsible for a management system that ensures systematic physical control procedures, maintenance, surveillance, optimum use, and disposal of all personal property in the custody of SWO and the various programs administered by SWO. In addition, SWO is responsible for the maintenance of non-financial current records and property management reports for property in coordination with agencies administering the SWO managed programs.

SWO Property Management System shall account for all property furnished or transferred by the U.S. Government through its authorized representative for use under an Indian Self-Determination and Education Assistance Act of 1975 (ISDEAA) contract or grant, or acquired with contract or grant funds.

The Property Management Department shall maintain and enforce requirements for the use, care, maintenance, and disposition of Federal and SWO owned property.

The Property Management Department shall track specific location and program, or identify personnel assigned for the following:

- Personal property with an acquisition value in excess of \$5,000.00.
- Sensitive personal property, which is personal property that is subject to theft and pilferage, as defined by SWO. Firearms shall be considered sensitive personal property.
- Real property provided by the Federal Government through its authorized representative.

A. Internal Controls for Records

SWO Property Management Department shall maintain computerized records that accurately describe property, whether fixed assets, in conformity with GASB 34 requirements, or consumable inventory, including any serial number or other identification number for the property. The computerized records located in the Property Management Department shall be identical to and complement the General Ledger for all such property itemized and listed in the Finance Department.

1. The computerized records shall contain the following information:
 - a. The source
 - b. Titleholder (and type of title – eg. “conditional”, “reversionary”, “restricted” or “fee simple”)
 - c. Acquisition date
 - d. Cost
 - e. Share of Federal participation in the cost
 - f. Location wherein the property is being utilized
 - g. Program Department Head assigned use of the property
 - h. Condition of the property
 - i. The date of disposal and sale price, if any.

B. General Internal Controls for Inventory

1. At the beginning of each fiscal year, the Property Management Department shall furnish a current computerized listing and inventory of SWO and/or Federal property assigned to each SWO Program Department Head operating within and subject to SWO.
 - a. The Property Management Department shall require each Program Department Head to update this listing/inventory of equipment, explaining in writing any additions or deletions of the property located within each program, so that the Property Management Department can amend the listing/inventory of equipment assigned to each program. The listing of inventory shall include the following data and information:
 1. Date of purchase
 2. Type of funds utilized for purchase of the equipment
 3. Purpose for which equipment was procured
 4. Useful life of equipment beginning at time of purchase
 5. Point of depreciation for the equipment
 - b. The Property Management Department shall then reconcile the differences, and note changes, if any, to the Finance Department.
 - c. For each quarterly report of inventory, the SWO Program Department Head shall attach to the inventory a statement that items in the inventory are being used in accordance with program objectives, rather than for personal employee usage or other unauthorized uses, and shall further describe procedures utilized which may arise with regard to abuse, neglect, or theft of any item of equipment listed on the inventory for the program.
 - d. For lost, stolen, or destroyed inventory items, the Program Department Head shall document the incident immediately within 24 hours of loss, and transmit the incident report to the Property Management Officer at the Property Management Department, who then shall file immediately within 8 hours a report with SWO Law Enforcement, Vice-Chairman and SWO insurance provider.
 - e. In instances, wherein equipment and/or inventory items are transferred from one department or program to another within SWO, the Property Management Department shall have primary responsibility of relocating the equipment or inventory items, and thereafter, shall adjust and report the transfers of property on each program's computerized inventory listing.
 - f. Property Management is responsible for communicating capitalized item transfers to the Finance Department for General Ledger adjustment.

C. Internal Controls for Property Management

SWO in its Property Management Department shall provide effective internal controls utilizing the following procedures:

1. Detailed Internal Controls for Inventory

- a. On an annual basis, the Property Management Department shall transmit to each Program Department Head a computerized inventory listing of equipment assigned to each program.
- b. After the SWO Program Department Head has reviewed the inventory, inserted changes of additions or deletions, and returned the computerized listing to the SWO Property Management Department, a staff person representing the SWO Property Management Officer shall conduct an on-site inspection at each program's location/office so as to conduct a visual and hands-on physical count of inventory located at each program so as to verify and certify that the inventory is correct. Any and all changes shall then be noted on the computerized inventory listing for each SWO program and added to the central file located in the Property Management Department; a copy shall also be transmitted to the Finance Department representative having responsibility for the General Ledger for equipment and inventory.
- c. To prevent loss or damage to property, the annual review of each SWO program's inventory shall include a reporting section wherein the SWO Program Department Head of a SWO program shall be required to describe incidences of loss or damage to any item of property assigned to the program, and in cases of theft, the procedure outlined above shall be utilized.
- d. Property shall be used for SWO Federal contracts or grants, state or SWO funded programs until the property is declared excess or surplus to the program's needs.
- c. The process to be utilized for assessing property that is declared excess or surplus shall be dependent on the depreciation schedule for each item of equipment or property, in accordance with the depreciation schedule set forth and approved by SWO Council in Resolution form.
- d. Should the funded program cease to exist or is re-allocated to another department, the property which had been assigned to the program shall either be returned to the Property Management Department or be re-allocated to another SWO program or department in need of such equipment. When no longer needed for the original program or project, the equipment may be used in other activities supported by the Federal awarding agency, in the following order of priority:
 - i. Activities under a Federal award from the Federal awarding agency which funded the original program or project, then

- ii. Activities under Federal awards from other Federal awarding agencies. This includes consolidated equipment for information technology systems.

The results of the inventory shall be reconciled with the organization's internal property and accounting records by the Property Management Officer and authorized staff.

2. Internal Controls for Tagging & Marking of Property

To provide efficient control, equipment items are tagged and marked for identification. The Property Management Officer is responsible for:

- a. Maintaining surveillance over all property and equipment for which SWO has overall ownership or custodial responsibility.
- b. All property included in the property management system is appropriately tagged and identified with a property control number.
- c. Ensuring adequate information for property accountability records and property control is provided.
- d. Determining the requirements for and methods of marking the various types and categories of SWO property.
- e. Ensuring that pertinent marking procedures are established.
- f. Providing assistance and guidelines by conducting surveys to determine effectiveness of the marking program.

The tag number and equipment information is maintained on a manual property inventory card (unit cost of \$200 to \$500) and on a computerized inventory system (unit cost greater than \$500). However, the computer inventory system serves as the official property inventory. Various reports can be obtained from the computer system to allow for management of property inventory.

3. Internal Controls for Maintenance Required for Property

SWO through its Property Management Department, directed by its Property Management Officer and in conjunction with the SWO Program Department Head, shall require that maintenance be implemented for all property. The maintenance requirements are implemented to keep property in good working condition, to ensure that the procedures recommended by equipment manufacturers are implemented, and that steps are implemented to protect the interests of the SWO as heads of Federal funding agencies with regard to express warranties or guarantees covering the property. Notations in the annual inventory reviews shall be made with regard to required maintenance matters.

4. Internal Controls for Excess or Surplus Property Declaration

Property or material that is not in productive use in its present location should be reported to the Property Officer as excess or surplus to the Departmental Program needs.

Property Custodians will report the property excess or surplus to the Property Officer and assist in the transfer/disposal of the excess or surplus and surplus property of material.

The Property Officer will review all property or materials reported as excess or surplus and circulate a list of excess or surplus property to all other department/programs for their possible use in accordance with the above priority order. If no need is established, the Property Management Officer will determine the final disposition for donation or sale every year of the property or material. Property in excess or surplus of SWO needs will be cleared for final disposal and/or sold to the highest bidder. All sales will be approved by the SWO Council. Items of equipment with a current per unit fair market value of \$5,000 or less may be retained, sold or otherwise disposed of with no further obligation to the Federal awarding agency. Items of equipment with a current per-unit fair-market value in excess of \$5,000 may be retained by the SWO or sold based on disposition instructions from the Federal awarding agency. The Federal awarding agency is entitled to an amount calculated by multiplying the current market value or proceeds from sale by the Federal awarding agency's percentage of participation in the cost of the original purchase.

5. Internal Controls for Accountability and Control Procedures for Federal Property

The same accountability and control procedures for SWO property also apply to Federal property, except that requirements for the inventory and disposal of Federal property are different.

6. Internal Controls for Disposition of Federal Property Where SWO Does Not Take Title

When SWO, pursuant to action of the SWO Council, chooses not to take title to property furnished by the government or acquired with Federal contract or grant funds, title to the property remains vested with the head of the Federal agency providing contract or grant funds. For contracts with the Federal agencies, a listing of Federally-owned property to be used under the contracted program shall be included in the contract.

7. Internal Controls for Disposal of Federal Personal Property

SWO through its SWO Property Management Officer shall report to the head of the Federal contracting agency in writing with regard to any federally owned personal property that is worn-out, lost, stolen, damaged beyond repair, or no longer needed for the performance of the federally funded contract.

The SWO Property Management Officer shall state whether the Sisseton-Wahpeton Oyate wants to dispose of or return the property. If the head of the Federal contracting agency does not respond within sixty (60) days, the SWO Property Management Officer may return the property to the head of the Federal contracting agency, who shall accept transfer, custody, control, and responsibility for the property together with all associated costs.

8. Internal Controls for Insurance Claims or Loss

The Human Resources Department shall initiate and file all property, vehicle, and general liability claims and forms.

Where the loss is not covered by insurance, then the process of recovery becomes more complex. There are potentially three alternatives for assigning liability. Those alternatives are: The perpetrator of the loss, SWO, or the Federal agency funding the program.

9. Internal Controls for Unserviceable Property

For property or material determined unusable a disposal form will be initiated and forwarded to the Property Management Officer. The Property Management Officer will determine property disposition procedures after a review of the property and its condition.

If determined economically feasible, unserviceable property or material may be dismantled for parts. However, this must be done only with the approval of the Property Management-Officer.

Destruction of property or material deemed unserviceable must be approved by the Vice-Chairman.

10. Internal Controls for Exchange/Sales of Property

Upon occasion it will be in SWO's interest to sell or exchange personal property. The following procedures should be used for sale or exchange of personal property.

If property was purchased with Federal funds or provided by a Federal agency, prior approval for selling or exchanging must follow the SWO Property Management Manual. Once approval has been received, or if the property was acquired with SWO funds, the Property Management Officer can proceed with the sale or exchange. When selling property, advertise for bids. Sell to the highest bidder, as

approved by the SWO Council. If exchanging property for property of similar value, obtain the concurrence of the Executive Committee.

11. Internal Controls for Small Tools

Small tools must be controlled to ensure optimum use. Therefore, each Property Custodian and Program Department Head is responsible for monitoring the expenditures for small tools within their jurisdiction, monitoring the use of small tools, maintaining small tools inventories and accounting for the return of small tools from a terminating employee.

A Program Department Head must approve each requisition for small tools and assist the Property Management Officer in administering the control of small tools.

Small tools are generally considered to be tool crib items with an acquisition cost of less than \$200.00 and defined as an instrument used by a handy-craftsman or laborer in his or her work.

2 CFR, 200.310-316 *Insurance Coverage, Real Property, Federally-owned and exempt property, Equipment, Supplies, Intangible Property and Property Trust Relationship* are all incorporated in this document where applicable in relation to federal awards. SWO will comply with the requirements stated therein. Also, P.L. 93-638 is incorporated in this document where applicable to self-determination contracts.

SECTION 15: INTERNAL CONTROLS FOR THE ANNUAL AUDIT

2 CFR 200, Subpart F, *Audit Requirements* is incorporated in this document where applicable in relation to federal awards. SWO will comply with the requirements stated therein.

A. Internal Controls for Role of the Independent Auditor

It is the policy of SWO to arrange for an annual audit of SWO's Financial Statements to be conducted by an independent accounting firm in accordance with the standards in 2 CFR 200, Subpart F, *Audit Requirements*. The independent accounting firm selected by SWO Council will be required to communicate directly with the Vice-Chairman and CFO upon the completion of their audit. In addition, members of the Executive Committee and SWO Council are authorized to initiate communication directly with the independent accounting firm.

Audited Financial Statements as well as a compliance reviews and internal control review, including the auditor's opinion therein, will be submitted and presented to SWO Council by the independent accounting firm during a regularly scheduled SWO SWO Council meeting after the Financial Statements have been reviewed and approved by the Executive Committees.

SWO shall review the selection of its independent auditor in the following circumstances:

1. Anytime there is dissatisfaction with the service of the current firm.
2. When a fresh perspective and new ideas are desired.
3. Every five years to ensure competitive pricing and a high quality of service (this is not a requirement to change auditors every five years; simply to re-evaluate the selection).

The selection of an accounting firm to conduct the annual audit is a task that is taken very seriously. The audit firm will be selected using the RFP methodology and shall be selected using the weighted point factor evaluation and selection process. Factors to be considered in evaluating each proposal for audit services include the responsiveness to the request for proposal, relevant experience, availability of staff with professional qualifications and technical abilities, the results of peer and external quality control reviews, and price. The following factors shall also be considered by SWO Council and Executives in selecting an accounting firm:

1. The firm's reputation in the SWO community.
2. The firm understands and has experience with tribal organizations and Federal reporting requirements.
3. The firm's demonstrated ability to provide the services requested in a timely manner.
4. The ability of firm personnel to communicate with SWO personnel in a professional and congenial manner.

If SWO Council and Executives decide to prepare at minimum a written Request for Proposal (RFP) to be sent to prospective audit firms, the following information shall be included:

1. Period of services required.
2. Type of contract to be awarded (fixed fee, cost basis, etc.).
3. Complete description of the services requested (audit, management letter, tax returns, etc.).
4. Identification of meetings requiring their attendance, such as staff or SWO Council or Executive meetings.
5. Financial information about the organization (normally prior audited Financial Statements).
6. Description of proposal and format requirements.
7. Due date of proposals.
8. Other information considered and deemed appropriate by SWO Council, Executives, and Chief Financial Officer.

Minimum Proposal Requirements from prospective CPA firms shall be:

1. Firm's background.
2. Biographical information (Resume`) of key firm member(s) who will serve SWO.
3. Client References.
4. Information about the firm's capabilities.
5. Firms approach to performing an audit.
6. Copy of the firm's most recent quality/peer review report, including any accompanying letter of findings.
7. Other resources available with the firm.
8. Expected timing and completion of the audit.
9. Expected delivery date of audit reports.
10. Acknowledgement of the firm's ability to perform the audit by the required deadline.
11. Cost estimate including estimated number of hours per staff member.
12. Rate per hour for each auditor.
13. Other information as appropriate.

In order to narrow the proposals to the top selections, the CFO may meet with the prospective engagement teams from each proposing firm to discuss their proposal. Copies of all proposals shall be forwarded to each member of the management team charged with making the selection. After the CFO narrows down the field of prospective auditors to three firms, final interviews of each firm may be conducted by SWO Council who makes the final selection.

B. Internal Controls for Preparation for the Annual Audit

SWO employees shall be actively involved in planning for and assisting with the independent accounting firm in order to ensure a smooth and timely audit of its Financial Statements. Programs must prepare for such audit by insuring compliance with the OMB Compliance Supplement found at www.whitehouse.gov/omb/circulars. In that regard, the Finance Department shall provide assistance to the independent auditors in the following areas:

1. *Planning* – The CFO is responsible for delegating the duties and responsibilities to accounting staff in preparation for the audit. Duties shall be based on the list of requested schedules and information provided by the independent accounting firm.
2. *Involvement* – SWO Finance staff will assist in the auditing process, under direction of the CFO in order to assist the auditors; therefore, reducing the cost of the audit.
3. *Interim Procedures* – To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to SWO's year-end. By performing significant portions of audit work as of the interim date, the work required subsequent to year-end is reduced. SWO Finance staff will assist as much as possible to provide requested schedules, documents, and otherwise assist the auditors during any interim audit fieldwork that is performed.

Throughout the audit process, it shall be the policy of SWO to make every effort to provide schedules, documents, and information requested by the auditors in a timely manner.

C. Internal Controls for Draft Audit Review

Upon receipt of a draft of the audited Financial Statements of SWO from its independent auditor, the CFO shall perform a detailed review of the draft, consisting of the following procedures:

1. Carefully read the entire report for typographical and other errors.
2. Trace and agree with each number in the Financial Statements and accompanying footnotes to the accounting records and or internal Financial Statements of SWO.
3. Review each footnote for accuracy and completeness.

Any questions or errors noted as part of this review shall be communicated to the independent auditor in a timely manner and resolved to the satisfaction of the CFO.

It shall also be the responsibility of the CFO and Vice-Chairman to review and respond in writing to all management letter or other internal control and compliance report findings and recommendations made by the independent auditor. Program Department Head shall provide prompt corrective action plans for any program compliance audit findings so that the corrective action plan can be included in the audit submittal to the Federal Clearing House.

SECTION 16: INTERNAL CONTROLS FOR RECORD RETENTION RELATED TO FEDERAL AWARDS

A. Internal Controls for Retention Requirements for Federal Award Records

2 CFR, 200.333 *Retention Requirements for Records* is incorporated in this document where applicable in relation to federal awards. Also, P.L. 93-638 is incorporated in this document where applicable to self-determination contracts. SWO will comply with the requirements stated therein, including:

*Financial records, supporting documents, statistical records, and all other SWO records pertinent to a Federal award must be retained for a period of **three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report**, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a sub recipient. Federal awarding agencies and pass-through entities must not impose any other record retention requirements upon the SWO. The only exceptions are the following:*

(a) If any litigation, claim, or audit is started before the expiration of the 3-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.

(b) When the SWO is notified in writing by the Federal awarding agency, cognizant agency for audit, oversight agency for audit, cognizant agency for indirect costs, or pass-through entity to extend the retention period.

(c) Records for real property and equipment acquired with Federal funds must be retained for 3 years after final disposition.

(d) When records are transferred to or maintained by the Federal awarding agency or pass-through entity, the 3-year retention requirement is not applicable to the SWO.

(e) Records for program income transactions after the period of performance. In some cases recipients must report program income after the period of performance. Where there is such a requirement, the retention period for the records pertaining to the earning of the program income starts from the end of the SWO's fiscal year in which the program income is earned.

(f) Indirect cost rate proposals and cost allocations plans. This paragraph applies to the following types of documents and their supporting records: indirect cost rate computations or proposals, cost allocation plans, and any similar accounting computations of the rate at which a particular group of

costs is chargeable (such as computer usage chargeback rates or composite fringe benefit rates).

(1) If submitted for negotiation. If the proposal, plan, or other computation is required to be submitted to the Federal government (or to the pass-through entity) to form the basis for negotiation of the rate, then the 3-year retention period for its supporting records starts from the date of such submission.

(2) If not submitted for negotiation. If the proposal, plan, or other computation is not required to be submitted to the Federal government (or to the passthrough entity) for negotiation purposes, then the 3-year retention period for the proposal, plan, or computation and its supporting records starts from the end of the fiscal year (or other accounting period) covered by the proposal, plan, or other computation.

B. Internal Controls for Retention Requirements for SWO Records

Financial records, supporting documents, statistical records, and all other SWO records pertinent to SWO programs must be retained for a period of three years from the date of submission of the audit to the Federal Clearing House. Note: This date is generally June 30th, nine months after the end of the SWO fiscal year end.

Exceptions include the following:

- (a) If any litigation, claim, or audit is started before the expiration of the 3-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.
- (b) When the program is notified in writing by SWO leadership to extend the retention period.
- (c) Records for real property and equipment acquired with SWO funds must be retained for 3 years after final disposition.
- (d) To comply with a retention standard operating procedure of an SWO program.
- (e) To comply with Internal Service retention requirements.

Generally, payroll records should be maintained a minimum of four (4) years after the return is filed. Some examples are employees' Forms W-4, time cards, payroll ledgers, worksheets, payroll reconciliations, copies of payroll tax deposit information, and Forms 941.

It is important for you to keep documentation to support each deduction from an employee's wages. Deductions from employees' wages are later remitted to designated recipients such as taxing authorities, insurance companies, retirement plans, child support, and others.

Backups of either manual or computerized payroll systems should be made routinely, checked for accuracy, and should be stored in a safe place for at least 4 years.

- (f) To comply with SWO laws requiring a longer retention period.

**SISSETON-WAHPETON OYATE
OF THE LAKE TRAVERSE RESERVATION
CREDIT CARD POLICIES, PROCEDURES
AND USAGE AGREEMENT**

This Attachment “Attachment A” is made to the Sisseton-Wahpeton Oyate Accounting Manual. All provisions and modifications identified in this Attachment are made to the Accounting Manual and all references to Articles or to Paragraph, Subparagraph, or section numbers contemplates the same, and all terms contained herein shall supersede and control over similar provision contained therein.

All references in these policies shall be incorporated into the SWO Accounting Policy:

I. Authority

The Sisseton-Wahpeton Oyate of the Lake Traverse Reservation (“SWO”) is organized under a Revised Constitution and By-laws adopted by the members of the SWO on August 1-2, 1966, and approved by the Commissioner of Indian Affairs on August 25, 1966, and last amended effective November 15, 2006.

The Revised Constitution and Bylaws mandates at ARTICLE VII, Section 1, that the SWO shall be governed by the SWO Council, and that SWO Council shall have the power to, among others: (a) represent the SWO in all negotiations with Federal, state and local governments; (b) To acquire, own, use, manage, lease and otherwise encumber and to dispose of SWO property, both real and personal, wherever situated; (c) To engage in any business that will further the economic development of the SWO and its members, and to use SWO funds or other resources for such purposes; (d) to make rules governing the relationship of the members of the SWO, to SWO property, and to one another as members of the SWO; (g) to take actions by ordinance, resolution or otherwise which are reasonably necessary through committees, boards, agents, otherwise, to carry into effect the foregoing purposes; (h) to promote public health, education, charity, and other services as may contribute to the social advancement of the members of the Sisseton-Wahpeton Oyate of the Lake Traverse Reservation; (i) adopt resolutions regulating the procedures of the SWO Council, its officials and committees in the conduct of SWO Affairs; and, (k) to promulgate and enforce ordinances governing the conduct of persons under the jurisdiction of the Sisseton-Wahpeton Oyate.

II. Definitions

“Authorized Use”- Purchasing, Payments to Avoid Late Charges, Fees and Penalties, Membership Fees.

“Business expenses”- Expenses exclusively for SWO business operation and practice, whose means are for the sole purpose of benefiting the Sisseton-Wahpeton Oyate and meeting the SWO’s

goals and objectives. The expense must be to further the cause of the overall Oyate, its entities or its programs.

“SWO”- The Sisseton-Wahpeton Oyate of the Lake Traverse Reservation.

“SWO Employee”- An individual employed with the Sisseton-Wahpeton Oyate central government on a full-time basis.

“SWO Elected Official”- A member of the Sisseton-Wahpeton Oyate who is elected to hold office with the Sisseton-Wahpeton Oyate government and who is currently serving his/her term.

“Valid receipt”- An original document provided by the vendor after a charge is made that contains the vendor name, date of purchase, description or items purchased, amount paid and method of payment.

III. Purpose

The purpose of this policy is to ensure that the SWO value system and business integrity is maintained with the use of a SWO issued credit card. These policies are adopted in order to ensure strict compliance with the SWO Accounting Policy.

The SWO issues a credit card in the name of the SWO Chairman for use in specific business circumstances and this policy shall set out acceptable and unacceptable uses of such credit card. All expenditures and authorizations shall require prior written approval of the SWO Chairman and the SWO Chief Financial Officer (“CFO”).

The SWO issued credit card is kept by the SWO Finance Department under the supervision of the CFO and shall remain in the SWO Finance Department at all times. It is the intention that the use of SWO issued credit card to be used in limited circumstances and that traditional voucher/check processes will continue in use.

IV. Authorized Use

The CFO shall be the point of contact for the credit card(s) and shall issue and reconcile all payments. Credit card purchases shall require approval from the SWO Chairman and the CFO. It is the responsibility of the CFO to ensure credit card users understand and adheres to this policy.

The following are authorized uses of the SWO issued credit card.

1. Purchasing

- a.** Purchasing needs with vendors.
- b.** To procure items that will enhance the productivity of the Procurement Department, including online purchasing.

2. Payments to Avoid Late Charges, Fees and Penalties

- a. In some circumstances payment via credit card may be required in order to avoid late charges, fees and penalties.
- b. This form of payment shall be utilized in an as needed basis, in the event a payment must be made in order to avoid late charges, fees and penalties due to poor planning, the Program Department Head may be held responsible according to the SWO Personnel Policies.

3. Membership fees

- a. The SWO issued credit card may be utilized to obtain membership fees, however traditional voucher/check shall be the first option to pay membership fees.
- b. Membership fees include the use of the SWO issued credit card to establish SWO iTunes accounts and Apple memberships for various SWO programs.

V. Unauthorized Use

- 1. Unauthorized use of the SWO issued credit card include, but are not limited to the following uses:
 - a. Networking expenses
 - b. Cash Advances
 - c. Bank Checks
 - d. Traveler's Checks
 - e. Electronic Funds transfers
 - f. Personal Expenses

Unauthorized use of the SWO issued credit card for personal expenses shall be considered an advance of future wages payable to that employee and will be recoverable by the SWO in full from the employee's next paycheck until the wage advance is paid in full and/or shall result in corrective action.

The CFO is responsible for ensuring that the SWO Credit Card Policy is adhered to, thereby, insuring that adequate controls are exercised to minimize risk that the credit card is used for fraudulent or corrupt purposes. If there is questionable activity discovered on the monthly statement or reported during the month, the SWO Vice-Chairman or the SWO Chief Financial Officer has the authority to cancel the credit card.

Intentional misuse or fraudulent abuse of any SWO credit card will result disciplinary action for SWO Employees, suspension and/or removal from office of SWO Officials, restitution to the Sisseton-Wahpeton Oyate for unauthorized purchase(s), and/or criminal prosecution.

IV. Procedure

1. Authorized users will be required to sign an agreement for wage deductions associated with improper use of the SWO issued credit card and statement of policy understanding.
2. A credit card may be requested by the SWO Chairman by written request to the SWO Vice Chairman and must be approved by the Sisseton-Wahpeton Oyate SWO Council.
3. Each month, a statement is sent to, or provided to the CFO which lists the monthly expenses that were charged. This statement and any supporting documentation must be submitted to the Financial Office for payment.
4. Detailed, original receipts and supporting documents must be retained and attached to the credit card statement. Each original, valid receipt must include the names of all persons and vendors involved in the purchase, and a brief description of the business purpose of the purchase, in accordance with the Accounting Manual.
5. Monthly statements, with attached, detailed receipts, must be sent to or submitted to the CFO within five (5) working days of receipt. Payments will be automatically made to avoid interest and late payment fees.
6. All monthly statements submitted for payment must have the expenditures correspond to an approved budget line item and shall be charged to the appropriate general ledger account number(s) and the associated amounts clearly written on the statement. Multiple purchases charged to the same account must be subtotaled.
7. Every effort shall be made to ensure that purchases do not include sales tax. Tax-exempt certificates are available through the CFO.
8. A statement for each purchase shall be included stating how it increased productivity to use the SWO credit card rather than process the payment using a purchase order.
9. Purchases that may become unpaid beyond stated timeframes in this policy may be considered a debt to the SWO.
10. The Vice-Chairman shall include a report of credit card use in the monthly report to SWO Council.

V. Reward Points and Cash Back Payments

Reward points or cash back payments are solely for the benefit of the SWO. SWO Employees or Elected Officials shall have no claim to any benefits that result from use of the credit card(s) such as points earned or cash back payments.

VI. Lost or Stolen Credit Cards/Unauthorized Charges

Lost or stolen credit cards shall be reported immediately to the bank by the CFO.

In the event of unauthorized charges, those charges shall be contested immediately by the CFO.

VII. Usages Agreement and Acceptance of Policy

I acknowledge that I have read and understood the Sisseton-Wahpeton Oyate Credit Card Policies, Procedures and Usage Agreement, and I accept any consequences that may occur as a result of my misuse or neglect of the credit card and/or these policies and procedures.

Name (please print): _____

Signature: _____

Date: _____

SISSETON-WAHPETON OYATE CREDIT CARD AUTHORIZATION

The Credit Card Policies, Procedures and Usage Agreement was created to define and limit credit card use. It is the intent of the Executive Committee to ensure these are followed to avoid any unnecessary credit card usage.

The types of expenses allowed per Credit Card Agreement are as follows:

Business Expenses (Exclusively for SWO business operation and practice)

Purchasing in the event the vendor does not accept payments by check

In the event payment is needed to avoid late charges, fees or penalties due to poor planning, the Program Department Head may be held responsible. This is only be utilized as a needed basis.

Internal Control Process:

1. The Credit Card Authorization Form must be filled out and submitted for review.

If the purchase is considered a procurement the form should be submitted to the SWO Procurement and Contracting Officer. If the purchase is not considered a procurement, then the form should be submitted to the Bookkeeping Supervisor. A WorkPlace Check Request made out to the "General Fund" to be deposited into line item # 911-00-1107 must be submitted. Documentation of cost and ordering information must be submitted along with the WorkPlace Check Request as described in the Cash Disbursement and Procurement portions of the Accounting Manual.

2. The form will be reviewed and submitted to the CFO for review and approval. Once approved it will require final approval from the SWO Chairman and will be processed. The voucher will also be submitted for payment.

3. Confirmation of the order will be sent electronically verifying request has been completed.

Internal Control Procedure:

Authorized users will be required to sign an agreement for wage deductions associated with improper use of the SWO issued credit card and statement of policy understanding.

**SISSETON-WAHPETON OYATE
CREDIT CARD AUTHORIZATION FORM**

Charging Policy: Original form must be submitted to the SWO Procurement and Contracting Officer or the Bookkeeping Supervisor.

VENDOR: _____

ADDRESS: _____

PHONE NO. _____ **FAX:** _____

Product requesting to purchase _____ **Amount \$** _____

Reason _____

Funding Line Item # _____ **Funding Type (grant, gaming etc)** _____

Type of Charge Authorized (requests not meeting this criteria will not be approved)

_____ **Purchase due to check payment not allowed**

_____ **Procure items that will enhance the productivity of the Procurement Department**

_____ **Late Fees, Penalties, late charges**

DEPARTMENT/PROGRAM: _____

PHONE NO: _____ **EXT.** _____ **FAX:** _____

Program Department Head Approval:

Contact email: _____

Approved:

SWO CFO

SWO Chairman

DATE: _____

DATE: _____