

Office of the Controller

The Navajo Nation

Accounts Payable Policies Manual



THE NAVAJO NATION – Office of the Controller

Accounting Policies Manual

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DESCRIPTION:	Accounts Payable -	INDEX:	I.1
	Overview	POLICY:	X
		PROCEDURES:	
		EFFECTIVE DATE:	

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

PURPOSE:

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

RESPONSIBILITY:

AP Department

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

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

POLICY:

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



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

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

PURPOSE:

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

RESPONSIBILITY:

AP Department

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

Departments/Programs

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

POLICY:

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

RDP Categories

The RDP can be requested for the following categories:

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



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

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

A PO is generally required if:

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

RDP Form

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

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

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



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

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

PURPOSE:

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

RESPONSIBILITY:

Accounts Payable Department

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

POLICY:

Form W-9 and TIN

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

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



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

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

PURPOSE:

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

RESPONSIBILITY:

Office of the Controller (OOC) Address Book Section

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

OOC Systems Section

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

OVERVIEW:

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

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



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

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

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

POLICY:

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



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

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

Creating a New Address Book Record

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

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

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

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

A New Customer/Employee/Vendor Setup

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

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



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

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

Changes or Additions to an Existing Address Book Record

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

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

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

Address Book Maintenance

File Maintenance

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

Step 1: Identify inactive Address Book records.

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

Step 2: Eliminate duplicate Address Book records.

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

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



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

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

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

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

Step 3: Identify Potential Ghost Vendors

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

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

Coding Standards

Name

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



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

Address

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

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

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

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

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

Example: North Hollywood, not N. Hollywood

Example: Fort Myers, not Ft Myers

4. Use numbers in street abbreviation versus words.

Example: 1st St, not First Street

Address Book Access



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



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	Invoice Processing	POLICY:	X
		PROCEDURES:	
		EFFECTIVE DATE:	

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

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

RESPONSIBILITY:

Accounts Payable Section

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

POLICY:

Vendor Invoice Content and Mailing Instructions

Required Invoice Content

Best Practice:

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

Potential Delays and Problems:

The vendor does not provide a PO or contract number:

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

The vendor does not provide an invoice number:

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

Invoice Mailing Instructions

Best Practice:

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

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



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

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

Potential Delays and Problems:

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

Invoice Requirement

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

Form W-9 Required

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

Vendor Invoice Processing and Authorizing Vendor Payments

Preparing Invoices for Processing

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

Invoice Matching and Verification

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

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



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Discrepancy Resolution

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

Entering Invoice for Payment

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

Account Coding

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

Approving Invoice for Payment

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



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

Duplicate Payment Monitoring

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

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

Detecting Duplicate Invoices

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

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



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	Voucher Processing	POLICY:	X
		PROCEDURES:	
		EFFECTIVE DATE:	

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

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

RESPONSIBILITY:

Accounts Payable Section

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

POLICY:

Voucher Processing

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

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

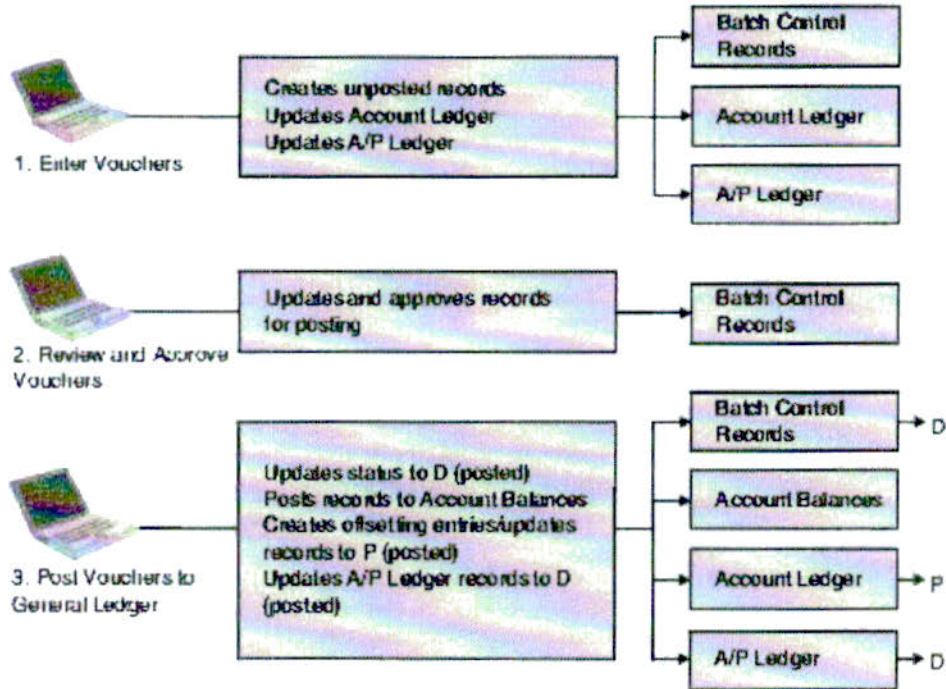
- Enter transactions.
- Review and approve transactions for posting.
- Post transactions to the general ledger.

This flowchart illustrates the three-tier process:



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DESCRIPTION:	Accounts Payable -	INDEX:	
	Form 1099-MISC Tax Reporting	POLICY:	X
		PROCEDURES:	
		EFFECTIVE DATE:	

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

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

RESPONSIBILITY:

AP Department

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

POLICY:

Form 1099-MISC

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

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



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

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

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

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

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

Form W-9

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

Backup Withholding Taxes

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

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