

Office of the Controller

The Navajo Nation

Contract Accounting Policies Manual



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Accounting Policies Manual

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DESCRIPTION:	Contract Accounting	INDEX:	
	Financial Information Setup	POLICY:	X
		PROCEDURES:	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq.*; 12 N.N.C § 501;

PURPOSE:

To establish policies and procedures regarding the establishment of budgets.

RESPONSIBILITY:

Contract Accounting Section

- The Nation is responsible for establishing balance sheets and income statement for all grants provided to the Navajo Nation (Nation) in accordance with the details from the funding agency.

POLICY:

Upon the award of a new grant, the Contracts and Grants Section (CGS) of the Office of Management and Budget (OMB) is required to set up a Company and Business Unit(s) for new grants and review to ensure they are established in accordance with the grant. Upon execution, the Contract Accounting Section receives a transmittal letter from the CGS.



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DESCRIPTION:	Contract Accounting	INDEX:	
	Obligation and Liquidation Period for	POLICY:	X
	Externally Funded Contracts	PROCEDURES:	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq.*; 12 N.N.C § 501; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

PURPOSE:

To establish policies and procedures regarding the obligation and liquidation period of contract funds.

RESPONSIBILITY:

Contract Accounting Section

- Obligate and liquidate funds within the required timeframes.

POLICY:

The Nation is responsible for complying with the requirement of the Single Audit Act, specifically the period of performance. The Nation must comply with the obligation and liquidation period specified in the individual award letter. The Nation must not obligate or liquidate any funds after the award period so as to comply with the period of performance.



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	Contracts/Grant Standard Close Out	POLICY:	X
		PROCEDURES:	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 501; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

PURPOSE:

To establish policies and procedures regarding the closeout of external contract funds.

RESPONSIBILITY:

Contract Accounting Section

- Perform timely closeout procedures for contract funds.

POLICY:

Pursuant to the Terms and Conditions of the award letter, and in accordance with Generally Accepted Accounting Principles (GAAP), it is incumbent upon the programs, departments, and divisions to ensure a proper, complete, accurate, and timely closeout of all program activities and related financial transactions, so the OOC can expedite its final financial report. The OOC (Contract Accounting Section) will receive complete cooperation and assistance from all pertinent staff members to make a concerted effort to meet the reporting requirement of the Funding Agency within the specified time allowed.



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DESCRIPTION:	Contract Accounting	INDEX:	
	Contract/Grant Standard Cash Management	POLICY:	X
	Reports and Invoices/Drawdowns	PROCEDURES:	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 501; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

PURPOSE:

To establish policies and procedures regarding the cash management of external contract funds.

RESPONSIBILITY:

Contract Accounting Section

- Prepare all required reports in an accurate and timely manner to facilitate timely drawdown of funds.

POLICY:

The Nation is responsible for preparing SF 270, *Request for Reimbursement Reports and Invoices*, with the days specified in the signed agreement. The Nation is not able to be reimbursed until all reports required to complete this report are finalized.



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DESCRIPTION:	Contract Accounting	INDEX:	
	Contract/Grant Standard Reporting	POLICY:	X
		PROCEDURES:	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 501; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

PURPOSE:

To establish policies and procedures regarding the submittal of required financial reports

RESPONSIBILITY:

Contract Accounting Section

- Prepare all required reports in an accurate and timely manner.

POLICY:

The Nation is responsible for preparing and submitting all required reports within the timeline specified in the signed agreements.



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DESCRIPTION:	Contract Accounting	INDEX:	
	Monthly Journal Entries	POLICY:	X
		PROCEDURES:	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 501; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

PURPOSE:

To establish policies and procedures regarding the monthly closing procedures.

RESPONSIBILITY:

Contract Accounting Section

- Timely and accurate monthly closeout procedures.

POLICY:

The Nation is responsible for ensuring all Grant Fund companies are closed out each month. To accomplish this, the Nation will post a series of journal entries to accurately and completely close all accounts. This Nation will utilize checklists and tracking sheets to ensure this process is completed in an orderly fashion.



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DESCRIPTION:	Contract Accounting	INDEX:	
	Fiscal Year End Journal Entries	POLICY:	X
		PROCEDURES:	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 501; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

PURPOSE:

To establish policies and procedures regarding fiscal year end procedures.

RESPONSIBILITY:

Contract Accounting Section

- Timely and accurate yearly closeout procedures.
- Coordinate with the General Accounting to prepare and post year-end accrual entries.

General Accounting Section

- Run accrual automation at the end of every week in October until the last payroll for the month of September is posted.

POLICY:

The Nation is responsible for ensuring all Grant Fund companies are closed out at the end of the fiscal year. To accomplish this, the Nation will post a series of journal entries to accurately and completely close all accounts. This Nation will utilize checklists and tracking sheets to ensure this process is completed in an orderly fashion.



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	Post Edit Code "P" Close Out Process	POLICY:	X
		PROCEDURES:	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 501; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

PURPOSE:

To establish policies and procedures regarding the post edit code (PEC) process.

RESPONSIBILITY:

Contract Accounting Section

- Timely and accurate monitoring of all FMIS PEC activity.

POLICY:

The Nation is responsible for utilizing the PEC process to halt transactions/expenditures in the FMIS when the grant has expired or when no additional transactions should be posted to a particular grant/account. The Nation is responsible for monitoring the status of all PECs placed in the FMIS.



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DESCRIPTION:	Contract Accounting	INDEX:	
	Disallowed Cost	POLICY:	X
		PROCEDURES:	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 501; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

PURPOSE:

To establish policies and procedures regarding disallowed cost.

RESPONSIBILITY:

Contract Accounting Section

- Monitoring of all disallowed costs and preparing journal entries to charge to the General Fund, if necessary.

POLICY:

Based on audit(s) performed by external auditors, the Nation's Auditor General, or Funding Agency Review(s), the Nation is required to charge any disallowed cost to the Nation's General Fund. The disallowed expenditures could be for the current fiscal year or prior fiscal years. When it is determined that there is no further resolution in clearing the disallowed cost, the Nation will record the charge.



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DESCRIPTION:	Contract Accounting	INDEX:	
	Unearned Revenue Analysis	POLICY:	X
		PROCEDURES:	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201 *et seq.*; 12 N.N.C. § 50; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

PURPOSE:

To establish procedures regarding the regular analysis of unearned revenue accounts.

RESPONSIBILITY:

Contract Accounting Section

- Reconciling unearned revenue on a monthly basis and preparing journal entries when necessary.

POLICY:

The Nation is responsible for monitoring unearned revenue and reconciling the balance to cash, on a company by company and Catalog of Federal Domestic Assistance (CFDA) basis. This process is performed on a monthly basis. The Nation's policy is for unearned revenue to equal cash, except for companies with payable or accrued expense balances. In which case, unearned revenue will be lower than cash by the payable or accrued expense balance.



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DESCRIPTION:	Contract Accounting	INDEX:	
	Accruals	POLICY:	X
		PROCEDURES:	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq.*, 12 N.N.C. § 501.

PURPOSE:

To establish policies and procedures regarding the recording of the payroll expense accrual.

RESPONSIBILITY:

Contract Accounting Section

- Preparing and recording the payroll and non-payroll expense accrual.

POLICY:

The Nation is responsible for recording the payroll and non-payroll expense accrual for the Grant Fund monthly.



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DESCRIPTION:	Contract Accounting	INDEX:	
	Audit Adjusting Journal Entries (AJEs)	POLICY:	X
		PROCEDURES:	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq.*, 12 N.N.C. § 501.

PURPOSE:

To establish policies and procedures regarding the recording of audit AJEs.

RESPONSIBILITY:

Contract Accounting Section

- Accurate and timely posting of all audit AJEs.

POLICY:

The Nation is responsible for recording all AJEs identified during the preparation for the external audit and those from the external auditors that affect Grant Funds. The Nation must identify the appropriate business unit (K Account), Nation Sales Tax (if any), and offsetting accounts to ensure the entry balances and does not leave any net activity in the income statement.



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DESCRIPTION:	Contract Accounting	INDEX:	
	Schedule of Expenditures of Federal Awards	POLICY:	X
		PROCEDURES:	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 501; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

PURPOSE:

To establish policies and procedures regarding the annual preparation of the Schedule of Expenditures of Federal Awards (SEFA).

RESPONSIBILITY:

Contract Accounting Section

- Accurate and timely preparation of the SEFA.

POLICY:

The Nation is responsible for preparing the SEFA and related footnotes. This process must include all adjustments necessary to present the SEFA in accordance with the OMB Super Circular (e.g., allocation of indirect cost and recording of commodity expense).



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DESCRIPTION:	Contract Accounting	INDEX:	
	U.S. Treasury Offset Program	POLICY:	X
		PROCEDURES:	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq.*; 12 N.N.C. § 501, *et seq.*

PURPOSE:

To establish policies and procedures for the U.S. Treasury Offset Program (TOP).

RESPONSIBILITY:

Contract Accounting Section

- Timely monitoring, communication, and if necessary, reconciliation of TOP notices.

POLICY:

The Nation is responsible for monitoring the dedicated mailbox for any TOP notices and communicating the notices to the Nation's Employee Benefits Program for any notices originating from the Center for Medicare and Medicaid Services. Any notices from any other Federal Agency must be investigated and reconciled immediately.



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DESCRIPTION:	Contract Accounting	INDEX:	
	Indirect Costs (IDC)	POLICY:	X
		PROCEDURES:	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq.*, 12 N.N.C. § 501; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

PURPOSE:

To establish policies and procedures regarding the recording of IDC entries.

RESPONSIBILITY:

Contract Accounting Section

- Timely and accurate preparation of IDC monthly journal entries.

POLICY:

Contract Accounting is responsible for preparing monthly and annual closeout entries for IDC. The entries are based on monthly expenditures and the applicable IDC rate in place at the time. Adjustment to entries at year-end may be necessary when applicable IDC rate changes during the fiscal year. All approved expenses must be cleared out on an annual basis. Business units ready to be closed with remaining unapproved IDC must be reconciled immediately.

All external restricted fund agreements shall include a provision for recovery of IDC at the current negotiated and approved IDC rate.

The use of a lower IDC rate than the most current approved rate requires a waiver by the Naa'bik'iyakti; Committee pursuant to 2 N.N.C. §701(A)(10).

If a funding agency has a statutory cap on administrative costs, all indirect cost shall be budgeted and expensed to the administrative cost business unit(s) so as not to exceed the administrative cost ceiling.



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	Commitment Processing	POLICY:	X
		PROCEDURES:	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq.*, 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

PURPOSE:

To establish policies and procedures for encumbrance processing.

RESPONSIBILITY:

Contract Accounting Section

- Committing all expenditures into the FMIS.

POLICY:

All expenditures are required to be committed prior to being incurred. This policy is to be used by all commitment sections regardless of the funding source. All expenditures are required to be committed for the following reasons:

- To ensure that the expenditures are in compliance with the budget, program goals, and objectives.
- If using contract funds, expenditures are reasonable, necessary, and allowable, according to 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
- To verify signature approval authority on all documents.
- To ensure funds availability for anticipated expenditures.
- To commit funds from the appropriate budgeted line item(s) for the anticipated expenditures.

In the FMIS, commitments are entered to set aside funds for anticipated expenditures. Contract Accounting is responsible for external projects/programs and employment and training programs.



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	Prepaid Expenses	POLICY:	X
		PROCEDURES:	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq.*, 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

PURPOSE:

To establish policies and procedures for recording prepaid expenses in FMIS.

RESPONSIBILITY:

Contract Accounting Section

- Coordinate with the AP Section to record prepaid expenditures into the FMIS.

AP Section

- Process payments to prepaid object codes as considered necessary.

POLICY:

For Nation purposes, a prepaid expense is a current fiscal year payment for goods or services which are to be received in the next fiscal year(s). Such amounts classified as prepaid expense items are not reflected in the expenses for the current fiscal year, but they are expensed to a subsequent fiscal year. Examples of prepaid expenses are: 1) advance travel payments trips to be taken on or after October 1; 2) advance payment for subscription or membership fees that begin in the next fiscal year(s); 3) advance payment for maintenance fees or contracts and software licenses with term date beginning in the next fiscal year.



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	Fist in First Out (FIFO)	POLICY:	X
		PROCEDURES:	
		EFFECTIVE DATE:	

LEGAL AUTHORIZATION: 12 N.N.C. § 201, *et seq.*; 25 USC 4501 (c)(b)(9)

PURPOSE: To establish guidelines for the order and timing of the disbursement of certain grant funds.

RESPONSIBILITY:

Contract Accounting Section

- The OOC is responsible for reporting all unutilized funds to the Bureau of Indian Affairs (BIA) and Bureau of Indian Education (BIE) on an annual basis.

Nation Programs

- The program is responsible for utilizing the oldest available grant funds when making disbursements.

POLICY:

On occasion, the Nation does not utilize all budgeted grant funds. Per Federal guidelines (25 USC 4501 (c)(b)(9)), advanced funded grant monies are available until expended. In other words, these unused funds are not “reverted” back to the Federal government. They are the Nation’s to be used in accordance with the grant agreement.

Despite not utilizing certain funds, the Nation will normally receive a new round of funding for an upcoming grant period. It is the policy of the OOC to use the oldest available budget period funds to pay for grant expenditures. Once the oldest available grant period is fully utilized, the OOC will perform the necessary steps to close the grant.

The OOC prepares an internal quarterly report of actual expenditures versus expected expenditures based on budget. For example, for the second quarter ended March 31st, the OOC expects six months or one half of budgeted expenditures to have been made or accrued. Therefore, one half of the budget is compared to actual expenditures in the Financial Management Information System (FMIS) for the applicable business units. Instances where actual is less than expectation by more than five percent is reported to the applicable oversight committee.

Programs are prohibited from “saving” grant monies for future periods, as programs should abide by tribal funding plans approved by the federal funding agency.

The Nation is responsible for preparing an annual SF-425 report to document the level of unutilized grant funds. The final SF-425 report is due to the BIA/BIE on or before 90 days after expiration of the award. For awards requiring a matching contribution, an annual SF-425 is required and due to the BIA/BIE no later than 45 days following the end of the budget or reporting period. Specifically, the Nation should follow the terms and conditions stated in the award agreement.