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KARUK TRIBE

Fiscal Policies and Procedures Manual

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MISSION STATEMENT

The mission of the Karuk Tribe is **to promote the general welfare of all Karuk People, to establish equality and justice for our Tribe, to restore and preserve Tribal traditions, customs, language and ancestral rights, and to secure to ourselves and our descendants the power to exercise the inherent rights of self-governance.**

ORGANIZATION

The Karuk Tribe is one of the largest Indian Tribal governments in Northern California. The Karuk Tribal community covers all of Siskiyou County and Eastern Humboldt County from the Siskiyou County/Oregon border to Bluff Creek, encompassing approximately 4000 miles. The service area has been divided accordingly, because the traditional land boundaries of the Karuk Tribe once included over one million acres of sacred grounds, hunting areas, and Indian communities along the Klamath and Salmon Rivers. The Karuk Tribe is a federally recognized Indian Tribe whose constitution was formally adopted by its members on April 17, 1985. Services provided by the Tribe include general government, education and a variety of social and health services.

INTRODUCTION

This Fiscal Policy Manual contains information about the accounting policies and procedures of the Karuk Tribe.

The policies set forth in this Fiscal Policy Manual replace any and all previous fiscal and accounting policy statements, whether written or oral. No such prior fiscal or accounting policies or procedures shall have any force or effect after the effective date of this Manual.

REVISIONS

The Karuk Tribe reserves the right to revise, modify, delete, or add to any and all fiscal policies and procedures stated in the Manual.

Revisions, additions, or deletions to this manual will be in writing and will only be made with approval from the Karuk Tribal Council. Revisions must be signed by the Tribal Chairperson.

STATEMENT OF PURPOSE

The primary objective of establishing fiscal policies and procedures is to promote the accurate recording and timely reporting of all financial transactions completed in order to meet the objectives of the Karuk Tribe. Included in the objective is compliance with all federal and state rules, regulations and procedures governing each grant or source of funding.

The objective will be met by requiring that all financial transactions be conducted in accordance with policies and procedures prescribed in this manual. Unless statutory law requires otherwise, the underlying intent of structuring the fiscal administration herein is to adhere to Generally Accepted Accounting Principles (GAAP).

The results of an organization's financial activities are reflected in its financial statements. The readers and users of a financial statement, of financial reports, rely upon the integrity of the information for decision making purposes. Reliance on such information provided is important to the Tribal Council, Staff, Grantors, Federal, State, & Municipal Governments, Bankers, and Creditors.

This manual is designed to provide the vehicle to control funds received from all sources, Federal, State, or Private. Grant accounting may be subjected to rigid legal requirements and restrictions. In applying for funds, the applicant organization agrees to administer the project in accordance with governing regulations and policies in effect at the time of the awards. The organization assumes the legal responsibility for fiscal and administrative management and fulfillment of any special conditions which may be prescribed for the project. The organization is responsible for performing the agreed upon project and for using the funds prudently for the purpose set forth in its agreement with the agency.

Since confidentiality is of the utmost importance in financial matters it is important that everyone in the office refrain from discussing matters pertaining to the organization with anyone other than the management.

DEFINITIONS

ACCOUNT NUMBER: A group of numbers used to identify the fund, department, and description of an account. For example 1020-20-7300.00 is broken down as follows: 1020 = indirect cost fund, 20 = finance department and 7300.00 = travel. See section 2.0.

ALLOWABLE COSTS: OMB Circular A-87 defines allowable costs as follows:
To be allowable under an award, cost must meet the following general criteria:

- Be reasonable for the performance of the award and be allocable thereto under these principles.
- Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items.
- Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the organization.
- Be accorded consistent treatment.
- Be determined in accordance with generally accepted accounting principles.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period.
- Be adequately documented.

ASSET: A valuable item that is owned. A future economic benefit obtained or controlled by a particular entity as a result of past transactions or events. Examples include cash and accounts receivable.

APPROPRIATION: Funds set aside for a specific purpose.

BALANCE SHEET: A statement of the assets, liabilities, and fund balance as of a specified date. Total Assets equal total liabilities plus fund balance.

BUDGET: An itemized summary of probable income and expenditures for a given period.

CAPITAL PROJECT FUNDS: The funds to account for financial resources to be used for the acquisition or construction of major capital facilities.

CHART OF ACCOUNTS: A list of all account numbers used by an organization to record activity into the general ledger.

CONTRACT: A legally enforceable agreement with a party for a specified amount of valid consideration to be paid to that party for a specific deliverable(s) outlined in a scope of work. The Karuk Tribe uses the "Agreement for Independent Contractor Services" dated October 30, 2008.

CREDIT: The right side of an account.

DEBIT: The left side of an account.

DEBT SERVICE FUNDS: Account for the accumulation of resources for, and the retirement of, general long-term debt principal and interest.

DEFERRED COMPENSATION FUND: The fund used to account for assets held for employees in accordance with the provisions of Internal Revenue Code Section 457.

DEFERRED REVENUE: Revenue that is not yet recognized.

DIRECT COST: Costs which can be specifically identified with a particular cost objective.

DISBURSEMENT: Funds paid out.

DISCRETIONARY FUNDS: Funds that may be spent as the council wishes. Judgment should be used by the council to insure that funds are spent responsibly.

ENTERPRISE FUNDS: Account for the operations financed and operated in a manner similar to private business enterprises.

ENCUMBRANCE: Commitments related to unperformed contracts for goods or services. Used in budgeting, encumbrances are not GAAP expenditures or liabilities, but represent the estimated amount of assets reserved for outstanding purchase orders.

EXPENSE: Decrease in financial resources.

FIDUCIARY FUNDS: Funds to account for assets held by a governmental unit in a trustee capacity.

FIXED ASSET: A single tangible item valued at \$2,000 or more with a useful life longer than one year is classified as a fixed asset. The fixed asset inventory listing may also include items of a lesser value which are subject to pilferage such as computers. Examples of fixed assets include buildings, equipment, and vehicles.

FRINGE BENEFIT: An employee benefit given in addition to one's wages or salary. Examples include health insurance and retirement.

FUND: A fiscal and accounting entity with a self-balancing set of accounts which is segregated for the purpose of tracking specific activities in accordance with special regulations or restrictions.

FUND BALANCE: The difference between the assets and liabilities of a governmental fund.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES: Rules of accounting established by experienced professional accountants and bodies such as the financial accounting standards board.

GENERAL FIXED ASSETS: Capital assets are not assets of any fund, but of the government unit as a whole. Most often these assets arise from the expenditures of the financial resources of governmental funds.

GENERAL FIXED ASSETS ACCOUNT GROUP: Fixed assets not recorded in a proprietary fund are reported in a fund called the general fixed assets account group.

GENERAL FUND: Accounts for all financial resources except those required to be accounted for in another fund.

GENERAL LEDGER: A record of monetary transactions of an organization posted in the form of debits and credits.

GENERAL LONG-TERM DEBT ACCOUNT GROUP: This fund is used to account for a government's long term indebtedness that has not been identified as a specific fund liability of a proprietary or trust fund.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB): The board which is the authority for establishing governmental accounting standards.

GOVERNMENTAL FUNDS: The funds through which most governmental functions are typically financed.

GRANT: Any agreement, memorandum of agreement, contract or grant agreement or award that provides funding to the Karuk Tribe or its entities to perform a specific project. Grants may be provided to the Tribe or its entities by the State, Federal Government, a Business, an Organization, Foundation, or Individual.

INDIRECT COST: Costs incurred for a common or joint purpose benefiting more than one cost objective. Assigning these costs to more than one objective requires an effort that is disproportionate to the results achieved. Examples of indirect costs include fiscal department staff and electricity for the administration building.

INTERNAL SERVICE FUNDS: The funds to account for the financing of goods or services provided by one department to other governmental units.

JOURNAL ENTRY: A two sided entry consisting of a debit and a credit used to record information into the general ledger.

LIABILITY: Obligations of an entity. An example is accounts payable.

MEMORANDUM OF AGREEMENT (MOA): A document written between two or more parties to cooperatively work together on an agreed upon project or goal, the MOA will contain specific language regarding the responsibilities of each party and the benefits for each party. There is a list of binding terms and it usually has an obligation of funds specified for the project or objective.

MEMORANDUM OF UNDERSTANDING (MOU): A document written between two or more parties that indicates a common line of action. It is used in cases where the parties do not wish to have a legal commitment or in situations where the parties cannot create a legally enforceable agreement. An MOU is a common synonym for a Letter of Intent and may be used to define relationships between departments or agencies.

PAYEE: One to whom money is to be paid.

POST: To record an item in the general ledger.

PROPRIETARY FUNDS: The funds used to account for governmental activities that are similar to for profit business operations in the private sector.

REASONABLE COSTS: OMB Circular A-87 defines reasonable costs as follows: A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs. The question of the reasonableness of specific costs must be scrutinized with particular care in connection with organizations or separate divisions thereof which receive the preponderance of their support from awards made by Federal agencies. In determining the reasonableness of a given cost, consideration shall be given to:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.
- The restraints or requirements imposed by such factors as generally accepted sound business practices, arms length bargaining, federal and state laws and regulations, and terms and conditions of the award.
- Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, and clients, the public at large, and the government.
- Significant deviations from the established practices of the organization which may unjustifiably increase the award costs.

RESERVED FUND BALANCE: Those portions of fund balance not appropriable for expenditures or that are legally segregated for a specific future use.

REVENUE: Increase in financial resources.

SPECIAL REVENUE FUNDS: Funds to accounts for specific revenue sources that are restricted legally to be expended for specific purposes.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE: A financial statement which shows revenue, expenditures, and changes in fund balance during a specified period of time.

TRIAL BALANCE: A list of the balances of the accounts in a ledger fund by double entry, with the debit and credit balances shown in separate columns. The totals of the debits and credits must be equal for the trial balance to balance.

UNALLOWABLE COSTS: The following costs are unallowable under OMB Circular A-87:

- Alcoholic beverages
- Bad debts
- Contingencies (See exceptions, Number 12, OMB Circular A-87)
- Contributions and donations

- Entertainment
- Fines and penalties
- Fund raising
- Interest and other financing costs except where authorized under the circular
- Legislative expenses
- Lobbying expenses
- Under-recovery of costs of other grants or agreements

Other costs not listed may also be unallowable.

SECTION 1.0 - METHOD OF ACCOUNTING

As a governmental entity the Karuk Tribe is required to follow Generally Accepted Accounting Principals (GAAP) as endorsed by the Governmental Accounting Standards Board (GASB). The following five basic principles of governmental accounting will be followed by the Karuk Tribe:

1.1 Accounting and Reporting Capabilities

A governmental accounting system must make it possible to present fairly and with full disclosure the financial position and results of operations of the funds and account groups of the governmental unit in conformity with GAAP and to demonstrate compliance with legal and contractual provisions.

1.2 Fund Classifications

Governmental accounting systems should be organized and operated on the fund basis. The three major categories of funds are Governmental Funds, Proprietary Funds, and Account Groups. Within each of these categories there are the following fund types:

- Governmental Funds include the General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds.
- Proprietary Funds include Enterprise Funds, Internal Service Funds, Fiduciary Funds, and the Deferred Compensation Fund.
- Account Groups include the General Fixed Assets Account Group, and the General Long-Term Debt Account Group.

1.3 Basis for Accounting

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Expenditures are recognized when the related fund liability is incurred.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when earned, and their expenses are recognized when incurred.

1.4 Budgeting

A budget is prepared annually to coincide with the fiscal year. The accounting system provides the basis for appropriate budgetary control. Budgetary comparisons are included on the Expenditures, Encumbrances, & Appropriations (EE&A) report.

1.5 Annual and Interim Financial Reporting

Complete audited financial statements will be issued annually.

Interim financial reports such as Trial Balances, EE&A reports and detailed general ledgers will be issued monthly or at the request of Program Directors or Tribal Council. It is the responsibility of the program director to monitor their program. If they do not receive the financial information they need to do so, they should contact the fiscal department and request it.

SECTION 2.0 - CHART OF ACCOUNTS

The Karuk Tribe has established the Chart of Accounts that is reflected below. The purpose of a chart of accounts is the establishment of a system of numbering accounts in such a way that the number used reveals certain information about the account.

The Chart of Accounts used by the Karuk Tribe is grouped into three groups of digits as follows:

Fund – Department - Activity
XXXX - XX - XXXX.XX

The first group of four digits represents the fund.

The second group of two digits usually represents the department. However in some cases it is used to segregate other things such as program years, projects, or locations.

The third group of four digits a decimal point and two more digits represents the activity.

SECTION 3.0 - INTERNAL CONTROL

The objective of internal accounting controls is to provide management with reasonable assurance as to the safeguarding of assets against losses from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability of assets.

The characteristics of an adequate system of internal control include the segregation of duties within the organization based on functional responsibilities; a system of authorization and record retention; a degree of personnel competence commensurate with responsibilities; and a sound basis for practices to be followed to achieve the objectives of internal accounting controls.

These controls are recognized as best management practices, but will be conditional upon the number of employees. Therefore, the following shall be adhered to:

- No person shall have complete control over all phases of any significant transaction.
- Whenever possible, the flow of work shall be from one employee to another so that the work of the second, without duplicating that of the first, provides a check upon the work of the first employee.
- Record keeping shall be separated from operations or the handling and custody of assets, such as:
 1. The function of receiving cash shall be centralized in one person, who will not be concerned in any way with approving or certifying vouchers, acting as petty cash cashier, preparing deposits, making disbursements, or keeping accounting records.
 2. In receiving cash through the mail, the person responsible for opening the envelopes shall immediately restrict with a tribal endorsement stamp all checks and other negotiable instruments; these along with other cash received shall be logged and listed in duplicate before forwarding the receipts to accounting for deposits to the bank.
- Responsibilities in the fiscal department shall be clearly established and followed as closely as possible.
- The following shall be adhered to when handling cash:
 1. All cash receipts shall be deposited intact and for the full amount received.
 2. All collections shall be deposited as soon as possible, preferably the day received.

3. Collections and all other funds held within an office pending regular deposit shall be restrictively endorsed. Petty cash funds and all other funds shall be kept under complete control and under proper safeguards; preferably in a fire-resistant combination safe or safe cabinet.
 4. Uncollectible items and related documents shall not be handled by the person making up deposits or by the person handling accounts receivable.
 5. If possible, persons preparing payrolls or time reporting records shall not handle the related pay checks.
 6. Bank statements shall be reconciled promptly to the formal accounting records and the reconciliation reviewed and approved by the Chief Financial Officer.
 7. The number of bank accounts and inter-bank transfers shall be kept to a minimum.
- The following shall be adhered to when issuing checks:
 1. Checks shall not be issued to “cash” or “bearer”.
 2. Check signers will not sign blank checks.
 3. Records of void checks will be kept. When possible the actual void check will be stamped void and filed. When the actual check is not available and the check is for more than \$15, a stop payment will be issued.

SECTION 4.0 - BUDGETS

At the beginning of each fiscal year annual budgets will be prepared for the BIA Compact, Health Compact, Indirect Cost Pool, and any other grants that do not have approved budgets in the grant request. The budgets will be prepared by the chief financial officer with the help and input of program managers. Budgets will be reviewed and approved by the Tribal Council.

Approved budgets will be entered into the accounting system by fiscal staff so that actual to budget comparisons will be reflected on the Expenditure, Encumbrance, and Appropriations Report (EE&A Report).

SECTION 5.0 - AUDITS

An audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States will be conducted once a year. These standards require that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The audit will be performed in accordance with the Single Audit Act and will address compliance and internal control issues.

The Tribal Council will approve any changes in auditing firms hired to perform the audit.

SECTION 6.0 - PETTY CASH

Whenever possible and practical, disbursements should be made by check from the bank account. When it does become necessary to make small miscellaneous cash expenditures they may be made from the “petty cash” fund.

The amount of the Petty Cash Fund should be a maximum of \$300.

Control and maintaining the Petty Cash Fund is the responsibility of the person to whom the Petty Cash Fund is issued.

The petty cash shall be kept in a locked box and in a locked drawer.

The total cash on hand plus the total of petty cash vouchers must equal the total fund at all times.

When the total cash on hand requires replenishment the following steps should be followed:

- Request replenishment of cash from the fiscal department.
- Provide a reconciliation of all cash spent to the fiscal department.
- Provide account numbers to be charged for expenditures.
- Include invoices or other documentation to support reconciliation.

SECTION 7.0 - BANK RECONCILIATIONS

The Karuk Tribe shall maintain one checking account for general fund purposes. All cash receipts and disbursements for all funds will flow through this account. At the end of each month, all general ledger cash balances shall be reconciled to the bank statement. Additional bank accounts such as certificates of deposit may also be used by the Tribe. These bank accounts will also be reconciled to the general ledger on a monthly basis.

- Bank statements and cancelled checks will be picked up at the bank by an authorized employee.
- Reconcile deposits recorded on the bank statement to the cash receipts recorded in the cash receipts journal. Trace any deposit-in-transit from the prior month’s reconciliation to the bank statement and indicate the date these deposits were credited to the bank.
- Any deposits not clearing the bank statement will represent deposits-in-transit on the current month’s reconciliation. Deposits which have not cleared the bank within a week of the date deposited should be brought to the attention of the management.
- Take the prior month’s reconciliation and match the cancelled checks against those listed as outstanding. Any checks still outstanding should be listed on the current month’s outstanding check list.
- Compare each cancelled check with the entry in the cash disbursements journal as to:
 1. Date
 2. Payee

3. Number

4. Amount

- And place a check mark by the entry. Those entries not checked off will make up the current month's outstanding check list. Checks outstanding for a period of more than sixty (60) days should be brought to the attention of the management.
- Note any other transaction appearing on the bank statement which will be recorded on the books by journal entry. For example:

1. Returned checks

2. Bank service charge

3. Wire transfer of funds

4. Stop payment checks

- Reconcile the monthly bank statement to the balance shown in the general ledger account for cash on deposit. Since the balance in the general ledger account for cash on deposit controls the accuracy of the books, it is essential that the figure be reconciled with the balances shown by the bank statement.

SECTION 8.0 - CASH RECEIPTS

There is a relatively high risk associated with transactions involving cash. Thus a strong system of internal accounting control is required. The following policies are to be adopted and followed:

- Monies must be properly safeguarded and appropriately recorded.
- Access to monies must be limited to as few employees as possible.
- Record cash received as soon as possible.
- Cash received must be deposited intact and on a timely basis.

Cash usually comes from the following sources:

- Grant/contract funds received from the grantor/contractor
- Medical Billing Receipts
- Senior Citizen Nutrition Program Receipts
- People Center Gift Shop Sales
- Other Miscellaneous Cash Receipts

Each time one of these sources of cash is received a written record must be made. The receipt for cash shall have three copies, with the original going to the person making the payment. One of the copies will be filed in the cash receipts journal and the other will remain in the cash receipts book.

Miscellaneous cash receipts shall show the source, amount and nature of the cash received. Cash receipts shall be summarized in a cash receipts journal.

The cash receipts journal shall have the following information:

- Date of receipt of the cash
- Source from which received
- Total amount received
- Account number to be credited for the receipt

Accounts receivable balances will be reviewed periodically and adjusted for bad debts at least once a year.

SECTION 9.0 - CONTRACT / GRANT MANAGEMENT

Each grant will be accounted for separately. All terms and conditions of contracts and grants between the Karuk Tribe and Funding Agencies or Contractors will be complied with. Expenditures will be charged to a particular grant only in accordance with the terms and conditions of that grant. Contract compliance is the responsibility of the Program Manager. Contract compliance will be monitored by the Director of Administrative Programs and Compliance.

Departmental proposals for contract/ grant funded programs and projects will be prepared with the knowledge and participation of, at minimum, two appropriate (staff involved in the administration of the proposed program) members of the management team. Management team members are:

- Tribal Chairman
- Director of Health & Human Services
- Chief Financial Officer
- Director of Administrative Programs and Compliance
- Director of Natural Resource Department
- Director of Karuk Tribe Housing Authority
- Director of Karuk Community Development Corporation
- Director of Self Governance

Prior to submission to the Tribal Council you are required to have the proposal reviewed by the Chief Financial Officer and Director of Administrative Programs and Compliance as well as any other Management Team member who will be involved in the administration of the grant/ contract. A copy of the completed proposal and Funding Agency Request for Proposal is to be submitted to the Contract Compliance Office. This will enable staff members who are responsible for administrating and reporting on these projects to review, revise, approve or disapprove proposed projects based upon considerations of budget information, project costs and benefits, technical and administrative capacity to perform, attainable goals and deliverables, space/equipment and staffing requirements, realistic goals and matching requirements. This pre-approval process will be verified by the completion of the "Request for Tribal Council Authorization to Submit". See sample form A-10.

All grants or contracts that are proposed as pass thru to other Tribal entities will be accompanied with a certification that the entities governing board has reviewed and approved the application. All grant/ contract "Request for Tribal Council Authorization to Submit" forms will have that pass thru entities director's signature, indicating that the director has had the opportunity to review and approve the pass through application. (See Authorization to Submit form).

All grant or contract proposals will have their reviews completed and submitted to council at minimum 7 calendar days prior to request for approval. This is intended to give the Tribal Council time to review the applications and if necessary, request additional information from the department submitting the application. Contract Compliance will require at least two days for review applications and RFP prior to that submission.

All new grant/ contract applications (including those that are continuation of funding for existing programs) will require Council approval. All applications will require Council Resolution for submission.

Departmental programs and projects, including those implemented through subsidiary corporations will be subject to all fiscal, personnel, and property management policies of the Karuk Tribe, as well as all applicable federal and state rules and regulations.

Copies of all approved proposals for contract/grant-funded programs and projects will be filed with the Director of Administrative Programs and Compliance in the Tribe's Fiscal Office prior to submission to funding agency. In all cases the applicant entity will be the "Karuk Tribe, Post Office Box 1016, Happy Camp CA 96039". The authorizing official will be the Tribal Chairman or another member of the Executive Council. All Contract/ grant award notifications will be directed to the Tribal Chairman.

When notice is received that the contract/ grant has been selected for award, all pre award documents (contracts/ agreements/ certifications) will be processed by the Director of Administrative Programs and Compliance. All signatures/requested information (grant/ programmatic or narrative information requested will be the responsibility of the grant writer) and will be collected by the Director of Administrative Programs and Compliance for submission to funding agency.

Any department requiring a request for advance or reimbursement from a funding agency will initiate the request by written submission to the Director of Administrative Programs and Compliance for processing.

Prior to incurring any costs against an award – all budgetary information will be submitted to the Director of Administrative Programs and Compliance for approval and forwarded to the Fiscal Department staff for entry into the accounting system. No expenditures will be coded to any line item that has not been appropriated. There will be no exceptions.

Departmental requests to move contract/ grant funds from one budget line item to another should be made on the "Request for Modification" form and will require that department Directors signature. See sample form A-11.

Department staff who wish to maintain their own financial records can request technical assistance from the Director of Administrative Programs and Compliance/ or Chief Financial Officer to ensure that they are compliant with Tribal and Federal fiscal management policies and regulations.

Failure to follow these Contract/ Grant Management Procedures will result in the denial of approval to submit grant/ contract application to funding agency and may result in a personnel disciplinary action. Any contract or grant application submitted without approval, if funded, will be returned.

9.1 Internal Audit/Self Monitoring Procedure

Annually each Tribal program (excluding health) that provides services based upon eligibility determinations will be scheduled a date for review by the Director of Administrative Programs and Compliance for the purpose of conducting an internal audit and to review Contract Compliance Procedures including Contract/ Grant applications and administration, professional services contracts, match documentation requirements, and will receive updated forms if applicable.

All client/ participant files prepared or maintained during the twelve (12) months prior to the review will be audited. It will be determined if the program has followed policies, procedures and statutory requirements for eligibility and the payment or distribution of benefits from that program.

Program Directors will be required to provide the Director of Administrative Programs and Compliance copies of that programs policies, procedures and requirements one (1) week prior to the review. A report will be prepared within ten (10) working days after the completion of the review and copies will be forwarded to the Program Director and their Supervisor.

If a program is found to be non compliant to Tribal or program polices, procedures or requirements, a corrective action plan will be initiated. This corrective action plan will be prepared with the participation of the Program Director, their Supervisor and the Director of Administrative Programs and Compliance.

The corrective action plan will include a list of the non compliance findings resulting from the review, strategies for the correction of these findings and a time line for the completion. The time line for completion of the tasks in the corrective action plan will be no less than five (5) working days and no longer than two (2) months from the date of the corrective action plan, depending upon the severity of the issues and the potential impact to that programs continuation.

The Program Director will be responsible for correcting the deficiencies found in the review. The Director of Administrative Programs and Compliance will review the status of the corrective action plan at the end of the established time line. Program Directors that fail to correct non compliance issues by that dead line will be subject to disciplinary action.

Many Tribal Department Directors do not operate programs that include the determination of eligibility or the distribution of benefits. These Program Directors will meet with the Director of Administrative Programs and Compliance on an annual basis to review Contract Compliance Procedures including Contract/ Grant applications and administration, professional services contracts, match documentation requirements, and will receive updated forms if applicable.

9.2 Memorandums of Agreement/ Memorandums of Understanding Procedures

Memorandum of Understandings (MOU)/ Memorandums of Agreements (MOA)/ Agreements:

Departmental requests for MOU's / MOA's / Agreements will be prepared with the knowledge and review by the office of Self Governance and office of Contract Compliance. All agreements are required to include Council and responsible staff in the planning process. All agreements must receive Council approval.

Prior to submission to the Tribal Council for approval you are required to have the MOU/ MOA/ Agreement reviewed by the Self Governance Director and Director of Administrative Programs and Compliance, as well as any other Tribal staff member responsible for the implementation of responsibilities in the agreement. A copy of the draft agreement is to be submitted to the Self Governance Director and Director of Administrative Programs and Compliance for review.

This pre-approval process will be verified by the completion of the “Request for Contract/ MOU/ MOA/ Agreement” form. The process is as follows:

- Complete your Request for Contract/MOA/ MOU/ Agreement form. See sample form A-12.
- Attach draft agreement to form.
- Present the completed form and agreement Self Governance Director and the Director of Administrative Programs & Compliance. Upon approval for submission, the Compliance Department will assign a number.
- Present the approval form and agreement to the Tribal Council for approval.
- After approval and signature of Tribal Chairman, forward one original to the Compliance Department.

All requests will have their reviews completed and submitted to council at minimum 7 calendar days prior to request for approval. This is intended to give the Tribal Council time to review the documents and if necessary, request additional information.

All Memorandums of Agreement or Memorandums of Understanding will be signed by the Chairman.

9.3 Draw Downs

Draw downs will be done according to grant guidelines provided by the funding agency. While some grants may be drawn down in advance, many will be drawn down on a reimbursement basis.

If a federal grant is drawn down in advance, the draw down will be done so that cash-on-hand is kept at the minimum amount needed for disbursements to be made immediately or within 10 days unless a different amount is specifically allowed by the grant.

SECTION 10.0 - PROCUREMENT

All purchases must be reasonable and allowable. Please see definition of reasonable and allowable in definition section. To ensure that appropriate expenditures are in keeping with budgetary constraints and/or donor wishes, the following procedures will be adhered to:

Annually a budget for financial control of the agency will be developed by the Tribal Council, Program Directors, Tribal Administrator, Self Governance Director, Contract Compliance Manager, and Chief Financial Officer. This budget will serve as a guideline for annual expenditures for all operating expenses.

All purchases within the approved budget line items are classified as follows:

- Routine and recurring purchases – Purchases under this category include monthly payments for rent, telephone, utilities, insurance, etc. It is not necessary for the finance department to obtain a directors signature each month for these routine purchases.
- Special program purchases – Program purchases include project expenditures such as supplies and training. Program director approval is required for this type of purchase.
- Travel Claims – Refer to the Karuk Tribe’s Personnel Policy Manual for policies and procedures regarding travel.

- Equipment – Purchases of equipment requires the following approval levels:
 1. \$0 to \$2,000 – Requires approval of the director of the program.
 2. \$2,000 and over – Requires three documented bids, and requires council approval. In some instances, three bids may not be attainable. These instances will be decided on a case by case basis.

All vendor and professional services contracts, excluding Education Department Tutoring contracts, require council approval regardless of the dollar amount. The process for requesting vendor or professional services contracts requests to Council approval is as follows:

- Complete your procurement documentation form to submit with Request for Contract form. See sample form A-12.
- Complete the attached Request for Contract form and attach contract to it. See sample form A-13.
- Present the Form, Contract and Procurement Document to the Executive Director, Chief Financial Officer and Director of Administrative Programs and Compliance for approval. The Director of Administrative Programs and Compliance will assign a contract number.
- Present the approved form and contract to the Tribal Council for approval.
- After approval and signatory, forward the original Contract to the Director of Administrative Programs and Compliance.
- The procurement documentation for all contracts must be complete. The presentation that a contract is to be awarded as a “sole source provider” is strongly discouraged. Evidence that the contractor has been determined to be a true sole source provider is required, and if not provided will be the basis for rejection of the request for contract.

The following procedures apply to purchase orders:

- Purchase orders shall be pre-numbered.
- Purchase orders shall be issued by accounts payable personnel and authorized by a program director.
- Purchase orders will be entered into the financial software to reflect encumbrances.
- When invoices are received they will be compared to purchase orders. Related encumbrances will be removed when invoice is paid.

SECTION 11.0 - CASH DISBURSEMENTS

Unused checks shall be stored in the locked file room located in the finance department.

A W-9 form will be completed for each new vendor used. See sample form A-14. No payments will be made to new vendors without W-9 information. New vendors will be reviewed to make sure that they have not been “debarred” or “suspended” by the federal government.

Original supporting documentation for expenditures must be reviewed and approved prior to payment. Payment for purchases, and obligations made from grant funds shall be made only by check. No check shall be written unless there is documentary proof that the service or merchandise has been received and is satisfactory.

When a check is written, the purpose for the payment shall be stated in the related paperwork. All checks will be signed by two council members. The bill, invoice, or proof that the service or merchandise has been received shall be clearly marked "Paid," and a second copy of the check stapled to it to prevent duplicate payment. The paid bill shall then be filed in a vendor file in alphabetical order for future reference.

The check is recorded in the cash disbursement journal and posted to the general ledger when issued. The cash disbursement journal shall show the following information:

- Check number
- To whom written
- Date written
- Amount of check
- A distribution of the expense accounts affected

SECTION 12.0 - CREDIT CARDS

Please refer to the Travel and Vehicle Use Policy Manual for details regarding the Tribe's use of credit cards policy.

SECTION 13.0 -TRAVEL

Please refer to the Travel and Vehicle Use Policy Manual for details regarding the Tribe's travel policies.

SECTION 14.0 - PAYROLL

Please refer to the personnel policy manual for more details regarding payroll, benefits, and other employment issues. The following information summarizes the payroll process, but does not address all of the personnel issues discussed in the Personnel Policy Manual.

When an individual is hired by the Karuk Tribe, they are required to complete the following forms:

- Personnel Information Sheet – See sample form A-1.
- Notify In Case of Emergency – See sample form A-2.
- Check Distribution Form – See sample form A-3.
- W-4 Exemption Information - See sample form A-4.
- I-9 Eligibility to Work Verification – See sample form A-5.

In addition to the information provided by the new employee the supervisor is required to provide the payroll person the following information:

- Notice of Appointment – See sample form A-6.
- Information regarding any special agreements or arrangements made with the new employee.

The normal pay periods for employees shall be biweekly. Pay checks will be issued no later than 5:00 p.m. the Friday following the close of the pay period. At the end of each pay period the following steps shall be performed:

- Each nonexempt employee shall prepare a time distribution record. This time record covers the prior two week pay period. See sample form A-7.
- Time records shall be signed by the employee and their supervisor
- Time records shall reflect any annual leave, sick leave, holidays, or other absence from work. Request for leave forms shall be turned in with time records. See sample form A-8. Records shall be maintained showing current accrued vacation and sick leave.
- The time records will be examined by the person processing payroll and any discrepancies will be cleared up with employee's supervisor.
- Computer files will be updated for status changes, garnishments, and other items that affect payroll.
- Individual wages shall be charged to the correct funding sources.
- The person processing payroll shall balance time sheets with payroll reports.
- The person processing payroll shall make sure proper authorization for deductions are on file.
- Payroll calculations shall be reviewed by a fiscal department employee other than the person preparing the original calculation prior to payment.
- Payroll checks shall be signed by two authorized council members.
- Payroll reports shall be printed and filed after processing a payroll.
- Payroll tax deposits and fringe benefit payroll deductions shall be paid to the appropriate agencies in a timely manner.

A Personnel Action Notice must be completed by the supervisor and appropriate approvals must be obtained whenever there is a change in an employee's employment status. Changes in employment status include raises, termination, and changes in fund being charged. See sample form A-9. Personal Action Notice's shall be submitted by the due date for timecards for pay period in which the change becomes effective.

Overtime will be paid to nonexempt employees when more than 40 hours are worked in one week. Exempt employees are not eligible to receive overtime pay.

When it comes to overtime calculations, each workweek stands alone.

SECTION 15.0 - JOURNAL ENTRIES

Journal entries are made to accounts to record information not posted to the general ledger through the payroll, accounts receivable, or accounts payable systems.

The following steps will be followed when recording a journal entry to the general ledger:

- A journal voucher form will be utilized for entry of a journal entry into the general ledger. See sample form A-16.
- All necessary documentation will be attached. Where no documents exist, appropriate reference will suffice.
- After a journal entry is entered into the system a journal voucher edit list will be printed and reviewed for accuracy.
- The journal voucher edit list shall be reviewed to verify that it is correct. After verification it will be posted to the general ledger.

SECTION 16.0 - GENERAL LEDGER

Information from payroll, cash receipts, cash disbursements, as well as journal entry information will be recorded and posted to the general ledger. The general ledger reflects account balances and the results of activities for a given fiscal period by fund.

SECTION 17.0 - YEAR END ACCRUALS

At the end of each fiscal year it is important to make sure that revenue and expenses are recorded into the correct year.

Payroll shall be prorated so that payroll expenses are charged to the year in which the employee actually worked.

Invoices for items received or services rendered in the prior fiscal year but paid for in the current fiscal year shall be accrued at year end so that the financial statements reflected the expense in the correct fiscal year.

Third party revenue shall be accrued so that the revenue is recognized in the year when the services were provided.

SECTION 18.0 - FIXED ASSETS

Purchases of fixed assets will be made from funds designated for this purpose.

Disposal of fixed assets requires council approval.

Disposals of fixed assets valued at more than \$5,000 require the approval of the funding agency that paid for the asset.

A record shall be maintained for each fixed assets costing \$5000 or more and for all computer equipment and vehicles. The record shall include the following:

- Description of the property, new or used
- Date of acquisition

- Location of the property
- Serial Number, Vehicle Identification Number, or other identifying number, if applicable
- Acquisition cost or assigned value
- General condition of the property

The total amount shown on this record shall agree with the amount shown in the Equipment Accounts.

A physical inventory shall be taken and reconciled with the subsidiary ledger at least once every five years. The fiscal department shall be responsible for maintaining the fixed asset list. They will record acquisitions, disposals, and transfers. The fiscal department will also be responsible for preparing fixed asset financial reports, such as:

- Schedule of General Fixed Assets.
- Schedule of changes in General Fixed Assets
- Proprietary fund schedules of property and equipment.

SECTION 19.0 - INDIRECT COST PROPOSAL

An Indirect Cost Proposal will be prepared and submitted to the Department of the Interior on an annual basis. The Indirect Cost Proposal will be prepared in accordance with federal guidelines including Circular A-87.

The Tribal Council will approve the submission of the Indirect Cost Proposal before it is mailed. They will also approve the final negotiated rate before it is signed for acceptance.

SECTION 20.0 - MATCHING

In cases where matching funds are required, it is the responsibility of the program director to insure that adequate matching funds are secured. It is also the program manager's responsibility to make sure that the matching funds meet the guidelines called for in the award documents such as none federal matching requirements.

SECTION 21.0 - ELIGIBILITY

Many of our programs and grants require that individuals who receive goods or services meet certain eligibility requirements. It is the responsibility of the individual program directors to document eligibility before providing services. Although the Director of Administrative Programs and Compliance will monitor compliance, it is not the responsibility of the fiscal department to determine eligibility.

SECTION 22.0 - FINANCIAL SOFTWARE

It is important that the Karuk Tribe use financial software designed for use by a governmental organization. Currently the Tribe uses MicroFund. MicroFund is software designed specifically for governmental accounting.

Security of written and electronic fiscal records will be maintained by the fiscal staff and the information technology staff.

SECTION 23.0 - ISHPOOK LEASING

Equipment purchased with government dollars cannot be used to provide “services for a fee”. Therefore assets purchased by the Tribe for Ishpook Leasing to hire out must be purchased with discretionary funds.

All invoicing for Ishpook Leasing will be prepared and mailed by the fiscal department. The invoices will be prepared from information provided to the fiscal department by the Ishpook Leasing Supervisor.

All time spent by employees working on Ishpook Leasing will be carefully documented so that the time is properly charged to Ishpook Leasing and not to indirect.

It is the responsibility of the Ishpook Leasing Supervisor to review all jobs before accepting them to make sure that we are not hauling hazardous waste or other contaminated materials. It is also the Ishpook Leasing supervisor’s responsibility to make sure that all applicable laws are followed when performing a job. This includes making sure that all drivers have the proper licenses and that they are covered by our insurance.

SECTION 24.0 – LOANS

Loans made to individuals from the Tribe’s discretionary funds will be approved by a majority vote of the Council and will be charged 10% interest amortized over the life of the loan.

24.1 Delinquent Debts

Tribal members and others who owe delinquent debts to the Tribe, or any of its entities, for any amounts shall not be eligible for assistance, including but not limited to LIHEAP, General Assistance, Childcare, Education, etc.

This exclusion does not apply to medical benefits allowable under the Indian Health Service, but may apply to certain medical benefits under third party for non-emergent or elective medical or dental services or substance abuse program treatment and services, including the AAIR program.

SECTION 25.0 – HEALTH PROGRAM BILLING POLICIES

25.1 Patient Billing and Posting

- a. Fees for uninsured Native Americans are written off as direct care services.
- b. All billing information is verified at the time of each visit.
- c. Billing information is entered into the RPMS system by the Data Entry Clerk.
- d. Bills are sent to third party payers within thirty days of date of service.
- e. Private pay bills are sent within thirty days of date of service.
- f. Secondary payers are billed upon receipt of payment from the primary payer with an explanation of benefits (EOB) describing the uncovered service.

25.2 Accounts Receivable

- a. All payments are processed by the Fiscal Office.
- b. Records of payments are forwarded from the Fiscal Office to the Accounts Receivable Clerks.
- c. Payments are posted by the Accounts Receivable Clerks.
- d. Aging reports are generated monthly and reviewed by the Executive Director.
- e. The Executive Director meets monthly with the Health Board and reviews the status of Third Party revenues.
- f. The Executive Director and Health Board will determine uncollectible accounts and approve write-offs of these accounts on an ongoing basis.

25.3 Expenditure of Third Party Revenues

- a. All collected Third Party revenues are budgeted for use in the Karuk Tribal Health Program.
- b. Draft Budgets are created by the Executive Director in conjunction with the Chief Financial Officer and Health Department Managers.
- c. Draft budgets are presented annually to the Health Board for approval.

25.4 Collection Process

- a. A collection agency will be recommended to the Tribal Council by the Business Office Manager and Chief Financial Officer. A contract with the recommended collection agency will be drafted and reviewed by the Director of Administrative Programs and Compliance and the Tribal Council. Tribal Council must approve the contract with the collection agency prior to submitting any claims to the agency.
- b. Accounts receivable over 90 days old will be reviewed by the Business Office Manager who will determine which accounts will be turned over to the collection agency.

25.5 Bad Debt Write Off

- a. Accounts receivable older than one year will be reviewed by the Business Office Manager who will draft a list of recommended bad debt write offs. The list may also include accounts receivables for bankrupt or deceased individuals and debts less than one year old that are subject to third party payer rules which do not allow billing after a certain period of time. The list will provide information regarding the history of each potential bad debt.
- b. The Business Office Manager will review the list with the Chief Financial Officer.
- c. The reviewed list will be presented to the Tribal Council for approval.
- d. A copy of the minutes reflecting the Tribal Council approval to write off bad debts will be forwarded to the billing office to use for backup when removing bad debts from the accounts receivable balance.
- e. The billing office will file bad debt backup so that information may be reviewed by management and/or auditors.
- f. When non-beneficiary patients have not had any activity on their account for more than one year and are written off as bad debt, a bright colored copy of the patients bad debt statement shall be placed in the front of the patients chart at the clinic. A bad debt notation will be placed on page 8 of the patient registration in the RPMS system. If the patient returns for care in the future, the receptionist will have the patient call the billing department accounts receivable clerk to set up a payment plan and sign a payment contract for the old debt.

25.6 Small Balance Suspension

- a. Non-beneficiary patients with a balance of less than \$2.50 shall be mailed one statement. If there is no payment received, statement mailing shall be suspended until such time as the balance owed equals more than \$2.50.

25.7 Write Off for Native Americans and Employees

After insurance and other 3rd party sources have been billed, there are no charges to Native Americans and Tribal Employees who use the Tribe's direct care facilities. Thus, amounts not collected from 3rd party sources will be written off. No authorization from the Tribal Council is necessary to remove these balances.

Code of Conduct
Addendum to Fiscal Policy

No employee, officer or agent of the Karuk Tribe or any sub grantee shall participate in selection or in the award or administration of a contract or grant if a conflict of interest, real or apparent is involved. A conflict would arise when:

- (1) The employee, officer or agent,
- (2) Any member of his/ her immediate family,
- (3) His or her partner, or
- (4) An organization which employs, or is about to employ, any of the above, has a financial interest in the firm selected for the award. The grantee's or sub grantee's officers, employees or agents will neither solicit nor accept gratuities, favors or anything of monetary value from contractors, potential contractors, or parties to sub agreements

Any employee, officer or agent of the Karuk Tribe who is aware that a conflict of interest may exist is required to immediately and fully disclose the nature of the relationship to the Tribal Council so as a determination can be made as to whether an actual or potential conflict exists and if so, what remedies can be taken to correct the situation.

Any employee, officer or agent of the Karuk Tribe who is found to be in violation of this policy is subject to disciplinary action and/ or termination of their employment and possible civil or criminal penalties.

CERTIFICATION

I, the Vice Chairman, hereby certify the foregoing addendum to the fiscal policy which was approved at a meeting on the May 4, 2005, was duly adopted by a vote of 5 AYES, NOES, 0, 0 ABSTAIN, and said policy has not been rescinded or amended in any way. The Tribal Council is comprised of 9 members of which 5 voted.

Leaf G. Hillman, Vice Chairman

Date