

# **LEECH LAKE TRIBAL COLLEGE**



## **Finance & Financial Policies and Procedures Manual**

## **Effective Date(s) of Finance Policies**

The effective date of all finance policies described in this manual is July 1, 2018. If a policy is added or modified subsequent to this date, the effective date of the revised policy will be indicated parenthetically immediately following the policy heading.

***Editor's Note: After this policies manual is implemented, it is likely that individual policies will subsequently be modified or added on a policy-by-policy basis. For audit and documentation purposes, it is essential to keep a record of effective dates of specific policies. As an alternative to the preceding policy of noting effective dates parenthetically, users may wish to include a header above each policy that includes the following information:***

***Effective Date of Policy:*** 07-13-18

***Date Last Amended:*** \_\_\_\_\_

***Date of Next Review (if policy requires periodic review):*** \_\_\_\_\_

***Superseded policy statements should be retained for future reference in connection with any audits or investigations (likely for a period of 5 to 7 years).***

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## 7000 INTRODUCTION

The following finance manual is intended to provide an overview of the finance policies and procedures for Leech Lake Tribal College, which shall be referred to as “Leech Lake Tribal College” or “the College” throughout this manual.

**Leech Lake Tribal College** is incorporated in the state of Minnesota. Leech Lake Tribal College is exempt from federal income taxes under IRC Section 501(c)(3) as a nonprofit corporation. Leech Lake Tribal College’s tax-exempt mission is to provide quality higher education grounded in Anishinaabe values.

This manual shall document the financial operations of the College. Its primary purpose is to formalize finance policies and selected procedures for all employees who have a role in finance processes and to document internal controls.

If a particular grant or award has provisions that are more restrictive than those in this manual, the more restrictive provisions will be followed only for that grant or award.

The contents of this manual were approved as official policy of the College by the Board of Trustees, President, and the Director of Finance. All Leech Lake Tribal College employees are bound by the policies herein, and any deviation from established policy is prohibited.

<p><b><u>Editor’s Note:</u> The Board of Trustees should approve this manual and all updates to it. Best practice is to present updates quarterly to the Finance Committee, and annually to the full board for its approval.</b></p>
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# **GENERAL POLICIES**

## **7010 COLLEGEAL STRUCTURE**

### **.01 Finance Committee Responsibilities**

The Finance Committee is responsible for direction and oversight regarding the overall financial management of Leech Lake Tribal College. Functions of the Finance Committee include:

1. Review and recommendation of the College's annual budget (prepared by the staff) for final approval by the full board.
2. Long-term financial planning.
3. Establishment of investment policy and monitoring investment performance.
4. Evaluation and approval of facilities decisions (i.e., leasing, purchasing property).
5. Monitoring of actual vs. budgeted financial performance.
6. Oversight of reserve funds.
7. Review of financial procedures.

The review of the College's financial statements shall not be limited to the Finance Committee, but shall involve the entire Board of Trustees.

The Finance Committee recommends an independent CPA firm to the full board for its approval. The Finance Committee communicates directly with the CPA firm for an annual audit, as described in the College's bylaws. The full board shall review and approve the final audited financial statements and any other communications received from the auditor regarding internal controls, illegal acts, or fraud.

The Finance Committee also serves as the primary point of contact for any employee who suspects that fraud has been committed against the College or by one of its employees or board members.

The Finance Committee's role in the annual audit is more fully explained in the section of this manual covering the annual audit.

# **7020 FINANCE DEPARTMENT OVERVIEW**

## **.01 College Structure**

The finance department consists of staff members who manage and process financial information for Leech Lake Tribal College. The following positions comprise the finance department:

- Director of Finance
- Grant Administrator/Senior Accountant
- Accountant I
- Accounts Payable Clerk
- Print Shop Specialist
- Accounts Receivable Clerk

Other officers and employees of Leech Lake Tribal College who have financial responsibilities are as follows:

- President
- Department Directors, Deans, and Principle Investigators
- Finance Committee – Board level
- Board of Trustees

## **.02 Department Responsibilities**

The primary responsibilities of the finance department consist of:

- General ledger
- Budgeting with input from the Budget committee (President, department directors and Principle Investigators)
- Cash and investment management
- Asset management
- Grants and contracts administration
- Purchasing
- Accounts receivable and billing
- Cash receipts
- Accounts payable
- Cash disbursements
- Payroll
- Financial statement processing
- External reporting of financial information
- Bank reconciliation
- Reconciliation of subsidiary ledgers
- Compliance with government reporting requirements
- Annual audit
- Leases
- Insurance

- Travel Management
- Print Shop Activities
- Bookstore Activities
- Financial Aid

### **.03 Standards for Financial Management Systems**

In accordance with 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Leech Lake Tribal College maintains a financial management system that provides for the following. Specific procedures to carry out these standards are detailed in the appropriate sections of this manual.

1. Identification, in all its accounts, of all Federal awards received and expended and the Federal programs under which they were received.
2. Accurate, current, and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements of 2 CFR Parts 200.327, Financial Reporting, and 200.328, Monitoring and Reporting Program Performance, and/or the award.
3. Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest and be fully supported by source documentation.
4. Effective control over and accountability for all funds, property, and other assets. Leech Lake Tribal College must adequately safeguard all such assets and ensure they are used solely for authorized purposes.
5. Comparison of outlays with budget amounts for each award.
6. Information that relates financial data to performance accomplishments and demonstrates cost effective practices as required by funding sources. (*2 CFR Part 301, Performance Measurement*)
7. Written procedures to minimize the time elapsing between the transfer of funds and disbursement by Leech Lake Tribal College. Advance payments must be limited to the minimum amount needed and be timed to be in accordance with actual, immediate cash requirements. *2 CFR Part 200.305 Payment*
8. Written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the 2 CFR Part 200 Subpart E, Cost Principles, and the terms and conditions of the award.

## **7030 SECURITY**

### **.01 Finance Department**

A lock will be maintained on the door leading into the Leech Lake Tribal College Finance Department. This door shall be closed and locked in the evenings and whenever the Finance Department is vacant. The key/fob to this lock will be provided to finance personnel, the President, and other personnel as approved by the President.

Leech Lake Tribal College's blank check stock shall be stored in a fireproof safe in a storage closet. This storage closet will be locked with access only by the President and Finance personnel as determined appropriate by the Director of Finance. Access to the fireproof safe shall be by keys and code in the possession of the Director of Finance and Senior Accountant.

Petty cash is stored in a drawer locked with a key. The Petty Cash Officer and the Director of Finance will be the only employees with keys to the petty cash drawer.

### **.02 Access to Electronically Stored Finance Data**

Leech Lake Tribal College utilizes passwords to restrict access to finance software and data. Only authorized finance personnel with data input responsibilities will be assigned passwords that allow access to the system. Information technology staff members are restricted from accessing finance software. Director of Finance will be in charge of assigning accounting software responsibilities.

Finance personnel are expected to keep their passwords secret and to change their passwords on a regular basis, no less frequently than every [60] days. Administration of passwords shall be performed by a responsible individual independent of programming functions.

Each password enables a user to gain access to only those software and data files necessary for each employee's required duties. On an annual basis, the Director of Finance performs a review of finance software users to ensure they have the appropriate access levels. Unnecessary access will be rescinded.

### **.03 Storage of Sensitive Data**

Personally identifiable information (PII) Definition: Information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked to a specific individual. Some information that is considered to be PII is available in public sources such as telephone books, public websites, and university listings (2 CFR Part 200.79).

Protected personally identifiable information (PPII) Definition: An individual's first name or first initial and last name in combination with any one or more of types of information including, but not limited to, social security number, passport number, credit card numbers, clearances, bank numbers, biometrics, date and place of birth, mother's maiden name, criminal, medical and financial records, and educational transcripts. Recipients are required to take as much reasonable effort as possible to limit access to PPII (2 CFR Part 200.303(e)).

In addition to finance and financial data stored in the Finance Department, other sensitive data, including protected personally identifiable information (PPII) such as social security numbers of employees and/or student information may be stored in areas other than the Finance Department. Locations of sensitive data include, but are not limited to:

1. Human Resource Office
2. Student Services Department
3. Financial Aid Department
4. Electronic or on-line storage

The College's policy is to minimize the storage of sensitive data outside the Finance Department by shredding documents with such data or deleting the sensitive data from documents that are stored outside the Finance Department as soon as possible. Please see the College's technology policies for standards for electronic and on-line storage.

#### **.04 Destruction of Consumer Information**

As stated earlier, all sensitive data must be securely stored and shredded when no longer needed. Leech Lake Tribal College will also shred all consumer information obtained by the College for any reason. Shredding will be performed on a schedule determined by each department that possesses such data, and the schedule shall be made a part of the Record Retention policy (see the "Fiscal Management" policies section of this manual).

## **7040 GENERAL LEDGER AND CHART OF ACCOUNTS**

The general ledger is the collection of all asset, liability, net assets, revenue, and expense accounts. It is used to accumulate all financial transactions and is supported by subsidiary ledgers that provide details for certain accounts. The general ledger is the foundation for the accumulation of data and production of reports.

### **.01 Chart of Accounts Overview**

The chart of accounts is the framework for the general ledger system and the basis for the finance system. The chart of accounts consists of account titles and account numbers assigned to the titles. General ledger accounts are used to accumulate transactions and the impact of these transactions on each asset, liability, net asset, revenue, expense, and gain and loss account.

Leech Lake Tribal College's chart of accounts is comprised of six segments:

1. Fund—2 Digits
2. Grant Number—6 digits
3. General Ledger Account Number : Assets, Liabilities, Net Assets, Revenues, Expenses, Other Income and Expense—4 Digits
4. Department Number—3 Digits
5. Function—2 Digits
6. Restriction—2 Digits

### **.02 Distribution of Chart of Accounts**

All Leech Lake Tribal College employees involved with account coding or budgetary responsibilities will be issued a current chart of accounts, or the section of the chart of accounts applicable to their program. As the chart of accounts is revised, an updated copy of the chart of accounts shall be promptly distributed to these individuals.

### **.03 Control of Chart of Accounts**

The Director of Finance or Senior Accountant monitor and control the chart of accounts, including all account maintenance, such as additions and deletions. Any additions or deletions of accounts must be approved by the Director of Finance or Senior Accountant, who ensures that the chart of accounts is consistent with the structure of Leech Lake Tribal College and meets the needs of each division and department.

### **.04 Fiscal Year of College**

Leech Lake Tribal College shall operate on a fiscal year that begins on July 1st and ends on June 30th. Any changes to the fiscal year of the College must be ratified by majority vote of Leech Lake Tribal College's Board of Trustees.

## **.05 Finance Estimates**

Leech Lake Tribal College utilizes numerous estimates in the preparation of its interim and annual financial statements. Those estimates may include:

1. Useful lives of property and equipment
2. Fair market values of investments
3. Fair market values of donated assets
4. Values of contributed services
5. Cost allocation calculations

The Director of Finance will reassess, review, and approve all estimates annually. All conclusions, bases, and other elements associated with each finance estimate shall be documented in writing. All material estimates, and changes in estimates from one year to the next, shall be disclosed to the Finance Committee, the Finance Committee, and the external audit firm.

## **.06 Journal Entries**

All general ledger entries that do not originate from a subsidiary ledger shall be supported by journal vouchers or other documentation, including an explanation of each such entry. Examples of such journal entries are:

1. Recording of noncash transactions, including depreciation and amortization
2. Recording of deferred revenue
3. Corrections of posting errors
4. Nonrecurring accruals of income and expenses

Recurring journal entries shall be supported by a schedule associated with the underlying asset or liability account or, in the case of short-term recurring journal entries or immaterial items, a journal voucher.

All journal entries shall be authorized in writing by either the Director of Finance or Grant Administrator/Senior Accountant by initialing or signing the entries.

# POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

## 7050 REVENUE

### .01 Revenue Recognition Policies

Leech Lake Tribal College receives revenue from several types of transactions. Revenue from each of these types of transactions is recognized in the financial statements in the following manner:

1. **Grant income** – Monthly accrual based on incurrence of allowable costs (for cost-reimbursement awards) or based on other terms of the award (for fixed price, unit-of-service, and other types of awards).
2. **Fee-for-Service Income** – Recognized as income when services are rendered unless collection of amounts due is in question. In this case, revenue is recognized when payments are received.
3. **Nongovernmental Cash Contributions** – Recognized as income when received, unless accompanied by restrictions or conditions. (See the next section on contribution income.)
4. **In-Kind Contributions or Non-Federal Share** – Recognized as income when received. (See the following section titled “Cost Sharing and Matching.”)
5. **Program Income** – Defined as gross income generated by a supported activity or earned as a result of an award, and is recognized as a reduction in expenditures in the period in which it is received.
6. **Interest income** – monthly accrual based on when it was earned.
7. **LLBO Director Funding** – Funds requested of the Leech Lake Band to fill a budgetary need. Upon approval from LLBO, invoices will be generated and entered as a receivable in LLTC Accounting system

Immaterial categories of revenue may be recorded on the cash basis of finance (i.e., recorded as revenue when received) as deemed appropriate by the Director of Finance.

### .02 Definitions

The following definitions shall apply with respect to the policies described in this manual:

**Contribution** – An unconditional transfer of cash or other assets to the College, or a settlement or cancellation of the College’s liabilities, in a voluntary nonreciprocal transfer by another entity or individual.

**Condition** – A donor-imposed stipulation that specifies a future and uncertain event whose occurrence or failure to occur gives the promisor a right of return of the assets it has transferred to the College or releases the promisor from its obligation to transfer its assets. In practical terms, this means a donor has imposed some type of stipulation other than a purpose or time period stipulation (which is defined as a restriction below) and that condition has some degree of uncertainty as to whether or not it will occur,

and if the condition is not met, the College is not entitled to the contribution. Conditions may or may not be within the control of the College.

**Restriction** – A donor-imposed stipulation that specifies a use for the contributed asset that is either limited to a specific future time period or is more specific than the broad limits resulting from the nature of the College, the environment in which it operates, and the purposes specified in the Articles of Incorporation and Bylaws. Restrictions on the use of an asset may be temporary or permanent.

**Nonreciprocal Transfer** – A transaction in which an individual or entity incurs a liability or transfers assets to Leech Lake Tribal College without directly receiving value in exchange.

**Promise to Give** – A written or oral agreement to contribute cash or other assets.

**Exchange Transaction** – A reciprocal transaction in which Leech Lake Tribal College and another entity each receive and sacrifice something of approximately equal value.

# 7060 ADMINISTRATION OF FEDERAL AWARDS

## .01 Definitions

Leech Lake Tribal College may receive financial assistance from a donor/grantor agency through the following types of agreements:

**Grant:** A financial assistance award given to the College to carry out its programmatic purpose.

**Cooperative Agreement:** A legal agreement where the College implements a program with the direct involvement of the funder.

Throughout this manual, federal assistance received in any of these forms will be referred to as a federal “award.”

## .02 Preparation and Review of Proposals

Individual departments are responsible for preparing proposals for projects that the department would like to pursue. Any individual that does not follow the proposal process is subject to the disciplinary process. The process is as follows:

1. Meet with the Grants Administrator/Senior Accountant to review the proposal to determine if the proposal should be presented to the Grant Committee. The College may refuse to consider certain grants based on the cost of administering the award in relation to the value received. This decision will be proposed by the Senior Accountant and approved by the Director of Finance.
2. If the Grants Administrator/Senior Accountant preliminarily approves the proposal, the individual/department will be put on the agenda of the next Grant Committee meeting for the individual/department to present the proposal to the Grant Committee for approval.
3. Grant applications must be approved by the Grant Review Committee prior to the application being submitted.
4. Grant applications less than \$5,000 may be approved by the Grant Administrator/Senior Accountant or Director of Finance.
5. Grant applications less than \$300,000 may be approved by the Grant Review Committee and the President.
6. Grant applications greater than \$300,000 shall be approved by the Board of Trustees.
7. All final proposals shall be reviewed and approved by the Grants Administrator/Senior Accountant prior to submission to government agencies or other funding sources to ensure the proposed budget includes all appropriate costs.
8. All grant awards will be presented to the Board of Trustees for acceptance.

Proposal costs of the current finance period of both successful and unsuccessful bids and proposals should be treated as indirect costs and allocated amongst all activities. 2 CFR Part 200.460.

### **.03 Post-Award Procedures**

After an award has been made, the following steps shall be taken:

1. Verify the specifications of the grant or contract. The Senior Accountant shall review the terms, time periods, award amounts, and expected expenditures associated with the award. A *Catalog of Federal Domestic Assistance* (CFDA) number shall be determined for each award and all reporting requirements under the contract or award shall be summarized.
2. Create new general ledger account numbers (or segments). New accounts shall be established for the receipt and expenditure categories in line with the grant or contract budget.
3. Gather documentation. See the following section, "Document Administration", for details.

### **.04 Compliance with Laws, Regulations, and Provisions of Awards**

Leech Lake Tribal College recognizes that as a recipient of federal funds, the College is responsible for compliance with all applicable laws, regulations, and provisions of contracts and grants. To ensure that the College meets this responsibility, the following policies apply with respect to every grant or contract received directly or indirectly from a federal agency:

1. For each federal award, an employee within the department responsible for administering the award will be designated as "project investigator."
2. Each project investigator shall attend a training on grant management prior to beginning his or her role as a project investigator (or as early in their functioning as a project investigator as practical). Thereafter, all project investigators shall attend refresher/update courses on grant management every two years. This training may be internal or external as determined by the Finance Department.
3. The project investigator shall take the following steps to identify all applicable laws, regulations, and provisions of each grant and contract:
  - a. Read each award and prepare a summary of key compliance requirements and references to specific laws and regulations.
  - b. Review *2 CFR Part 200 Appendix XI, Compliance Supplement* (updated annually) published by the Office of Management and Budget (OMB) for compliance requirements unique to the award and for compliance requirements common to all federal awards.
  - c. Review the section of the *Catalog of Federal Domestic Assistance* (CFDA) applicable to the award.
  - d. The project investigator will communicate grant requirements to those who will be responsible for carrying them out, or impacted by them.
4. The Grants Administrator/Senior Accountant shall forward copies of applicable laws regulations to the project investigator (such as OMB Circulars, pertinent sections of compliance supplements, and other regulations).

5. The project investigator and/or the Grants Administrator/Senior Accountant shall identify and communicate any special changes in policies and procedures necessitated by federal awards as a result of the review of each award.
6. The project investigator shall take all reasonable steps necessary to identify applicable changes in laws, regulations, and provisions of contracts and grants. Steps taken in this regard shall include, but not be limited to, reviewing subsequent grant and contract renewals, reviewing annual revisions to 2 CFR Part 200 Appendix XI, *Compliance Supplement*, and communications with federal awarding agency personnel.
7. The Grants/Administrator/Senior Accountant shall inform the independent auditors of applicable laws, regulations, and provisions of contracts and grants. The project investigator and Senior Accountant shall communicate known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors and Senior Accountant.

## **.05 Document Administration**

For each grant/award received by Leech Lake Tribal College from a federal, state, or local government agency, a master file of documents applicable to the award shall be prepared and maintained. The Grants Administrator/Senior Accountant is responsible for assembling each master file.

The master file assembled for each government award shall include all of the following documents (including originals of all documents received from the awarding agency):

1. Copy of the initial application for the award and corresponding budget
2. All correspondence to and from the awarding agency post-application, leading up to the award
3. The final, approved budget and program plan, after making any modifications
4. The grant agreement and any other documents associated with the initial making of the award
5. Copies of pertinent laws and regulations, including awarding agency guidelines, associated with the award
6. Subsequent grant modifications (financial and programmatic)
7. Copies of program and financial reports
8. Subsequent correspondence to/from the awarding agency
9. Results of any monitoring visits conducted by the awarding agency, including resolution by Leech Lake Tribal College of any findings arising from such visits
10. Correspondence and other documents resulting from the closeout process of the award

The preceding grant document file shall be organized into four sections as follows:

1. Pre-award documents
2. Post-award documents, including reports
3. Laws, regulations, and agency guidelines
4. Audit/monitoring-related documents

On the inside front cover of the grant document file shall be a Summary of Critical Award Provisions, prepared by the principle investigator/Senior Accountant. This summary shall include, at a minimum, the following:

1. Key compliance requirements, including citations of applicable laws and regulations
2. Important deadlines
3. Correspondence contact information at the awarding agency

The original grant document file shall remain in the Finance Department in the locked office of the Grants Administrator/Senior Accountant. Any Leech Lake Tribal College employee making a valid request for access to grant documents shall be provided with the file of copied documents and shall be asked to sign this file out of the Grant Administrator/Senior Accountant's office.

## **.06 Closeout of Federal Awards**

Leech Lake Tribal College shall follow the closeout procedures described in 2 CFR 200.343 – 345, Closeout, and in the grant agreements as specified by the granting agency.

**CLOSEOUT § 200.343 Closeout.** The Federal agency or pass-through entity will close-out the Federal award when it determines that all applicable administrative actions and all required work of the Federal award have been completed by the non-Federal entity. This section specifies the actions the non-Federal entity and Federal awarding agency or pass-through entity must take to complete this process at the end of the period of performance. (a) The non-Federal entity must submit, no later than 90 calendar days after the end date of the period of performance, all financial, performance, and other reports as required by or the terms and conditions of the Federal award. The Federal awarding agency or pass-through entity may approve extensions when requested by the non-Federal entity. (b) Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award. (c) The Federal awarding agency or pass-through entity must make prompt payments to the non-Federal entity for allowable reimbursable costs under the Federal award being closed out. (d) The non-Federal entity must promptly refund any balances of unobligated cash that the Federal awarding agency or pass-through entity paid in advance or paid and that is not authorized to be retained by the non-Federal entity for use in other projects. See OMB Circular A-129 and see §200.345 Collection of amounts due for requirements regarding unreturned amounts that become delinquent debts. (e) Consistent with the terms and conditions of the Federal award, the Federal awarding agency or passthrough entity must make a settlement for any upward or downward adjustments to the Federal share of costs after closeout reports are received. (f) The non-Federal entity must account for any real and personal property acquired with Federal funds or received from the Federal government in accordance with §§200.310 Insurance coverage through 200.316 Property trust relationship and 200.329 Reporting on real property. (g) The Federal awarding agency or pass-through entity should complete all closeout actions for Federal awards no later than one year after receipt and acceptance of all required final reports.

**POST-CLOSEOUT ADJUSTMENTS AND CONTINUING RESPONSIBILITIES § 200.344** Post-closeout adjustments and continuing responsibilities. (a) The closeout of a Federal award does not affect any of the following. (1) The right of the Federal awarding agency or pass-through entity to disallow costs and recover funds on the basis of a later audit or other review. The Federal awarding agency or passthrough entity must make any cost disallowance determination and notify the non-Federal entity within the record retention period. (2) The obligation of the non-Federal entity to return any funds due as a result of later refunds, corrections, or other transactions including final indirect cost rate adjustments. (3) Audit requirements in Subpart F—Audit Requirements of this part. (4) Property management and disposition requirements in Subpart D— Post Federal Award Requirements of this part, §§200.310 Insurance

Coverage through 200.316 Property trust relationship. (5) Records retention as required in Subpart D—Post Federal Award Requirements of this part, §§200.333 Retention requirements for records through 200.337 Restrictions on public access to records. (b) After closeout of the Federal award, a relationship created under the Federal award may be modified or ended in whole or in part with the consent of the Federal awarding agency or pass-through entity and the non-Federal entity, provided the responsibilities of the non-Federal entity referred to in paragraph (a) of this section including those for property management as applicable, are considered and provisions made for continuing responsibilities of the non-Federal entity, as appropriate.

**COLLECTION OF AMOUNTS DUE § 200.345 Collection of amounts due.** (a) Any funds paid to the non-Federal entity in excess of the amount to which the non-Federal entity is finally determined to be entitled under the terms of the Federal award constitute a debt to the Federal government. If not paid within 90 calendar days after demand, the Federal awarding agency may reduce the debt by: (1) Making an administrative offset against other requests for reimbursements; (2) Withholding advance payments otherwise due to the non-Federal entity; or (3) Other action permitted by Federal statute. (b) Except where otherwise provided by statutes or regulations, the Federal awarding agency will charge interest on an overdue debt in accordance with the Federal Claims Collection Standards (31 CFR parts 900 through 999). The date from which interest is computed is not extended by litigation or the filing of any form of appeal.

Leech Lake Tribal College and all sub-recipients shall liquidate all obligations incurred under the grant or contract within 90 days of the end of the grant or contract agreement.

## **7070 COST SHARING AND MATCHING (IN-KIND)**

### **.01 Overview**

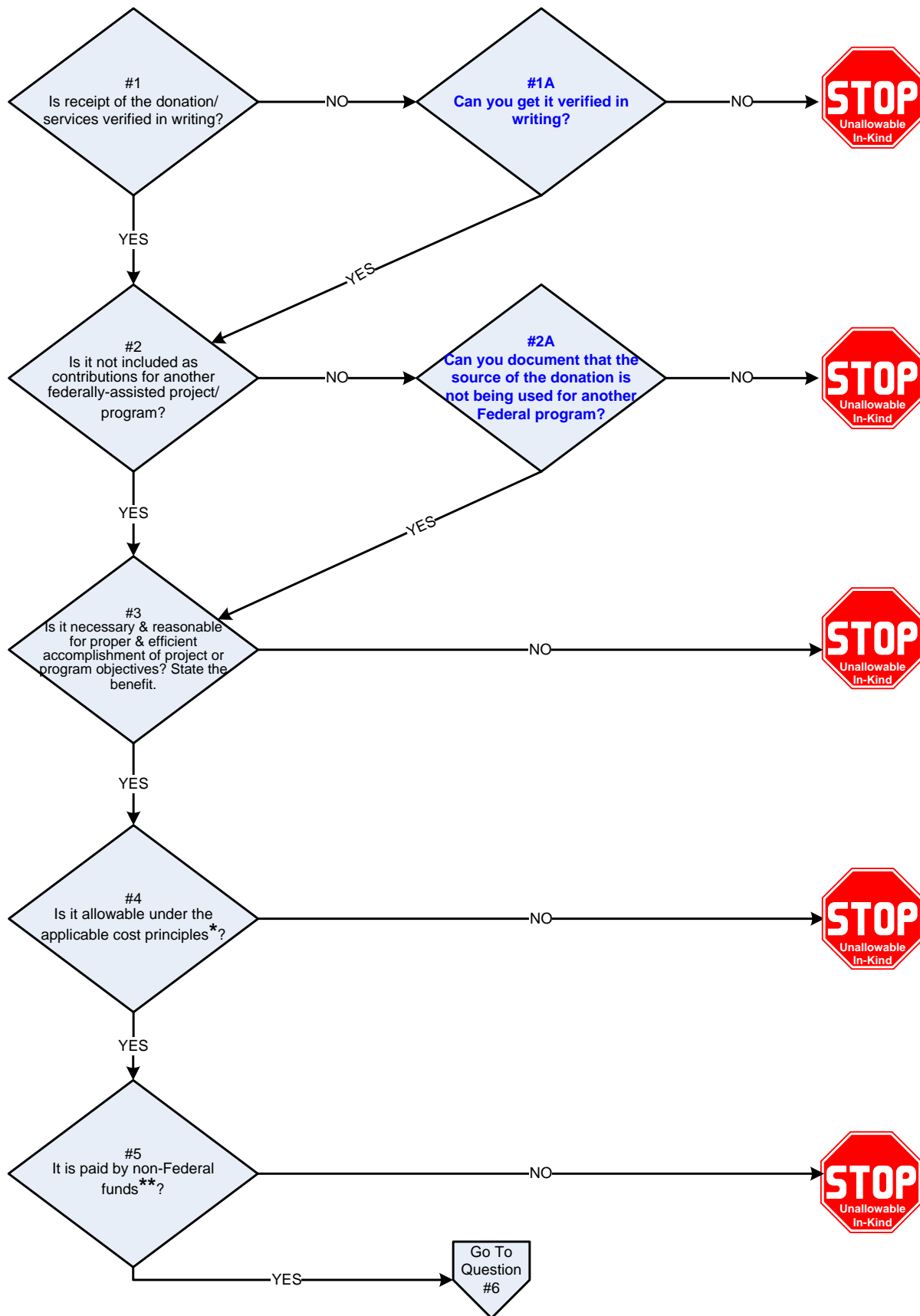
Leech Lake Tribal College values contributed services and property that are to be used to meet a cost sharing or matching requirement at their fair market values at the time of contribution, unless award documents or federal agency regulations identify specific values to be used.

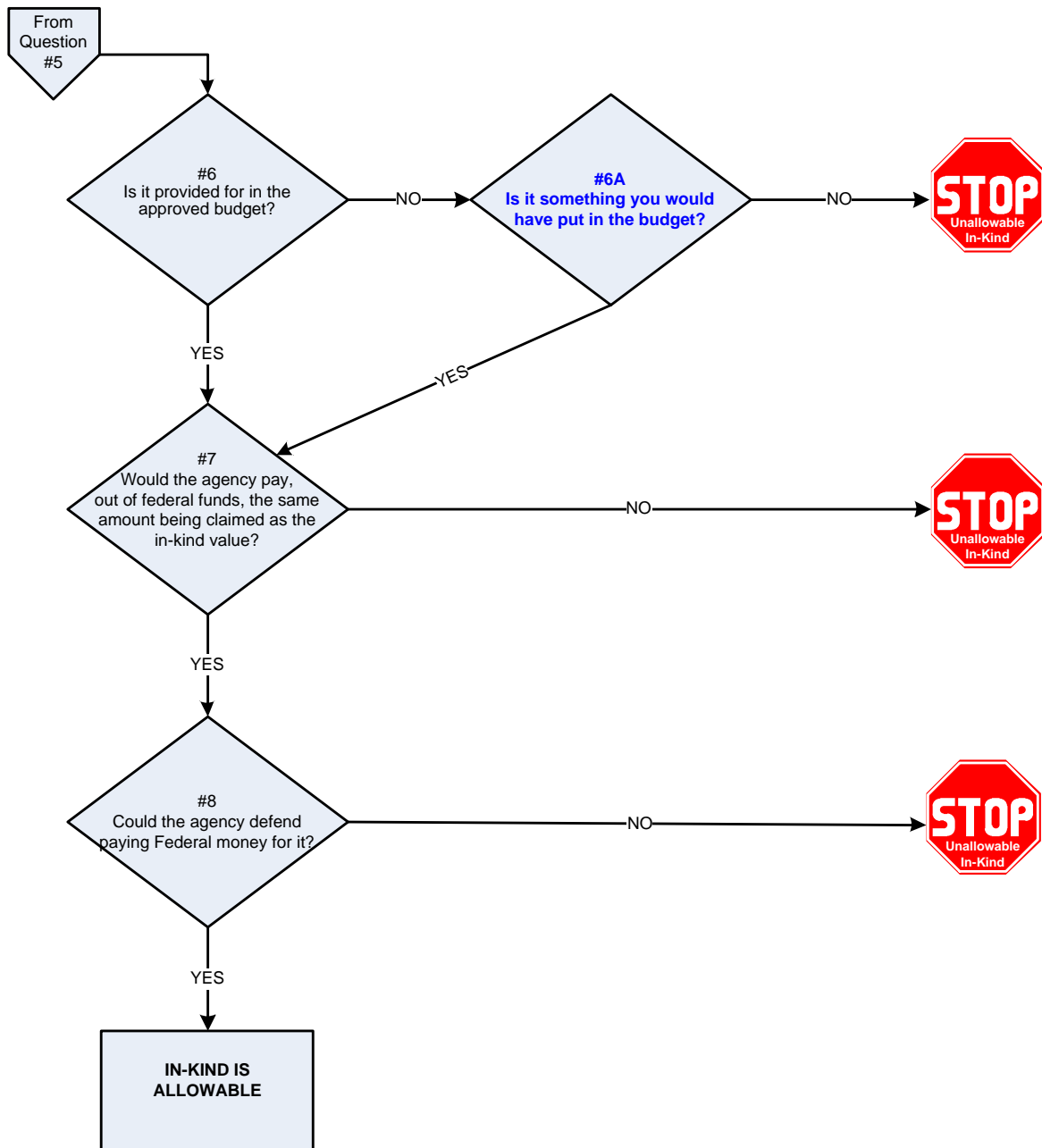
Leech Lake Tribal College shall claim contributions as meeting a cost sharing or matching requirement of a federal award only if all of the following criteria are met:

1. They are verifiable from Leech Lake Tribal College records.
2. They are not included as contributions (or match) for any other federally-assisted project or program.
3. They are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
4. They are allowable under the federal cost principles, 2 CFR Part 200 Subpart E, Cost Principles.
5. They are not paid by the federal government under another award, except where authorized by federal statute to be used for cost sharing or matching.
6. They are provided for in the approved budget when required by the federal awarding agency.
7. They conform to all provisions of federal administrative regulations, 2 CFR Part 200 Subpart D, Post Federal Awards Requirements.
8. In the case of donated space, (or donated use of space), the space is subject to an independent appraisal performed by a certified appraiser as defined by 2 CFR Part 200.306(i)(1) to establish its value. An independent appraiser is a certified real property appraiser or general services administrative representative. A real estate agent does not qualify.

The following flowchart should be used to determine the allowability of in-kind.

## .02 In-kind Allowability Flowchart





\* **2 CFR Part 200** Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

\*\* Except where authorized by Federal statute to be used for cost sharing or matching:

Determinations have been made on a case-by-case basis on whether Federal funds from other programs are allowable match for an ACF program. These determinations are based on specific requirements of ACF programs and language in applicable statutes. Specifically:

1. USDA funds are of Federal origin and, therefore, cannot be counted as match.
2. Bureau of Indian Affairs - Indian Self-Determination and Education Assistance Act (P.L. 93-638, as amended). The Act authorizes the use of funds for matching purposes as long as the identified use is specifically related to the approved grant activities.
3. Title XX Social Services Block Grant funds are considered to be Federal funds and, therefore, may not be used as match for ACF programs.
4. Expenditure of funds from the Housing and Community Development Act of 1974, P.L. 93-383 may count as allowable match for a Head Start program for renovation of a building. The determination is dependent on whether or not the Head Start grant is included as part of the "Community Development Program," as required by the Housing and Community Development Act. (Grants Administration Manual, Section 3.05.408(b)(1-4))

### **.03 Valuation and Finance Treatment**

In-kind typically falls into one of the following categories:

- Cash
- Space, buildings, land, and equipment
- Volunteer time and services
- Supplies

The following sections discuss the valuation and finance treatment for each category.

#### ***Cash***

- Leech Lake Tribal College shall recognize cash contributions as in-kind income in the period in which they are spent on allowable program costs.
- Any discounts received on goods or services are recognized as in-kind only if such discounts are **not** available to the general public. Discounts taken as in-kind must be supported by a letter from the vendor stating that it is providing this discount in support of the program.

#### ***Space, Buildings, Land, and Equipment***

##### ***Buildings and Land***

If the purpose of the contribution is to assist the College in the acquisition of equipment, building, or land, the total value of the donated property may be claimed as matching with prior approval of the awarding agency.

If the purpose of the donation is to support activities that require the use of equipment, buildings, or land, depreciation may be claimed as matching, unless the awarding agency has approved using the full value as match.

Equipment, land, or buildings are valued at their fair market value as determined by an independent appraiser or if not considered material, an individual deemed to possess reasonable knowledge of the valuation. Information on the date of donation and records from the appraisal will be maintained in a property file.

##### ***Space***

- Will be valued at the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.
- Information on the date of donation and records from the appraisal will be maintained in a property file.
- If less than an arms-length transaction, will be valued based in actual allowable costs to occupy the facility (e.g. repairs and maintenance, insurance, etc.) not to exceed fair market value.

### ***Volunteer Time and Services***

Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor will be included in in-kind if the services are an integral and necessary part of the program.

Volunteer services will be valued at rates consistent with those paid for similar work in the College. For skills not found in the College, rates will be consistent with those paid for similar work in our labor market. Rates should include gross hourly wages plus fringe benefits calculated based on fringe benefits received by employees in similar positions, or on agency average.

Volunteers must possess qualifications and perform work requiring those skills in order to be valued at greater than an unskilled labor rate.

Leech Lake Tribal College requires volunteers to document and account for their contributed time in a manner similar to the timekeeping system followed by employees. Each program that uses volunteers will provide the volunteers a sign-in sheet, which collects the following information:

- Date service was performed
- Volunteer name and address
- Hours donated (time in and out)
- Service provided
- Signature of volunteer

The sign-in sheets will be delivered to the Finance Department monthly so they can be tallied, valued, and recorded as in-kind in the finance records.

### ***Supplies***

Donated supplies must be used in the program and shall be valued at fair market value at the time of donation. Supplies can be counted as match only if the program would have purchased such items with federal funds.

## 7080 Donations/Contributions/Gifts

### .01 Overview of Donations/Contributions/Gifts Acceptance Policies

A nonreciprocal gift/contribution is consideration given to the College for which the donor receives no direct benefit and requires nothing in exchange other than assurance that the intent of the contribution will be honored by Leech Lake Tribal College. Two broad principles apply to all gifts given to the College:

1. A gift shall not be accepted that is not in the charitable interest of the donor, considering the donor's financial situation and philanthropic interests, as well as tax, legal, and other relevant factors.
2. A gift shall not be accepted unless there is a reasonable expectation that acceptance of the gift shall ultimately benefit Leech Lake Tribal College.

Leech Lake Tribal College will not accept any donations that imply endorsement of businesses, products, or services. Donor businesses may not use Leech Lake Tribal College's name for promotion of any product or service.

### .02 Categories of Donations/Contributions/Gifts

Gifts to the College are classified into two categories, based on the level of risk associated with acceptance of the gift.

Gifts of **marginal risk** include the following:

- Cash and cash equivalents (e.g., certificates of deposit)
- Gifts of securities actively traded on a U.S. public market (e.g., publicly-traded stocks, mutual funds, corporate and government bonds, etc.)
- Personal property with a fair value of less than \$5,000 whether new or used

Gifts of the preceding three categories shall be considered to be of marginal risk only if they are either unrestricted or restricted to one specific, existing Leech Lake Tribal College program.

Gifts of **greater-than-marginal risk** include the following:

- Any gift requiring the acceptance of a **restriction** that:
  - is not clearly identifiable with an existing program of Leech Lake Tribal College,
  - would require the addition or modification of a Leech Lake Tribal College program,
  - would not be consistent with the mission of Leech Lake Tribal College,
  - would not be consistent with Leech Lake Tribal College's tax-exempt purpose under IRS section 501(c)(3),
  - would require the reclassification of unrestricted net assets to temporarily restricted
  - would violate any federal, state, or local law or regulation, or

- would result in excessive control to the donor, or anyone designated by the donor, over the subsequent use of the contributed asset.
- Any gift from a donor involved in businesses or activities that may be deemed to be inconsistent with the mission of Leech Lake Tribal College
- Personal property with a fair value of \$5,000 or more whether new or used
- Real property (either an outright gift of property or the donated use of such property)
- Non-publicly-traded securities (e.g., ownership interests in privately-held businesses, partnerships, etc.)
- Charitable remainder trusts
- Charitable lead trusts
- Conditional promises to give/pledges
- Unusual items or items of questionable value (including works of art, animals, historic artifacts, memorabilia, etc.)
- Life insurance
- Notification of the intent to give noncash assets through a bequest

NOTE: The purpose of these gift acceptance policies is to provide clear guidance regarding which types of gifts may be accepted without further consideration, versus gifts that must be reviewed by the President and Director of Finance prior to being accepted or rejected.

### **.03: Donations/Contributions/Gifts Acceptance Procedures**

Gifts of marginal risk may be accepted by the Director of Institutional Advancement without any further review and approval. Gifts of greater-than-marginal risk may be accepted only after review and approval of both the Director of Finance and President. This review and approval shall be documented on a Gift Acceptance form.

It is also the policy of Leech Lake Tribal College to liquidate all gifts of publicly-traded securities within ten days of receipt unless it is determined by the Director of Finance (with guidance from LLTC's Financial Advisor) that holding the securities as an investment of the College would be fiscally prudent, appropriate, and consistent with the College's investment policies.

## **7090 CONTRIBUTIONS FINANCE**

NOTE: 2 CFR Part 200.442(a) states that costs of organized fund-raising including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable. Fund raising costs for the purposes of meeting the Federal program objectives are allowable with prior written approval from the Federal awarding agency.

Prior to the College embarking on any significant fund-raising activities, policies should be established regarding the types of contributions the College is willing to accept. For instance, Colleges with a particular mission may deem it inappropriate to accept gifts from businesses that are in certain industries. The College shall consider:

1. The types of non-cash gifts that will be accepted
2. The nature of donor restrictions that will be accepted
3. The types of donors whose gifts will be accepted

### **.01 Distinguishing Contributions from Exchange Transactions**

Leech Lake Tribal College receives income in the form of contributions, revenue from exchange transactions, and income from activities with characteristics of both contributions and exchange transactions. Leech Lake Tribal College shall consider the following criteria, and any other relevant factors, in determining whether income will be accounted for as contribution income, exchange transaction revenue, or both:

1. Leech Lake Tribal College's intent in soliciting the asset, as stated in the accompanying materials.
2. The expressed intent of the entity providing resources to Leech Lake Tribal College (i.e., does the resource provider state that its intent is to support Leech Lake Tribal College's programs or that it anticipates specified benefits in exchange?).
3. Whether the method of delivery of the asset is specified by the resource provider (exchange transaction) or is at the discretion of Leech Lake Tribal College (contribution).
4. Whether payment received by Leech Lake Tribal College is determined by the resource provider (contribution) or is equal to the value of the assets/services provided by Leech Lake Tribal College, or the cost of those assets plus a markup (exchange transaction).
5. Whether there are provisions for penalties (due to nonperformance) beyond the amount of payment (exchange transaction) or whether penalties are limited to the delivery of assets already produced and return of unspent funds (contribution).
6. Whether assets are to be delivered by Leech Lake Tribal College to individuals or Colleges other than the resource provider (contribution) or whether they are delivered directly to the resource provider or to individuals or Colleges closely connected to the resource provider (exchange transaction).

## **.02 Donor Privacy**

Leech Lake Tribal College respects the privacy of its donors and also recognizes that donors wish to be connected to the College. Leech Lake Tribal College uses donor information to notify them of information, plans and activities. Donor information is shared with staff, board members, volunteers, and consultants on a “need-to-know” basis.

Leech Lake Tribal College does not share their donor list with any third party unless donor permission has been granted. Requests to remain anonymous will be honored.

## **.03 Recognition of Contribution Income (GAAP)**

Leech Lake Tribal College shall recognize contribution income based on the following factors:

1. Unconditional contributions of assets (cash, property, etc.) shall be recognized as income upon receipt of the asset by the College.
2. Unconditional promises to contribute assets shall be recognized as income upon receipt of clear communication of the promise from the donor or the donor’s legal representative (e.g., trustee, attorney, etc.). See additional guidelines in the next section.
3. Conditional contributions and conditional promises to give shall be recognized as income upon the satisfaction of the condition.
4. Contributed services shall be recognized as income only to the extent that the contributed services possess either one of the following characteristics:
  - a. The service creates or enhances a non-financial asset (e.g., land, buildings, intangible assets, etc.).
  - b. The service requires a specialized skill, it is provided by an individual possessing that skill, and the service is one that would typically need to be purchased if it had not been contributed to the College.

All noncash contribution income received shall be recorded at fair value. (See policy below.)

Contribution income shall be classified as unrestricted, temporarily restricted, or permanently restricted in accordance with the definitions and guidelines described earlier.

## **.04 Valuation of Noncash Contributions**

As stated in the preceding section, all noncash contributions of assets shall be recorded at their fair value as of the date of the gift. Fair values used in finance for donated assets shall be determined by the College, not by the donor, although in some cases a value may have been provided by a donor. (See subsequent policies associated with IRS Form 8283.)

The determination of the fair value of donated assets shall be determined as follows:

1. For contributions of publicly-traded securities, fair value shall be determined by the Director of Finance based on a Web-based search at [www.etrade.com](http://www.etrade.com) (or another reputable valuation site) of the closing price of the security on the date that the security was transferred to Leech Lake Tribal College (in addition, a printout of this Web search shall be retained in the finance department's records for future reference and substantiation of this procedure).
2. For contributions of personal property, fair value shall be determined by the Director of Institutional Advancement using appropriate public records (price lists for new assets, other guides for used assets) subject to the review and approval of the Director of Finance – such valuation documented using a standard form.
3. For contributions of real property, fair value shall be determined by an appraisal performed by an independent appraiser hired by Leech Lake Tribal College (not an appraiser hired by the donor).
4. For contributions of all other assets, fair value shall be determined by the Director of Finance.

For contributed services that meet the previously described criteria for recording, the fair value of the services shall be determined by multiplying the hours worked by each volunteer, as documented on the College's Volunteer Time Sheet, by an applicable hourly rate. The applicable hourly rate shall be determined by the Director of Finance and shall generally be equal to an estimate of an hourly wage rate plus estimated employee benefits costs at the current percentage the College is using for budget purposes, or an hourly rate typically charged by external contractors possessing the skills provided by the volunteer.

All determinations of hourly rates used to value contributed services shall be reviewed, documented, and approved by the Director of Finance.

#### **.05 Unconditional Promises to Give**

- Unconditional promises to give shall be recorded as assets and increases in temporarily restricted net assets (contribution income) in the period that Leech Lake Tribal College receives communication of the promise.
- Unconditional promises to give that are to be collected within one year shall be recorded at their face value, less any reserve for uncollectible promises, as estimated by management.
- Unconditional promises to give that are collectible over time periods in excess of one year shall be recorded at their discounted net present value, unless the discounted amount is clearly immaterial as determined by the finance department.
- Accretion of discount on such promises to give shall be recorded as contribution income in each period leading up to the due date of the promise to give. The interest rate that shall be used in calculating net present values of unconditional promises to give is the treasury bill rate at [www.treasury.gov](http://www.treasury.gov) at the time the College receives a promise from a donor, considering the time period of the promise.

- When the final time or use restriction associated with a contributed asset has been met, a reclassification between temporarily restricted and unrestricted net assets shall be recorded.

## **.06 Conditional Promises to Give**

The College shall not record an asset or contribution income for any conditional promise to give. However, the College shall maintain a record of such conditional promises to give and monitor these gifts for purposes of identifying when the condition associated with each such promise has been satisfied. As noted below, this schedule shall also be used in connection with preparing the College's footnote disclosures associated with contributions.

## **.07 Receipt of Donations**

Upon receipt, all monetary donations will be processed according to the Cash Receipts policies contained in this manual. Information on restriction of gifts shall be communicated to the Finance Department so the gift can be recorded and governed according to the wishes of the donor. After funds are deposited, check copies, cash receipts, source of the gift, intended use and any other information included with the gift is delivered to the Director of Institutional Development. The Development Department will acknowledge gifts within 3 business days of receipt. Please see the following section on Receipts.

The finance system and the donor database must be reconciled to each other at least monthly.

## **.08 Receipts and Disclosures**

Leech Lake Tribal College and its donors are subject to certain disclosure and reporting requirements imposed under the Internal Revenue Code and the underlying regulations. To comply with those rules, Leech Lake Tribal College shall adhere to the following guidelines with respect to contributions received by the College.

***Editor's Note: Each College must determine at what donation level an acknowledgement will be issued. Please note that a donor of a charitable contribution of \$250 or more cannot take an income tax deduction unless the donor obtains the College's acknowledgement to substantiate the contribution. Receipts may take many different forms (email, letter, postcard, etc.) but they must be written and contemporaneous.***

The Development Department shall provide a receipt to the donor for every separate contribution received. All receipts shall include the following information:

1. The amount of cash received and/or a description (but **not** an assessment of the value) of any noncash property received.
2. A statement of whether Leech Lake Tribal College provided any goods or services to the donor in consideration, in whole or in part, for any of the cash or property received.
3. If any goods or services were provided to the donor by Leech Lake Tribal College, a description and good faith estimate of the value of those goods or services.

When Leech Lake Tribal College receives cash in excess of \$75 or noncash property with a value in excess of \$75 as part of a quid pro quo transaction, the College shall follow additional disclosure procedures. For purposes of this paragraph, a "quid pro quo transaction" is one in which a payment received by Leech Lake Tribal College is made both as a contribution and as a payment for goods or services provided by the donee. In such instances, Leech Lake Tribal College shall provide to the donor a receipt stating that only the amount contributed in excess of the fair market value of the goods or services provided by Leech Lake Tribal College may be deducted as a charitable contribution. The receipt shall also include a good faith estimate of the fair market value of the goods or services provided to the donor by Leech Lake Tribal College.

IRS rules provide for certain **exceptions** to the preceding disclosure rules applicable to quid pro quo transactions. Hence, Leech Lake Tribal College shall not provide receipts when it receives cash or property in excess of \$75 in any of the following circumstances: (Director of Institutional Advancement check on amounts)

1. The goods provided to the donor during 2016 bear Leech Lake Tribal College's name or logo and have an aggregate cost of \$10.60 or less and the donor gave the College at least \$53.00.
2. The goods provided to the donor in 2016 have a fair market value equal to no more than 2% of the contribution or \$106, whichever is less.
3. The gift received by Leech Lake Tribal College resulted from the College's annual fund-raising appeal that included articles worth no more than \$10.60, as well as a request for contributions and a statement that the recipient may keep the article even if a contribution is not made.

The preceding thresholds are adjusted for inflation by the IRS on an annual basis. These inflation adjustments are typically released in December and they are effective for the following calendar year. To find the current amounts:

1. Go to [www.irs.gov](http://www.irs.gov)
2. On the IRS website search "20XX insubstantial benefit limitation"
  - a. Look for Insubstantial Benefit Limitations for Contributions Associated with Charitable Fund-Raising Campaigns.

Inflation adjustments subsequent to 2014 are incorporated into this policy manual by reference.

All estimates of the fair market value of goods or services provided by Leech Lake Tribal College shall be approved by the Finance Department.

Leech Lake Tribal College complies with all current federal and state rules regarding solicitation and collection of charitable contributions, whether specifically addressed in this manual or not, as well as all future revisions to those rules.

## **.09 IRS Form 8283, Noncash Charitable Contributions**

In certain instances, Leech Lake Tribal College may be requested to sign a Form 8283 (section b, Part IV) by a donor who has made a material contribution (over \$5,000) of noncash assets to the College. The signature of a College official on Form 8283 signifies an acknowledgment of the description of the donated asset and the date of the gift. It does NOT represent any level of certification of, or agreement to, the valuation of the gift that has been assigned by the donor or the donor's appraiser, but it does serve to inform Leech Lake Tribal College of the value intended to be deducted by the donor, which is useful in connection with the subsequent filing of Form 8282. (See the next section for the policies regarding Form 8282.)

Any Form 8283 presented by a donor for signature by Leech Lake Tribal College shall be reviewed, along with the donated asset and any relevant documentation pertaining to the asset's description and condition, by the Director of Institutional Development, who shall have final responsibility for agreeing or disagreeing with the donor's description of the asset and for signing the Form 8283.

The Development Department shall retain a copy of any Form 8283 that has been signed and shall forward a copy of each Form 8283 to the Finance Department for subsequent tracking of the donated asset. (See related policy below.)

#### **.10 IRS Form 8282, Donee Information Return**

When Leech Lake Tribal College subsequently sells assets that have been contributed to it, the filing of a Form 8282 may be required. Among the exceptions from filing Form 8282 are subsequent sales of assets contributed to the College more than three years before the sale, and sales of assets that when contributed had a fair value of \$5,000 or less, as evidenced by the Form 8283 presented to the College by the donor at the time of the gift.

Form 8282 is not required with respect to donated assets that are consumed or distributed in fulfillment of the College's tax-exempt mission.

Responsibility for tracking donated assets and determining whether filing Form 8282 is required is assigned to Finance Department. It is the policy of Leech Lake Tribal College to file such forms in a timely manner (within 125 days of the sale). Upon completion of a Form 8282 by the Senior Accountant, the form shall be reviewed and signed by the Director of Finance. Delivery of the form to IRS shall be done by mail, performed by the Grant Administrator/Senior Accountant.

A Form 8282 shall also be prepared and filed if Leech Lake Tribal College transfers a donated asset to another charitable nonprofit College (subject to the same exceptions as described above). In such cases, the Form 8282 shall be filed with IRS within 125 days of the transfer and a copy of the Form 8282 shall be provided to the successor nonprofit College within 15 days of filing the Form 8282 with the IRS, along with a copy of the original Form 8283 received from the donor.

#### **.11 Disclosures of Promises to Give**

As stated earlier, Leech Lake Tribal College shall record an asset and an increase in net assets for unconditional promises to give. In addition, in connection with its annual financial statements, Leech Lake Tribal College shall prepare a schedule of unconditional promises to give that discloses the annual amounts to be collected in each of the next five fiscal years, and a total amount due thereafter, less the amount representing interest as a result of discounting long-term promises to give to net present value.

In connection with conditional promises to give, which shall not be recorded on the financial statements, Leech Lake Tribal College shall nonetheless prepare a similar schedule of future payments for disclosure in the College's annual financial statements.

## **.12 Endowment Funds**

***Editor's Note: In August 2008, FASB issued FASB Staff Position FAS 117-1, which provides guidance on two topics of interest to nonprofit Colleges that maintain permanently restricted endowment funds. The first topic addresses how the College interprets relevant state laws governing endowments in light of the conversion of many states from UMIFA (Uniform Management of Institutional Funds Act) to UPMIFA (Uniform Prudent Management of Institutional Funds Act) as the model law applicable to endowments. The second area addressed by the FSP is new disclosure requirements applicable to all endowment funds, regardless of state law. The provisions of the FSP, and therefore the example policy that follows, are effective for years ending after December 15, 2008. Users of this document should customize the policy for the specific provisions of the law adopted in their particular state.***

It is the policy of Leech Lake Tribal College to establish and accept endowments that are permanently restricted for the benefit of one or more programs or purposes within the scope of the College's mission, subject to the gift acceptance policies described earlier.

It is also the policy of the College to account for all endowments in accordance with any and all explicitly communicated donor-imposed stipulations that have been accepted by the College, including stipulations associated with the classification of subsequent interest income, dividend income, realized gains and losses, unrealized gains and losses, and other investment income as unrestricted, temporarily restricted, or permanently restricted, as well as future appropriations and expenditure of endowment funds. To the extent the College has accepted an endowment that does not include explicit donor stipulations regarding subsequent finance for and classification of the endowment or investment income or for the appropriation and expenditure of endowment funds, Leech Lake Tribal College shall follow the guidelines described in Uniform Prudent Management of Institutional Funds Act (UPMIFA).

The interpretation of how the UPMIFA applies to a particular endowment of Leech Lake Tribal College shall be made by the Director of Finance and subject to the review and approval of the Finance Committee.

In connection with all endowment funds of the College, Leech Lake Tribal College shall disclose in a footnote to its annual financial statements all of the following information:

1. A description of the board's interpretation of relevant state law regarding the net asset classification of donor-restricted endowment funds.
2. A description of the College's policies for the appropriation of endowment assets for expenditure.
3. A description of the College's endowment investment policies, including, at a minimum:

- a. The College's return objectives and risk parameters.
  - b. How those objectives relate to the College's endowment spending policies.
  - c. The strategies employed for achieving those objectives.
4. Endowment fund net asset composition by classification (unrestricted, temporarily restricted, permanently restricted), in total and by type of endowment fund, and cumulative investment return, if any, contained in the permanently restricted net asset class resulting from the College's interpretation of relevant state law, beyond the amount required by explicit donor stipulations.
  5. A reconciliation of the beginning and ending balance of the College's endowments, in total and by net asset class, showing all of the following:
    - a. Investment return, separated into investment income (interest, dividends, rents, etc.) and net appreciation or depreciation of investments
    - b. Contribution income
    - c. Amounts appropriated for expenditure
    - d. Reclassifications
    - e. Other changes in net assets

### **.13 Fund-Raising Events**

***Editor's Note: The policies in this section should be adopted by any College that conducts special event fund-raising, such as golf outings, dinners, entertainment, concerts, walk-a-thons, etc. It is necessary in order to comply with IRS reporting and disclosure requirements associated with Form 990.***

***2 CFR Part 200.442, Fund raising and investment management costs. Fund raising costs for the purposes of meeting the Federal program objectives are allowable with prior written approval from the Federal awarding agency.***

***Also note that expenses incurred for fund-raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable. (2 CFR Part 200.442)***

As Leech Lake Tribal College is a 501(c)(3) and eligible to receive tax-deductible contributions under Section 170(c). As such, the College must keep sample copies of its fundraising materials such as fundraising solicitations, tickets, receipts, or other evidence of payments received in connection with fundraising activities. See Form 990 instructions for examples of appropriate fundraising materials to retain.

The College shall maintain a subsidiary record that tracks each special fund-raising event sponsored by the College. The Finance Department shall be responsible for maintaining this subsidiary record, with assistance from the Director of Institutional Advancement. The following information shall be tracked on an event-by-event basis for purposes of possible disclosure in the College's annual Form 990 information return with the IRS:

1. Description and location of the event (including an indication of whether any type of gaming activities took place in connection with the event).
2. Total gross proceeds received in connection with the event.
3. Portion of the proceeds considered to be a contribution (equal to the amount received less the fair value of any benefits provided to donors).
4. Total costs of the event.
5. Portion of the costs attributable to direct donor benefits (i.e., the cost of any benefits provided to donors, such as the cost of green fees or a meal provided to attendees at a fund-raiser).
6. Portion of the total costs associated with:
  - a. Rent or facility costs
  - b. Cash prizes, if any
  - c. Noncash prizes, if any
  - d. Food and beverages
  - e. Entertainment
  - f. Fees paid to (or retained by) an outside fund-raiser
7. The percentage of the overall labor effort involved in the event that was contributed by volunteers (this schedule should show total hours associated with paid employees/contractors and total hours associated with volunteer efforts).
8. The names and addresses of any outside fund-raiser used in connection with the event.
9. An indication of whether any outside fund-raiser ever took custody, even temporarily, of funds raised for Leech Lake Tribal College in connection with any fund-raising event.

In addition to the preceding information, if any fund-raising activities of Leech Lake Tribal College include gaming (e.g., bingo, pull tabs, or any other type of gaming), the College shall maintain records of the following:

1. Total compensated and total uncompensated (volunteer) labor hours associated with each event.
2. The name and address of the person or company responsible for running the College's gaming activities, as well as a copy of their license to conduct gaming activities.
3. Documentation indicating the percentage of gaming activity operated in the College's facility vs. an outside facility.
4. If the College utilizes a third party to operate gaming activities, a record shall be kept of the total proceeds of the gaming activity and the amount retained by the third-party operator as its compensation.

If the College engages in, or plans to engage in, gaming activities, the Director of Finance shall first research and obtain any and all required licenses or permits.

In addition, for any fund-raising or gaming activity operated by a third party, where the third party collects or maintains custody of funds paid by attendees, the College shall first gain an understanding of the internal controls of the third party, including the third party's processes for receiving and securing funds and whether individuals employed by the third party are bonded. The Director of Finance shall conduct or arrange for this internal control evaluation.

#### **.14 State Registrations**

It is the policy of Leech Lake Tribal College to register in each state in which the College's fund-raising activities would result in a requirement to register. Determination of state-by-state registration requirements shall be with the Director of Finance, who may consult outside advisors in making such determinations.

Once registered, the Director of Finance shall ensure that subsequent periodic filing requirements are met. The Director of Finance may delegate the preparation of such periodic state filings to the senior accountant, subject to the review and approval of the Director of Finance.

#### **.15 Credit Card Donations**

For donations or purchases made by credit card through the College's website, the following procedures will be followed:

1. Charges will be processed by an outsourced service provider.
2. The service provider will send daily reports to the Development Department listing each amount charged for a donation or an item purchased and the contact information of the donor/purchaser.
3. The Development Department will send a copy of the notice to the Finance Department to be used to reconcile the bank statement.

Recording of the revenue will be done daily into the Colleges donor database and then into the finance system with a journal voucher.

# **7110 BILLING/INVOICING POLICIES**

## **.01 Overview**

The College's primary sources of revenue are:

- Reimbursement grants – Billed monthly, or as funders require, based on allowed, incurred expenses.
- Fee-for-service income – Billed according to contract requirements based on number of units of services provided.
- Private grants – funds are usually received once funding is approved. Financial expenditure reports, if required, are submitted as required by funding sources.
- Donations/Contributions – may be solicited or unsolicited.

Other lesser sources of income will be collected and recorded when the services are provided.

## **.02 Responsibilities for Billing and Collection**

Leech Lake Tribal College's Finance Department is responsible for the invoicing of funding sources and the collection of outstanding receivables. (Note: Cash receipts, credit memo, and collection policies will be discussed in subsequent sections.)

## **.03 Billing and Financial Reporting**

Leech Lake Tribal College strives to provide management, staff, and funding sources with timely and accurate financial reports applicable to federal awards. These reports include monthly and cumulative expenditures, a project budget, and a balance remaining column.

Leech Lake Tribal College shall prepare and submit financial reports as specified by the financial reporting clause of each grant or contract award document. Preparation of these reports shall be the responsibility of the Grant Administrator/Senior Accountant, subject to review and approval by Director of Finance as needed.

The following policies shall apply to the preparation and submission of billings to federal agencies under awards made to Leech Lake Tribal College:

1. The College will request reimbursement after expenditures have been incurred, unless an award specifies another method.
2. 2 CFR Part 200.305(b)(1) states that the timing amount of advance payments must be as close as is administratively feasible to the actual disbursements. Therefore, Leech Lake Tribal College will strive to minimize the time between receipt and disbursement of grant funds by issuing payments within 5-7 business days of receipt of such funds.
3. Each award normally specifies a particular billing cycle. Therefore, a schedule is established for each grant and contract to ensure that reimbursement is made on a timely basis along with any other reporting that is required in addition to the financial reports.

4. Requests for reimbursement of award expenditures will use the actual amounts as posted to the general ledger as the source for all invoice amounts.
5. All financial reports required by each federal award will be prepared and filed on a timely basis. To the extent Leech Lake Tribal College's year-end audit results in adjustments to amounts previously reported to federal agencies, revised reports shall be prepared and filed in accordance with the terms of each federal award.

Leech Lake Tribal College shall maintain separate billing records in addition to the official general ledger finance records. Billing records shall be reconciled to the general ledger on a monthly basis.

At the time invoices (requests for reimbursement) are prepared, revenue and accounts receivable shall be recorded in the finance records of Leech Lake Tribal College by the Senior Accountant.

If a federal award authorizes the payment of cash advances to Leech Lake Tribal College, the Director of Finance may require that a request for such an advance be made. Upon receipt of a cash advance from a federal agency, Leech Lake Tribal College shall reflect a liability equal to the advance. As part of the monthly closeout and invoicing process, the liability shall be reduced, and revenue recognized, in an amount equal to the allowable costs incurred for that period.

#### **.04 Cash Drawdowns of Advances**

Cash drawdowns of advances from federal agencies relate to federal financial aid funds. A drawdown shall be made weekly in conjunction with the financial aid disbursement approvals. All federal funds shall be deposited into an interest-bearing cash account under the cash receipts policies and procedures described in this manual. Leech Lake Tribal College requires that federal funds will be disbursed within [24 hours] of receipt using the following process:

1. Each Friday/Monday the Financial Aid Director communicates the financial aid disbursement information to the Finance Department.
2. On Tuesday the Accountant I will print out a listing of federal financial aid checks to be disbursed.
3. The Director of Finance or Grant Administrator/Senior Accountant approves the listing.
4. On Monday/Tuesday/Wednesday the Senior Accountant draws down the cash required.
5. On Monday/Tuesday, the checks are printed, signed, and available for disbursement on Thursday in accordance with cash disbursement policies.

#### **.05 Accounts Receivable Entry Policies**

Individuals independent of the cash receipts function shall post customer invoices, credit adjustments, and other adjustments to the accounts receivable subsidiary ledger.

#### **.06 Classification of Income and Net Assets**

All income received by Leech Lake Tribal College is classified as "unrestricted," with the exception of the following:

1. Grants and other awards received from government agencies or other grantors, which are classified as temporarily restricted.
2. Special endowments received from donors requesting that these funds be permanently restricted for specific purposes.
3. Income earned from endowment funds (e.g., interest and dividends, gains and losses) in connection with endowments where the donor has explicitly stated that earnings on an endowment be temporarily restricted for specific purposes.
4. Income earned from endowment funds (e.g., interest and dividends, gains and losses) in connection with endowment where the donor has **not** explicitly stated how endowment earnings are to be spent UPMIFA will be followed.

From time to time, Leech Lake Tribal College may raise other forms of contribution income which carry stipulations that the College utilize the funds for a specific purpose or within a specified time period identified by the donor of the funds. When this form of contribution income is received, Leech Lake Tribal College shall classify this income as Temporarily Restricted income.

As with all Temporarily Restricted net assets, when the restriction associated with a contribution has been met (due to the passing of time or the use of the resource for the purpose designated by the donor), Leech Lake Tribal College will reclassify the related net assets from "Temporarily Restricted" to "Unrestricted" in its Statement of Financial Position and reflect this reclassification as an activity in its Statement of Activities.

From time to time, the Leech Lake Tribal College Board of Trustees may determine that it is appropriate to set funds aside for specific projects. Such funds shall be classified as "unrestricted," labeled "Board-Designated," and reported as a separate component of unrestricted net assets.

## **7120 CASH RECEIPTS**

### **.01 Overview**

Cash (including checks payable to the College) is the most liquid asset a College has. Therefore, it is the objective of Leech Lake Tribal College to establish and follow the strongest possible internal controls in this area.

### **.02 Processing of Checks and Cash Received in the Mail**

The following procedures will be followed:

- Cash receipts are received in a central location, rather than at remote sites, to ensure that cash received is appropriately directed, recorded, and deposited on a timely basis.
- Mail is opened and a listing of cash/checks received shall be prepared in an open area.
- The individual preparing the daily list of receipts shall be someone that is not involved in the accounts receivable or accounts payable process.
- A deposit slip is prepared from the cash/checks received and compared to the daily receipts listing for discrepancies.
- Deposits are prepared and taken to the bank by an individual other than the employee who prepared the daily cash receipts listing.

### **.03 Endorsement of Checks**

All checks received that are payable to the College shall immediately be restrictively endorsed by the individual who prepares the daily receipts listing. The restrictive endorsement shall be a stamp that includes the following information:

1. For Deposit Only
2. Leech Lake Tribal College
3. The bank name
4. The bank account number of Leech Lake Tribal College

### **.04 Timeliness of Bank Deposits**

In no event shall deposits be made less frequently than weekly. Undeposited checks and cash shall be maintained in a safe and kept in a secure area until deposited. Payments received on account shall be deposited. Deposits received must be deposited within that calendar month.

### **.05 Credit Card Receipts**

Leech Lake Tribal College accepts Visa and Mastercard and has negotiated contracts for out sourcing of processing payment transactions. Individual Leech Lake Tribal College departments may not use or negotiate individual contracts with these or other payment card companies or processors.

When donors wish to make payment via credit card, they will be directed to the College's website to make payment (provided the website is set up to accommodate this).

## **.06 Reconciliation of Deposits**

On a periodic basis, a Finance staff member who does not prepare the initial cash receipts listing or bank deposit, shall reconcile the listings of receipts to bank deposits on the monthly bank statement. Any discrepancies in amount and timing of deposit shall be immediately investigated.

## **.07 Control Grid - Revenue and Cash Receipts**

Leech Lake Tribal College strives to maintain adequate segregation of duties in its income and cash receipts functions. The following table illustrates how responsibilities have been assigned. In this table, personnel are identified as follows:

A. Director of Finance

B. Grant Administrator/Senior Accountant

C. Accountant I

D. Payroll Specialist (PRS) OR Bookstore Manager/Print Shop (PS) OR Accounts Payable (AP)

	A	B	C	D
Produces invoice to bill customer/funder		Funders	Students	
Enters invoice into A/R system		Funders/Other	Students	
Initials receipt of funds (cash or checks)				PRS
Restrictively endorses checks				PRS
Initials receipt of credit card payments				PRS/PS
Prepares initial record of funds collected				PRS
Prepares deposit slip				PRS
Takes deposit slip to bank				PRS
Processes credit card payments				PRS/PS
Enters payments into A/R system		X		
Reconciles log of collections w/ A/R posting		X		
Authorizes credits or other adjustments	X			
Posts credits/adjustments to A/R system	X			
Authorizes write-off of bad debts	X			
Posts bad debt write-offs to A/R system	X			
Prepares periodic customer statements			Students	
Reconciles A/R with general ledger		Funders	Students	
Reconciles bank statement	X			
Reviews A/R aging	X	X	X	X
Performs follow-up calls on old A/R		X	X	

## **7130 GRANTS RECEIVABLE MANAGEMENT**

### **.01 Monitoring and Recognition**

Leech Lake Tribal College records grants receivable and income as it is earned and billed during the grant year. The Grants Administration/Senior Accountant is responsible for monitoring budget-to-actual expenditures throughout the grant year, and will meet at least monthly with Project Investigators (PI's) to discuss grant financial results.

## **7140 ACCOUNTS RECEIVABLE MANAGEMENT**

### **.01 Monitoring and Reconciliations**

On a monthly basis, the Finance Department will reconcile a detailed accounts receivable report (showing aged, outstanding invoices by customer) to the general ledger. The Director of Finance will review the reconciliation and ensure that all differences are immediately investigated and resolved.

### **.02 Credits and Other Adjustments to Accounts Receivable**

From time to time, credits against accounts receivable from transactions other than payments and bad debts will occur. Examples of other credits include tuition waivers and adjustments for billing errors. An employee who is independent of the cash receipts function will process credits and adjustments to Accounts Receivable, and all credits shall be authorized by the Director of Finance.

A list of accounts to be written off with the amounts will be provided to the Board of Trustees at a regular Board Meeting.

### **.03 Accounts Receivable Write-Off Authorization Procedures**

All available means of collecting accounts receivable will be exhausted before write-off procedures are initiated. Write-offs are initiated by the Finance Department in conjunction with the department associated with the amount to be written off. If an account receivable is deemed uncollectible, the Director of Finance's written approval is required before a write-off is processed.

Once a write-off has been processed, appropriate individuals in the originating department will be advised to ensure that further credit is not granted and the master list of bad accounts is updated. Customers listed as poor credit risks will be extended future credit only if the bad debt is paid and the customer is no longer deemed a collection problem.

The majority of bad debt is created from amounts required to be returned to Title IV when students have not completed a semester. When this occurs, the amount of the return to Title IV is recorded as a student account receivable and a student hold is placed on their account which will prevent the student from registering for courses. In order to register once a hold has been placed, the student must either pay their account in full or enter in to a repayment agreement with the College.

If there is a Business Hold on a student's account because of an outstanding balance, and the students requests a copy of his/her transcripts to enroll in another institution, the transcripts will not be released until the balance is "paid in full".

If write-off procedures have been initiated, the following finance treatment applies:

1. Current year invoices that are written off will either be charged against an appropriate revenue or revenue adjustment account, or against the original account credited.
2. Invoices written off that are dated prior to the current year will be written off against net assets.

# **POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS**

## **7150 PURCHASING POLICIES AND PROCEDURES**

### **.01 Overview**

**THE POLICIES DESCRIBED IN THIS SECTION APPLY TO ALL PURCHASES MADE BY LEECH LAKE TRIBAL COLLEGE.**

Leech Lake Tribal College requires the practice of ethical, responsible, and reasonable procedures related to purchasing, agreements and contracts, and related forms of commitment. The policies in this section describe the principles and procedures that all staff shall adhere to in the completion of their designated responsibilities.

The goal of these procurement policies is to ensure that materials and services are obtained in an effective manner and in compliance with the provisions of applicable federal statutes and grant requirements.

### **.02 Responsibility for Purchasing**

All department heads or their designees shall have the authority to initiate purchases on behalf of their department, within the guidelines described here. Individuals that initiate purchases or prepare purchase requisitions must have them approved by their supervisor and if paid by a grant, their PI.

The Finance Department shall be responsible for processing purchase orders. The Director of Finance has approval authority over all purchases and contractual commitments, and shall make the final determination on any proposed purchases where budgetary or other conditions may result in denial.

### **.03 Code of Conduct in Purchasing (2 CFR Part 200.318 (c)(1))**

Ethical conduct in managing the College's purchasing activities is absolutely essential. Staff must always be mindful that they represent the Board of Trustees and share a professional trust with other staff and the general membership.

- Staff shall discourage the offer of, and decline, individual gifts or gratuities of value in any way that might influence the purchase of supplies, equipment, and/or services.
- Staff shall notify their immediate supervisor if they are offered such gifts.
- No officer, board member, employee, or agent shall participate in the selection or administration of a contractor if a real or apparent conflict of interest would be involved. Such a conflict would arise if an officer, board member, employee or agent, or any member of his or her immediate family, his or her spouse or partner, or a College that employs or is about to employ any of the parties indicated herein, has a financial or other interest in the vendor selected.
- Officers, board members, employees, and agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from vendors or parties to sub-agreements.
- Unsolicited gifts with a value of \$25 or less may be accepted with the approval of the President.

#### **.04 Competition (2 CFR Part 200.319)**

In order to promote open and full competition, purchasers will:

- Be alert to any internal potential conflicts of interest.
- Be alert to any noncompetitive practices among contractors that may restrict, eliminate, or restrain trade.
- Not permit contractors who develop specifications, requirements, or proposals to bid on such procurements.
- Award contracts to bidders whose product or service is most advantageous in terms of price, quality, and other factors.
- Issue solicitations that clearly set forth all requirements to be evaluated.
- Reserve the right to reject any and all bids when it is in the College's best interest.
- Not give preference to state or local geographical areas unless such preference is mandated by Federal statute. (200.319(b))
- "Name brand or equivalent" description may be used as a means to define the performance or requirements (200.319(c)(1))

#### **.05 Nondiscrimination Policy**

All vendors or contractors who are the recipients of College funds or who propose to perform any work or furnish any goods under agreements with Leech Lake Tribal College, shall agree to these important principles:

1. Contractors will not discriminate against any employee or applicant for employment because of race, religion, color, sexual orientation, or national origin, except where religion, sex, or national origin is a bona fide occupational qualification reasonably necessary to the normal operation of the contractors.
2. Contractors agree to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause. Notices, advertisements, and solicitations placed in accordance with federal law, rule, or regulation shall be deemed sufficient for meeting the intent of this section.

#### **.06 Procurement Procedures**

The following are Leech Lake Tribal College's procurement procedures:

1. Leech Lake Tribal College shall avoid purchasing items that are not necessary or duplicative for the performance of the activities required by a federal award. (2 CFR Part 200.318(d))
2. Where appropriate, an analysis shall be made of lease and purchase alternatives to determine which would be the most economical and practical procurement for the federal government. (2 CFR Part 200.318(d)). This analysis should only be made when both lease and purchase alternatives are available to the program.

3. Purchasers are encouraged to enter into state and local inter-governmental or inter-entity agreements where appropriate for procurement of use of common or shared goods and services. *(2 CFR Part 200.318(e))*
4. Purchasers are encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs. *(2 CFR Part 200.318(f))*
5. Documentation of the cost and price analysis associated with each procurement decision in excess of the simplified acquisition threshold (\$150,000) shall be retained in the procurement files pertaining to each federal award. *(2 CFR Part 200.323)*
6. All pre-qualified lists of persons, firms or products which are used in acquiring goods and services must be current and include enough qualified sources to ensure maximum open and full competition. *(2 CFR Part 200.319(d))*
7. Leech Lake Tribal College will maintain records sufficient to detail the history of procurement, including: *(2 CFR Part 200.318(i))*
  - a. Rationale for the method of procurement;
  - b. Selection of contract type;
  - c. Contractor selection or rejection; and
  - d. The basis for the contract price.
8. Leech Lake Tribal College shall make all procurement files available for inspection upon request by a federal awarding agency.
9. Leech Lake Tribal College shall not utilize the cost-plus-a-percentage-of-costs method of contracting. *(2 CFR Part 200.323(d))*

All staff members with the authority to approve purchases will receive a copy of and be familiar with 2 CFR Part 200.400 – 475, Cost Principles.

## **.07 Authorizations and Purchasing Limits**

All completed purchase orders must be signed by the preparer and approved by the [Department Director]. The following table lists required approval levels and solicitation processes:

<b>Amount of Purchase</b>	<b>Required Approvals</b>	<b>Required Solicitation</b>	<b>Required Documentation</b>
< \$3,000	Dept. Director	Evidence of solicitation not required but purchases should be distributed among qualified vendors	<ul style="list-style-type: none"><li>• Receipt approved by Dept. Director</li></ul>
\$3,000 ≤ \$25,000	<ul style="list-style-type: none"><li>• Dept. Director</li><li>• Dir. of Finance</li><li>• President</li></ul>	3 written bids (catalogue, Internet, written)	<ul style="list-style-type: none"><li>• Documentation of bids received</li><li>• How decision was made</li></ul>
\$25,001 ≤ \$150,000	<ul style="list-style-type: none"><li>• Dept. Director</li><li>• Dir. of Finance</li><li>• President</li><li>• BOT Member</li></ul>	3 written bids (Request for Bids or Request for Proposals)	<ul style="list-style-type: none"><li>• Copy of RFB or RFP</li><li>• Proposal scoring grids including who participated in the scoring</li><li>• Proposal and contract of winning bid</li></ul>
> \$150,000	<ul style="list-style-type: none"><li>• Dept. Director</li><li>• Dir. of Finance</li><li>• President</li><li>• Board of Trustees</li></ul>	3 written bids (Request for Bids or Request for Proposals)	<ul style="list-style-type: none"><li>• Copy of RFB or RFP</li><li>• Proposal scoring grids including who participated in the scoring</li><li>• Proposal and contract of winning bidder</li></ul>

The President is authorized to enter into any contract on behalf of Leech Lake Tribal College. Contracts of [\$3,000] or less must be reviewed and approved by the [Department Director] and the Director of Finance but do not require approval from the President. These policies shall also apply to renewals of existing contracts

### **Purchasing Authority Signature Levels**

- |    |                                     |                |
|----|-------------------------------------|----------------|
| 1. | Board of Trustees                   | Over \$25,000  |
| 2. | President                           | Up to \$25,000 |
| 3. | Dir of Fin/Dept Dir/Pres/BOT Member | Up to \$3,000  |
| 4. | Dept Director                       | Up to \$3,000  |

## **.08 Use of Purchase Orders**

Leech Lake Tribal College utilizes a purchase order system. **A completed Material Requisition is required for all purchases**, with the exception of travel advances and expense reimbursements, which require the preparation of a separate form described elsewhere in this manual. The Finance Department will determine whether or not a Purchase Order is necessary. A properly completed purchase order shall contain the following information, at a minimum:

1. Specifications or statement of services required
2. Contractor name, address, point of contact and phone number
3. Source of funding (if applicable)
4. Delivery or performance schedules
5. Delivery, packing, and transportation requirements
6. Special conditions (if applicable)
7. Catalog number, page number, etc. (if applicable)
8. Net price per unit, less discount, if any
9. Total amount of order
10. Authorized signature
11. Date purchase order was prepared

Purchase orders are computer generated and are numbered in sequential order, and issued upon request from an authorized purchaser.

At the end of each finance period, an aged outstanding purchase order report shall be prepared and distributed to each purchasing representative and the Director of Finance.

Any purchase made without proper approval shall subject the purchaser to an obligation to reimburse the College and may result in disciplinary action according to personnel policy. Such cases shall be reviewed and decided upon by the Director of Finance.

## **.09 Required Solicitation of Quotations from Contractors**

Solicitations for goods and services (requests for proposals or RFPs) should provide for all of the following:

1. A clear and accurate description of the technical requirements for the material, product, or service to be procured. Descriptions shall not contain features which unduly restrict competition. (2 CFR Part 200.319(c)(1))

2. Requirements which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals. (See the next section entitled "Evaluation of Alternative Contractors" for required criteria.) (2 *CFR Part 200.319(c)(2)*)
3. Technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards. (2 *CFR Part 200.319(c)(1)*)
4. The specific features of "brand name or equal" descriptions that bidders are required to meet when appropriate. (2 *CFR Part 200.319(c)(1)*)
5. A description of the format, if any, in which proposals must be submitted, including the name of the person to whom proposals should be sent.
6. The date by which proposals are due.
7. Required delivery or performance dates/schedules.
8. Clear indications of the quantity(ies) requested and unit(s) of measure.

#### **.10 Extension of Due Dates and Receipt of Late Proposals**

Solicitations should provide for sufficient time to permit the preparation and submission of offers before the specified due date. However, an extension may be granted if a prospective offeror so requests.

Contractor proposals are considered late if received after the due date and time specified in the solicitation. Late proposals shall be so marked on the outside of the envelope and retained, unopened, in the procurement folder. Contractors that submit late proposals shall be sent a letter notifying them that their proposal was late and could not be considered for award.

#### **.11 Evaluation of Alternative Contractors**

Contractors shall be evaluated on a weighted scale that considers some or all of the following criteria as appropriate for the purchase:

1. Adequacy of the proposed methodology
2. Skill and experience of key personnel
3. Demonstrated experience
4. Other technical specifications designated by the department requesting proposals
5. Compliance with administrative requirements of the request for proposal (format, due date, etc.)
6. Contractor's financial stability
7. Contractor's demonstrated commitment to the nonprofit sector
8. Results of communications with references supplied by vendor
9. Ability/commitment to meeting time deadlines
10. Cost
11. Minority- or women-owned business status of vendor
12. Other criteria (to be specified by the department requesting proposal)

Not all of the preceding criteria may apply in each purchasing scenario. However, the department responsible for the purchase shall establish the relative importance of the appropriate criteria prior to requesting proposals and shall evaluate each proposal on the basis of the criteria and weighting that have been determined.

After a contractor has been selected and approved by the [Department Director], the final selection shall be approved by others according to Leech Lake Tribal College's purchasing approval policies.

### **.12 Affirmative Consideration of Minority, Small Business, Women-Owned Businesses, and Labor Surplus Area Firms**

*(2 CFR Part 200.321)*

Positive efforts shall be made by Leech Lake Tribal College to utilize small businesses, minority-owned firms, women's business enterprises, and labor surplus area firms whenever possible. Therefore, the following steps shall be taken:

1. Ensure that small business, minority-owned firms, women's business enterprises, and labor surplus area firms are used to the fullest extent feasible. *(2 CFR Part 200.321)*
2. Make information on forthcoming opportunities available and arrange time frames for purchases and contracts to encourage and facilitate participation by small business, minority-owned firms, women's business enterprises and labor surplus area firms. *(2 CFR Part 200.321(b)(4))*
3. Consider in the contract process whether firms competing for larger contracts tend to subcontract with small businesses, minority-owned firms, and women's business enterprises. *(2 CFR Part 200.321(b)(6))*
4. Encourage contracting with consortiums of small businesses, minority-owned firms, women's business enterprises, and labor surplus area firms when a contract is too large for one of these firms to handle individually. *(2 CFR Part 200.321(b)(3))*
5. Use the services and assistance, as appropriate, of such Colleges as the Small Business Administration and the Department of Commerce's Minority Business Development Agency in the minority-owned firms and women's business enterprises. *(2 CFR Part 200.321(b)(5))*

### **.13 Availability of Procurement Records (2 CFR Part 200.324(b))**

Leech Lake Tribal College shall, on request, make available for the federal awarding agency, pre-award review and procurement documents, such as requests for proposals, when any of the following conditions apply:

- The process does not comply with the procurement standards in 2 CFR Part 200. *(2 CFR Part 200.324(b)(1))*
- The procurement is expected to exceed the federally-defined simplified acquisition threshold (\$150,000) and is to be awarded without competition or only one bid is received. *(2 CFR Part 200.324(b)(2))*
- The procurement exceeds the simplified acquisition threshold and specifies a "name brand" product. *(2 CFR Part 200.324(b)(3))*

- The proposed award exceeds the federally-defined simplified acquisition threshold and is to be awarded to other than the apparent low bidder under a sealed-bid procurement. (2 CFR Part 200.324(b)(4))
- A proposed contract modification changes the scope of a contract or increases the contract amount by more than the amount of the federally-defined simplified acquisition threshold. (2 CFR Part 200.324(b)(5))

#### **.14 Provisions Included in All Contracts (2 CFR Part 200 Appendix II)**

Leech Lake Tribal College includes all of the following provisions, as applicable, in all contracts charged to federal awards (including small purchases) with vendors and subgrants to grantees:

1. **Contracts** for more than the simplified acquisition threshold currently set at \$150,000, which is the inflation adjusted amount determined by the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (Councils) as authorized by 41 U.S.C. 1908, must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate.
2. All contracts in excess of \$10,000 must address termination for cause and for convenience by the non-Federal entity including the manner by which it will be effected and the basis for settlement.
3. **Equal Employment Opportunity:** All contracts shall contain a provision requiring compliance with E.O. 11246, "Equal Employment Opportunity," as amended by E.O. 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and as supplemented by regulations at 41 CFR Part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."
4. **Davis-Bacon Act, as amended (40 U.S.C. 276a to a-7):** When required by Federal program legislation, all construction contracts of more than \$2,000 awarded by Leech Lake Tribal College and its subrecipients shall include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 276a to a-7) and as supplemented by Department of Labor regulations (29 CFR part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction").
5. **Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333):** Where applicable All contracts awarded by Leech Lake Tribal College in excess of \$2,000 for construction contracts and in excess of \$2,500 for other contracts that involve the employment of mechanics or laborers shall include a provision for compliance with Sections 102 and 107 of the Contract Works Hours and Safety Standards Act (40 U.S.C. 327-333), as supplemented by Department of Labor regulations (29 CFR part 5).
6. **Rights to Inventions Made Under a Contract or Agreement:** Contracts or agreements for the performance of experimental, developmental or research work shall provide for the rights of the Federal Government and the recipient in any resulting invention in accordance with 37 CFR Part 401, "Rights to Inventions Made by Nonprofit College and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by the award agency.

7. **Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.), as amended:** Contracts and subgrants of amounts in excess of \$100,000 shall contain a provision that requires the recipient to agree to comply with all applicable standards, orders, or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act, as amended (33 U.S.C. 1251 et seq.). Violations shall be reported to the federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).
8. **Mandatory** standards and policies relating to energy efficiency which are contained in the state energy conservation plan issued in compliance with the Energy Policy and Conservation Act (42 U.S.C. 6201).
9. **Byrd Anti-Lobbying Amendment (31 U.S.C. 1352):** For all contracts or subgrants of \$100,000 or more, Leech Lake Tribal College shall obtain from the contractor or subgrantee a certification that it will not and has not used federal appropriated funds to pay any person or College for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any federal contract, grant, or any other award covered by 31 U.S.C. 1352.
10. **Debarment and Suspension (E.O.s 12549 and 12689):** No contract shall be made to the parties listed on the General Services List of Parties Excluded from Federal Procurement or Nonprocurement Programs in accordance with E.O.'s 12549 and 12689, "Debarment and Suspension."

## **.15 Special Purchasing Conditions**

### *Emergencies:*

Where equipment, materials, parts, and/or services are needed, quotations will not be necessary if the health, welfare, safety, etc., of staff and protection of College property is involved. The reasons for such purchases will be documented in the procurement file.

### *Single Distributor/Source:*

Sole source purchases contractors may be made when one or more of the following conditions apply:

- The item or service is only available from one source;
- The situation is an emergency and will not permit a delay resulting from competitive solicitation;
- The awarding agency expressly authorizes noncompetitive proposals in response to a written request; or
- After solicitation, competition is deemed inadequate (insufficient bidders).

Approval from the awarding agency may be required.

## *Student Purchases*

At no time shall a student incur expenses on behalf of the College, except for those requisitions and purchases approved by regular process related to the Student Senate annual budget.

### **.16 Right to Audit Clause**

Leech Lake Tribal College requires a “Right to Audit” clause in all contracts between the Colleges and vendors that either:

1. Take any form of temporary possession of assets directed for the College, or
2. Process data that will be used in any financial function of the College.

This Right to Audit clause shall permit access to and review of all documentation and processes relating to the contractor’s operations that apply to Leech Lake Tribal College, as well as all documents maintained or processed on behalf of Leech Lake Tribal College, for a period of three years. The clause shall state that such audit procedures may be performed by Leech Lake Tribal College employees or any outside auditor or contractor designated by the College.

### **.17 Contractor Files and Required Documentation**

The Finance Department shall create a contractor folder for each new contractor from whom Leech Lake Tribal College purchases goods or services.

The Finance Department shall mail a blank Form W-9 to new contractor and request that the contractor complete and sign the W-9 (or provide equivalent, substitute information) and return it in the postage-paid envelope provided. Completed, signed Forms W-9 or substitute documentation shall be filed in each contractor’s folder. Contractors who do not comply with this request shall be issued a Form 1099 at the end of each calendar year in accordance with the policies described in the section of this manual on “Government Returns.” See the section on “Payroll and Related Policies” for guidance on determining whether a vendor should be treated as an employee.

### **.18 Procurement Grievance Procedures**

Any bidder may file a grievance with Leech Lake Tribal College following a competitive bidding process. Once a selection is made, bidders must be notified in writing of the results. The written communication mailed to bidders must also inform them that they may have a right to appeal the decision. Information on the College’s appeal procedures must be made available to all prospective contractors or subgrantees upon request, including the name and address of a contact person, and a deadline for filing the grievance. Grievances are limited to violations of federal laws or regulations, or failure of the College to follow its own procurement policies.

### **.19 Receipt and Acceptance of Goods**

A [Receiving Department] or designated individual shall inspect all goods received. Upon receipt of any item from a contractor, the following actions shall immediately be taken:

1. Review bill of lading for correct delivery point.
2. Verify the quantity of boxes/containers with the bill of lading.
3. Examine boxes/containers for exterior damage and note on the bill of lading any discrepancies (missing or damaged boxes/containers, etc.).
4. Sign and date the bill of lading.
5. Remove the packing slip from each box/container.
6. Compare the description and quantity of goods per the purchase order to the packing slip.
7. Examine goods for physical damage.
8. Count or weigh items, if appropriate, and record the counts on the purchase order.

This inspection must be performed in a timely manner to facilitate prompt return of goods and/or communication with contractors.

## **.20 Contract Administration**

Leech Lake Tribal College is required to have policies and procedures on contract administration (*2 CFR Part 200.318(b)*). Therefore, all contract managers will adhere to the following procedures.

1. Contract administration files shall be maintained:
  - a. For each contract greater than [\$10,000] a separate file shall be maintained.
  - b. For contracts less than [\$10,000], contract records may be combined in a single file by grant or other funding source.
2. Contract administration files shall contain:
  - a. The required documentation specified in the authorizations and purchasing limits table for the original scope of work and for all amendments.
  - b. Where the contract work is identified in the grant award or budget, the identification and scope of the work contained in the award or budget, and all approved changes.
3. Authorization of work:
  - a. No work shall be authorized until the contract for the work has been approved and fully executed.
  - b. No change in the work shall be authorized until an amendment to the contract for the work has been approved and fully executed, except as permitted for Special Purchasing Conditions.
  - c. No amendment of a contract for work shall be executed until it has been approved and authorized as required in the Authorizations and Purchasing Limits table and, where required by the terms of the grant award or budget, approval by the funding source.
4. Conformance of work:
  - a. For each grant award, based on the applicable laws, regulations and grant provisions, the [Program Director] shall establish and maintain a system to reasonably assure contractor:

- i. Conformance with the terms, conditions, and specifications of the contract, and
  - ii. Timely follow-up of all purchases to assure such conformance and adequate documentation.
- 5. The [Program Director] will authorize payment of invoices to contracts after final approval of work products.

## **7160 SUBRECIPIENTS**

### **.01 Making of Subawards**

From time to time, Leech Lake Tribal College may find it practical to make subawards of federal funds to other Colleges. All subawards in excess of the simplified acquisition threshold shall be subject to the conflict of interest policies described in the The HR Policy Manual. In addition, all subrecipients must be approved in writing by the federal awarding agency and agree to the subrecipient monitoring provisions described in the next section.

Leech Lake Tribal College is required to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward to determine the appropriate monitoring. Evaluations may include such factors as: *(2 CFR Part 200.331(b))*

- The subrecipient's prior experience with the same or similar subawards;
- The results of previous audits including whether or not the subrecipient receives a Single Audit, and the extent to which the same or similar subaward has been audited as a major program;
- Whether the subrecipient has new personnel or new or substantially changed systems; and
- The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

In addition, Leech Lake Tribal College shall obtain the following documents from all new subrecipients:

1. Articles of Incorporation
2. Bylaws or other governing documents
3. Determination letter from the IRS (recognizing the subrecipient as exempt from income taxes under IRC section 501(c)(3))
4. Last three years' Forms 990 or 990-EZ, including all supporting schedules and attachments (also Form 990-T, if applicable)
5. Copies of the last three years' audit reports and management letters received from subrecipient's independent auditor (including all reports associated with audits performed in accordance with 2 CFR Part 200.500 – 521, if applicable)
6. Copy of the most recent internally-prepared financial statements and current budget
7. Copies of reports of government agencies (Inspector General, state or local government auditors, etc.) resulting from audits, examinations, or monitoring procedures performed in the last three years

### **.02 Monitoring of Subrecipients**

When Leech Lake Tribal College utilizes federal funds to make subawards to subrecipients, Leech Lake Tribal College is subject to a requirement to monitor each subrecipient in order to provide reasonable assurance that subrecipients are complying, in all material respects, with laws, regulations, and award provisions applicable to the program.

In fulfillment of its obligation to monitor subrecipients, the following policies apply to all subawards of federal funds made by Leech Lake Tribal College to subrecipients:

The following required information will be provided to all subrecipients:

1. Federal Award Identification.
  - a. Subrecipient name (which must match registered name in DUNS);
  - b. Subrecipient's DUNS number ;
  - c. Federal Award Identification Number (FAIN);
  - d. Federal Award Date;
  - e. Subaward Period of Performance Start and End Date;
  - f. Amount of Federal Funds Obligated by this action;
  - g. Total Amount of Federal Funds Obligated to the subrecipient;
  - h. Total Amount of the Federal Award;
  - i. Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
  - j. Name of Federal awarding agency, pass-through entity, and contact information for awarding official,
  - k. Catalogue of Federal Domestic Assistance (CFDA) Number and Name. Leech Lake Tribal College must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
  - l. Indirect cost rate for the Federal award (including if the de minimis rate is charged per § 200.414 Indirect (F&A) costs).
2. All requirements imposed by Leech Lake Tribal College on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award.
3. Any additional requirements that Leech Lake Tribal College imposes on the subrecipient in order for Leech Lake Tribal College to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
4. An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal government or, if no such rate exists, either a rate negotiated between Leech Lake Tribal College and the subrecipient, or a de minimis indirect cost rate as defined in § 200.414 Indirect costs.
5. A requirement that the subrecipient permit Leech Lake Tribal College and auditors to have access to the subrecipient's records and financial statements as necessary for Leech Lake Tribal College to meet the monitoring requirements of 2 CFR Part 200; and
6. Appropriate terms and conditions concerning closeout of the subaward.
7. Subawards shall require that subrecipient employees responsible for program compliance obtain appropriate training in current grant administrative and program compliance requirements.
8. Subawards shall require that subrecipients submit financial and program reports to Leech Lake Tribal College on a basis no less frequently than [monthly].

9. Leech Lake Tribal College will follow up with all subrecipients to determine whether all required audits have been completed. Leech Lake Tribal College will cease all funding of subrecipients failing to meet the requirement to undergo an audit in accordance with 2 CFR Part 220.501. For subrecipients that properly obtain an audit in accordance with 2 CFR Part 200.501, Leech Lake Tribal College shall obtain and review the resulting audit reports for possible effects on Leech Lake Tribal College's finance records or audit.
10. Leech Lake Tribal College shall assign one of its employees the responsibility of monitoring each subrecipient on an ongoing basis during the period of performance by the subrecipient. This employee will establish and document, based on her or his understanding of the requirements that have been delegated to the subrecipient, a system for the ongoing monitoring of the subrecipient.
11. Ongoing monitoring of subrecipients will vary from subrecipient to subrecipient based on the nature of work assigned to each. However, ongoing monitoring activities may involve any or all of the following:
  - a. Regular contacts with subrecipients and appropriate inquiries regarding the program.
  - b. Reviewing programmatic and financial reports prepared and submitted by the subrecipient and following up on areas of concern.
  - c. Monitoring subrecipient budgets.
  - d. Performing site visits to the subrecipient to review financial and programmatic records and assess compliance with applicable laws, regulations, and provisions of the subaward.
  - e. Offering subrecipients technical assistance where needed.
  - f. Maintaining a system to track and follow up on deficiencies noted at the subrecipient in order to ensure that appropriate corrective action is taken.
  - g. Establishing and maintaining a tracking system to ensure timely submission of all reports required of the subrecipient.
12. Documentation shall be maintained in support of all efforts associated with monitoring of subrecipients.
13. In connection with any subrecipient that has been found to be out of compliance with provisions of its subaward with Leech Lake Tribal College, responsive actions by the College shall be determined by Director of Finance. Such actions may consist of any of the following actions:
  - a. Increasing the level of supporting documentation that the subrecipient is required to submit to Leech Lake Tribal College on a monthly or periodic basis.
  - b. Requiring that subrecipient prepare a formal corrective action plan for submission to Leech Lake Tribal College.
  - c. Requiring that certain employees of the subrecipient undergo training in areas identified as needing improvement.
  - d. Requiring documentation of changes made to policies or forms used in administering the subaward.
  - e. Arranging for on-site (at the subrecipient's office) oversight on a periodic basis by a member of the Leech Lake Tribal College finance or grant administration staff.
  - f. Providing copies of pertinent laws, regulations, federal agency guidelines, or other documents that may help the subrecipient.

- g. Arranging with an outside party (such as Leech Lake Tribal College's own independent auditors) for periodic on-site monitoring visits.
- h. Reimbursing after-the-fact, and not provide advances.
- i. Requiring review and approval for each disbursement and all out-of-area travel.
- j. As a last resort, terminating the subaward relationship and seeking an alternative.

# **7170 CHARGING OF COSTS TO FEDERAL AWARDS**

## **.01 Overview**

Leech Lake Tribal College charges costs that are reasonable, allowable, and allocable to a federal award directly or indirectly. All unallowable costs shall be appropriately segregated from allowable costs in the general ledger in order to assure that unallowable costs are not charged to federal awards.

## **.02 Segregating Unallowable from Allowable Costs**

The following steps shall be taken to identify and segregate costs that are allowable and unallowable with respect to each federal award:

1. The budget and grant or contract for each award shall be reviewed for costs specifically allowable or unallowable.
2. Project investigators and finance personnel shall be familiar with the allowability of costs provisions 2 CFR Part 200.400 – 475, Cost Principles, particularly:
  - a. The list of specifically unallowable costs found in 200.421 – 475, Selected Items of Cost, such as alcoholic beverages, bad debts, contributions, fines and penalties, etc.
  - b. Those costs requiring advance approval from federal agencies in order to be allowable in accordance with 2 CFR Part 200.407, Prior Written Approval, such as participant support costs, equipment purchases, etc.
3. No costs shall be charged directly to any federal award until the cost has been determined to be allowable under the terms of the award and/or 2 CFR Part 200.400 – 475, Cost Principles.
4. For each federal award, an appropriate set of general ledger accounts (or account segments) shall be established in the chart of accounts to reflect the categories of allowable costs identified in the award or the award budget.
5. All items of miscellaneous income or credits, including the subsequent write-offs of uncashed checks, rebates, refunds, and similar items, shall be reflected for grant finance purposes as reductions in allowable expenditures if the credit relates to charges that were originally charged to a federal award or to activity associated with a federal award. The reduction in expenditures shall be reflected in the year in which the credit is received (i.e., if the purchase that results in the credit took place in a prior period, the prior period shall not be amended for the credit).

## **.03 Criteria for Allowability**

All costs must meet the following criteria from 2 CFR Part 200.402 – 406, Basic Considerations, in order to be treated as allowable direct or indirect costs under a federal award:

1. The cost must be “reasonable” for the performance of the award, considering the following factors:

- a. Whether the cost is of a type that is generally considered as being necessary for the operation of the College or the performance of the award.
  - b. Restraints imposed by such factors as generally accepted sound business practices, arm's length bargaining, federal and state laws and regulations, and the terms and conditions of the award.
  - c. Whether the individuals concerned acted with prudence in the circumstances.
  - d. Consistency with established policies and procedures of the College, deviations from which could unjustifiably increase the costs of the award.
2. The cost must be "allocable" to an award by meeting one of the following criteria:
    - a. The cost is incurred specifically for a federal award,
    - b. The cost benefits both the federal award and other work and can be distributed in reasonable proportion to the benefits received, or
    - c. The cost is necessary to the overall operation of the College, except where a direct relationship to any particular program or group of programs cannot be demonstrated.
  3. The cost must conform to any limitations or exclusions of 2 CFR Part 200 Subpart E Cost Principles, or the federal award itself.
  4. Treatment of costs must be consistent with policies and procedures that apply to both federally financed activities and other activities of the College.
  5. Costs must be consistently treated over time.
  6. The cost must be determined in accordance with generally accepted accounting principles (GAAP).
  7. Costs may not be included as a cost of any other federally financed program in the current or prior periods.
  8. The cost must be adequately documented.

#### **.04 Direct Costs**

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal Award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy (*2 CFR Part 200.413(a)*). Leech Lake Tribal College identifies and charges these costs exclusively to each award or program.

Each invoice shall be coded with the appropriate account number reflecting which program received direct benefit from the expenditure. Invoices are approved by the appropriate Project Director and reviewed by the Director of Finance.

Time sheets are submitted on a regular basis, reflecting employees' work and which programs directly benefited from their effort. Time sheets shall serve as the basis for charging salaries directly to federal awards and nonfederal functions. See the Payroll section of this manual for detailed procedures.

Equipment purchased for exclusive use on a federal award and reimbursed by a federal agency shall be accounted for as a direct cost of that award (i.e., such equipment shall not be capitalized and depreciated for grant purposes, but will be capitalized and depreciated at year-end for financial statement purposes).

#### **.05 Indirect Cost Rate**

Leech Lake Tribal College maintains an annual indirect cost budget. Each year a new indirect cost budget is prepared and submitted to Leech Lake Tribal College's cognizant agency for approval. The approved indirect cost rate is used when determining the overhead applied to each federal award and major function.

#### **.06 Direct Costing Procedures**

Direct and joint costs are allocated to the benefiting programs using cost pools under the following policies and procedures:

1. Costs will be allocated to all programs on an equitable basis regardless of any limits imposed by funding sources.
2. As much as possible, costs will first be charged directly to benefiting programs.
3. All remaining shared costs will be allocated on the most meaningful measures. The following bases will be used: **[NA]**

# 7180 ACCOUNTS PAYABLE MANAGEMENT

## **.01 Overview**

Leech Lake Tribal College strives to maintain efficient business practices and good cost control. A well-managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and bank account reconciliation. The following are general policies for accounts payable:

- Assets or expenses and the related liability are recorded by an individual who is not responsible for ordering and receiving.
- The amounts recorded are based on the contractor invoice for the related goods or services.
- The contractor invoice should be supported by an approved purchase order/requisition/disbursement voucher where required by College policy, and should be reviewed and approved by a [Department Director] prior to being processed for payment.
- Invoices and related general ledger account distribution codes are reviewed prior to posting to the subsidiary system.

The primary objective for accounts payable and cash disbursements is to ensure that:

- Disbursements are properly authorized.
- Invoices are processed in a timely manner.
- Contractor credit terms and operating cash are managed for maximum benefits.

## **.02 Recording of Accounts Payable**

- All valid accounts payable transactions, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner.
- Accounts payable are processed on a [weekly] basis. Information is entered into the system from approved invoices or disbursement vouchers with appropriate documentation attached.
- Only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the contractor records.
- Invoices received via email will be printed, date-stamped, and initialed by a finance clerk.
- Any additional copies of the emailed invoice will be deleted. .
- No payments will be made from contractor statements.

## **.03 Accounts Payable Cutoff**

For purposes of the preparation of the College's monthly financial statements, all contractor invoices that are received, approved, and supported with proper documentation by the [fifth day of the following month] shall be recorded as accounts payable as of the end of the immediately preceding month if the invoice pertains to goods or services delivered by month-end.

#### **.04 Preparation of a Voucher Package**

Prior to any accounts payable being submitted for payment, a package called a “voucher package” shall be assembled. Each voucher package shall contain the following documents:

1. Contractor invoice (or employee expense report)
2. Purchase order as required by procurement policies
3. Any other supporting documentation deemed appropriate

#### **.05 Processing of Voucher Packages**

The following procedures shall be applied to each voucher package by the [Accounts Payable Clerk]:

1. Check the mathematical accuracy of the contractor invoice.
2. Compare the nature, quantity, and prices of all items ordered per the contractor invoice to the purchase order.
3. Document the general ledger distribution, using the College’s current chart of accounts.
4. Obtain the review and approval of the [Department Director] (or designee) associated with the goods or services purchased.

Upon receipt, each invoice shall be stamped date received, scanned, and copies distributed to the appropriate personnel for approval via email. Unapproved invoices will be maintained in a file, matched with notice of approval, and processed for payment. The [Accounts Payable Clerk] will follow up on unapproved invoices pending for longer than 1 week.

Approvals by Directors, Deans, and the Director of Finance (DOF) indicate their acknowledgment of satisfactory receipt of the goods or services invoiced, agreement with all terms appearing on the contractor invoice, agreement with general ledger account coding, and agreement to pay vendor in full. Approvals shall be documented with initials or signatures of the approving individual, and date of approval.

#### **.06 Payment Discounts**

To the extent practical, Leech Lake Tribal College takes advantage of all prompt payment discounts offered by contractor. When such discounts are available and all required documentation in support of payment is available, payments will be scheduled so as to take full advantage of the discounts.

#### **.07 Employee Expense Reports**

Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved and completed expense reimbursement form. (See further policies under “Travel and Business Entertainment.”) All required receipts must be attached, and a brief description of the business purpose of the trip or meeting must be noted on the form. Expense reports will be processed for payment in the next vendor payment cycle. Expenses older than [six weeks] will not be reimbursed.

## **.08 Reconciliation of A/P Subsidiary Ledger to General Ledger**

At the end of each monthly finance period, the total amount due to contractors per the accounts payable subsidiary ledger shall be reconciled to the total per the accounts payable general ledger account (control account). All differences are investigated and adjustments are made as necessary. The reconciliation and the results of the investigation of differences are reviewed and approved by the Director of Finance.

Also on a monthly basis, the [Accounts Payable Clerk] shall perform the following procedures:

1. Check all statements received for unprocessed invoices.
2. Check the purchase order file for open purchase orders more than 30 days old and follow up.

## **.09 Management of Accounts Payable Contractor Master File**

Upon the receipt of an invoice from a new contractor that is not already in Leech Lake Tribal College's Accounts Payable Contractor Master File, the [Accounts Payable Clerk] shall mail (or email) a Form W-9 and a request for completion of the Form W-9, including the vendor's full address and federal employer identification number.

For contractors that will be paid a total of [\$10,000] or less during the College's fiscal year, the contractor file data may be limited to the contractor name and address. However, for all contractors to be paid more than [\$10,000] during a fiscal year, the file shall include all of the following data:

- Contractor's legal name and any DBA name(s)
- Street address (payments may be mailed to a P.O. Box, but a street address must be in the file)
- Federal employer identification number
- Telephone number
- Fax number
- Contact name

Payments shall not be made to any contractor whose file does not comply with the preceding requirements.

On an annual basis, contractors that have not been utilized over the preceding [24-month] period shall be purged (or made inactive) from the master contractor file. In addition, on an annual basis an internal audit shall be performed of the master contractor file and payments made to each contractor. This analysis, to be performed by the Director of Finance [Internal Audit function if the College has such a function] shall consist of the following procedures, at a minimum:

1. Cross-checking of contractors with matching street or P.O. Box addresses
2. Review of payment histories for signs of repeat invoice numbers or other indications of duplicate payments

Any unexplained deviations or irregularities noted in connection with the preceding internal audit procedures shall be reported to the chair of the College's Finance Committee.

## **.10 Office of Foreign Assets Control (OFAC) Database Searches**

It is the policy of Leech Lake Tribal College to perform a search of the Office of Foreign Assets Control (OFAC) for any non-U.S.-based contractor or payee upon setting that payee up in the accounts payable system and periodically on at least an annual basis thereafter. The OFAC search shall be initiated by the [Accounts Payable Clerk] using the services of [name the contractor used to perform this search], and the results shall be presented to the [Senior Accountant] for review, approval, and proper disposition, depending on the outcome of the search.

## **.11 Verification of New Contractor**

The [Accounts Payable Clerk] will perform additional procedures to validate the legitimacy of new contractors that shall be paid one-time or cumulative payments in excess of [\$25,000]. For such contractors, the [Accounts Payable Clerk] shall perform a limited public records search and shall contact the contractor to validate its existence.

## **7190 TRAVEL**

### **.01 Travel Advances**

Funds will be advanced for upcoming travel only upon receipt of a completed and properly approved request for travel advance. Travel advances are generally limited to per diems and mileage unless there is an extraordinary need for additional funds. Travel advances are to be used only for the purpose intended. Travel expenses are to be made in accordance with the College's travel policies as explained in this section.

Employees receiving travel advances are required to sign for the advance signifying their acknowledgment of, and agreement with, these policies. Employees receiving travel advances must submit a travel closeout within [10 business days] of returning from travel. Any outstanding advances more than [15 days] old will be deducted from an employee's next paycheck.

Travel advance checks shall not be released to employee earlier than two days prior to travel. Employees traveling in emergency or late notice will be exempted from this deadline.

### **.02 Employee and BOT Business Travel**

At the conclusion of a Leech Lake Tribal College business trip, an employee or member of the Board of Trustees who has incurred business-related expenses should complete a travel closeout in accordance with the following policies:

1. Documentation must justify that participation of the traveler is necessary for the Federal award and costs are reasonable and consistent with Leech Lake Tribal College's travel policy. (*2 CFR Part 200.474(b)(1) and (2)*)
2. Identify each separately incurred business expense (i.e., do not group all expenses associated with one trip together).
3. With the exception of tips, tolls, reimbursed mileage, and per diems, all business expenses must be supported with invoices/receipts.
4. Leech Lake Tribal College will reimburse employees at per diem rates established by the General Services Administration (GSA) for the location to which they travel. Therefore, meal receipts are not required except for business entertainment which is addressed in Point 9 below.
  - a. It is the College's policy that payment for the first and last day of travel will be at 75% of the full per diem.
  - b. If the conference or meeting which the traveler attends provides a meal, the value of that meal as determined by GSA tables will be deducted from that day's per diem.
5. Contractor receipts/invoices must be submitted for all lodging and any expenditure other than meals.

6. For airfare, airline-issued receipts should be obtained. If a traveler fails to obtain a receipt, other evidence must be submitted indicating that a trip was taken and the amount paid (for example, a combination of an itinerary, a credit card receipt, and return trip boarding pass(es)).
7. Mileage may be reimbursed at the standard federal rates currently in effect, as published each year by the IRS.
8. General ledger account coding must be identified for all expenditures.
9. For all meals and other business expenditures, the following must be clearly identified:
  - a. Names, titles, Colleges, and business relationships of all persons
  - b. The business purpose of the meal or other business event (topics discussed, etc.)
  - c. Meal receipts should be the actual, detailed receipt, not the credit card receipt. The credit card receipt may not provide enough detail.
10. All expense reports must be signed and dated by the employee.
11. All expense reports must be approved by the employee's [Department Director].
12. Only one expense report form should be prepared for each trip.

An employee will not be reimbursed for expense reports not meeting the preceding criteria. If the expense report results in a balance due to Leech Lake Tribal College (as a result of receiving a travel advance greater than actual business expenditures), the employee must attach a check or sign a statement indicating authorization to settle the balance due through a payroll deduction. If the expense report results in a balance due to the employee, the employee will be reimbursed through the next Accounts Payable process.

False claims shall result in forfeiture of the travel claim. In addition, there are provisions under which severe criminal penalties may be imposed or personnel action taken.

Overpayments to travelers revealed through the audit process will be billed to the traveler within 10 working days of discovery. Travelers shall repay 100 percent of the debt within 30 calendar days of the billing date. Failure to repay within this time shall result in a payroll deduction.

No further travel advances will be issued to any employee who has an outstanding balance or incomplete travel closeout due to Leech Lake Tribal College from previous business trips.

### **.03 Reasonableness of Travel Costs**

Leech Lake Tribal College shall reimburse travelers only for those business-related costs that are reasonably incurred. Accordingly, the following guidelines shall apply:

1. Payment for suites and other upgraded rooms at hotels shall not be allowed unless required by a medical condition. Travelers should stay in standard rooms.
2. Ask hotels for any available discounts – nonprofit, government, or corporate rates.
3. When utilizing rental cars, travelers should rent midsize or smaller vehicles unless safety considerations require a larger vehicle. Rental of a vehicle larger than midsize must be approved by a supervisor. Share rental cars whenever possible.
4. If required by the funding source, foreign travel charged to federal grants must be approved in writing by the funding source prior to travel.

### **.04 Special Rules Pertaining to Air Travel**

The following additional rules apply to air travel:

1. Air travel should be at coach class or the lowest commercial discount fare at the time the ticket is purchased except when this fare would:
  - a. Require circuitous routing,
  - b. Require travel during unreasonable hours,
  - c. Excessively prolong travel,
  - d. Result in additional costs that would offset the transportation savings, or
  - e. Offer accommodations not reasonably adequate for the traveler's medical needs.
2. First class air travel shall not be reimbursed unless there is a medical reason which must be documented and approved by a supervisor.
3. Memberships in airline flight clubs are not reimbursable.
4. Cost of flight insurance is not reimbursable.
5. At least two quotes from a travel agency and/or an airline website should be obtained and attached to the expense report.
6. Cost of upgrade certificates is not reimbursable in most cases.
7. The cost of baggage fees required by airlines to either check or carry-on luggage is allowable and reimbursable.
8. Cost of canceling and rebooking flights is not reimbursable, unless it can be documented that it was necessary or required for legitimate business reasons (such as changed meeting dates, etc.).

9. Travelers must identify and pay for all personal flights, even if such flights are incorporated into a flight schedule that serves business purposes (i.e., Leech Lake Tribal College will not reimburse for the personal legs of a trip).
10. Frequent flyer miles will accrue to the traveler and the College.

#### **.05 Temporary Dependent Care Costs (2 CFR Part 200.474(c))**

Temporary dependent care costs above and beyond regular dependent care that directly result from travel to conferences are allowable and reimbursable providing that:

1. The costs are a direct result of the individual's travel for the Federal award;
2. The costs are consistent with the non-Federal entity's documented travel policy for all entity travel; and
3. Are only temporary during the travel period.

#### **.06 Spouse/Partner Travel**

Leech Lake Tribal College does not reimburse any employee or board member for separate travel costs (air fare, etc.) associated with his or her spouse or partner. The cost of a shared hotel room need not be allocated between employee/director and spouse/partner for purposes of this policy.

#### **.07 Mileage Reimbursement Requirements**

1. The driver must have a valid drivers' license from the State of Minnesota.
2. The driver must have valid insurance for the vehicle driven.
3. The insurance must either be in the driver's name or show proof from their insurance company that the driver is listed under said policy.
4. Drivers are required to submit their current driver's license and insurance to the Accounting Office.
5. Drivers are responsible for submitting updated items to the Accounting Office as they expire.
6. The Accounting Office will notify drivers when requirements are not met.
7. Drivers not meeting requirements will NOT be paid mileage.
8. Approved usage of a Personally-Owned Vehicle (POV) must be on the original Travel Authorization.
9. If a group of travelers are traveling on the same travel but choose to take separate POV's, mileage will be divided in half.

**Note:** LLTC employees are expected to use school vehicles whenever possible. When this is not possible, the rate for mileage will be the current GSA rate.

Use of college vehicles is deemed "not possible" under the following conditions:

- When an LLTC employee is assigned daily "mail-run" duties.
- When an LLTC employee is assigned work-related travel to an off-campus location the next day, and it would be impractical to expect the employee to travel to the college to use

a college vehicle strictly for travel purposes when the off-campus location is closer to a home location than to the college location. Situations like this occur when an employee has a commute to work > 15 miles one way.

### **.08 Travel Approval**

Each conference or travel authorization must be approved for each employee by the President. All travel requests must be submitted to the Finance Office at least two weeks in advance of travel date for in-state travel and six-eight weeks in advance for out-of-state travel. Travel for any Board members shall be authorized by the Chairman of the Board of Trustees. Before travel is authorized there must be available funds in the budget. Signed Travel Authorizations must be attached to conference registration and/or airline ticket requests.

### **.09 Insurance**

Employees who rent a vehicle must be certain their own auto insurance is adequate in the event of an accident or they may be reimbursed for the cost of any insurance purchased for official travel.

### **.10 Reservations for Air Travel**

**Voluntary Vacates.** Any traveler who voluntarily vacates a seat on a commercial carrier may retain any remuneration provided by the carrier; however, excess travel time will be charged to annual leave. Travelers shall be responsible for additional costs of meals, motels, and phone calls. Travelers are to be reminded that they may not voluntarily vacate a seat if it will result in the interference of College duties (e.g., missing meetings).

**Denied Boarding.** Any traveler who is denied boarding on a commercial carrier may not retain any remuneration from the carrier. However, unlike the traveler who voluntarily vacates a seat, the traveler who is denied boarding remains in travel status until arrival at the authorized point, unless such denial is the result of the employee arriving late at the terminal.

**Delayed Arrivals.** Travelers who sustain delays due to circumstances beyond their control (e.g., inclement weather, equipment malfunction) remain in travel status until they arrive at the authorized point.

### **.11 Compensatory Time Off for Travel (CTT)**

Time and attendance records must distinguish between regular compensatory time off and compensatory time off for travel. To qualify for this purpose, travel must be officially authorized for work purposes and must be approved by the employee's supervisor.

The travel authorization must reflect eligibility for compensatory time for travel prior to travel. The first available flight after the training with the most direct route shall be booked by the travel clerk. Employees are not eligible to earn CTT if the travel status is extended beyond the original plan if it is only for the convenience of the employee.

Employees often stay overnight while on travel status. However, only travel time to and from the travel destination are allowed while computing CTT. Evenings or nights away from home are not considered part of CTT.

## **7200 CASH DISBURSEMENTS (CHECK-WRITING) POLICIES**

### **.01 Check Preparation**

Leech Lake Tribal College prints contractor checks and expense reimbursement checks on a [weekly] basis. Checks shall be prepared by persons independent of those who initiate or approve expenditures, as well as those who are authorized check signers.

All contractor and expense reimbursement checks shall be produced in accordance with the following guidelines:

1. Expenditures must be supported in conformity with purchasing, accounts payable, and travel and business entertainment policies described in this manual.
2. Timing of disbursements should generally be made to take advantage of all early-payment discounts.
3. Generally, all contractors shall be paid within [30 days] of submitting a proper invoice upon delivery of the requested goods or services.
4. Total cash requirements associated with each check run are monitored in conjunction with available cash balance in bank prior to the release of any checks.
5. All supporting documentation is attached to the corresponding check prior to forwarding the entire package to an authorized check signer.
6. Checks shall be utilized in numerical order and unused checks are stored in a locked safe.
7. Checks shall never be made payable to "bearer" or "cash."
8. Checks shall never be signed prior to being prepared.
9. Upon the preparation of a check, contractor invoices and other supporting documentation shall immediately be canceled in order to prevent subsequent reuse.

### **.02 Check Signing**

All checks require two signatures, the Board of Trustees Chair Person and the President. The Signatures are computer generated.

### **.03 Mailing of Checks**

The clerk mails checks immediately or holds them for distribution.

#### **.04 Voided Checks and Stop Payments**

Checks may be voided due to processing errors by making proper notations in the check register and defacing the check by clearly marking it as "VOID." All voided checks shall be retained to aid in preparation of bank reconciliations.

Stop payment orders may be made for checks lost in the mail or other valid reasons. Stop payments are processed by telephone/email instruction and written authorization to the bank by finance personnel with this authority. A journal entry is made to record the stop payment and any related bank fees.

#### **.05 Recordkeeping Associated with Independent Contractors**

Leech Lake Tribal College shall obtain a completed Form W-9 or equivalent substitute documentation from all contractors to whom payments are made (see "Accounts Payable Management" policies). A record shall be maintained of all contractors to whom a Form 1099 is required to be issued at year-end. Payments to such contractors shall be accumulated over the course of a calendar year.

#### **.06 Control Grid – Purchasing and Disbursements**

Leech Lake Tribal College strives to maintain adequate segregation of duties in its purchasing and disbursements functions. The following table illustrates how responsibilities have been assigned. In this table personnel are identified as follows:

- A. Directors, Deans, etc...
- B. [Department Managers]
- C. Director of Finance
- D. [Grant Administrator/Senior Accountant]
- E. [Accounts Payable Technician]

Duty	A	B	C	D	E
Inputs data into vendor master file			X		
Obtains Form W-9 from new contractors		X			X
Initiates purchases	X	X	X		
Authorizes purchases	X	X	X		
Prepares purchase order/requisition	X	X	X	X	X
Prepares request for proposal	X	X	X		
Administers collection of proposals	X	X	X		
Evaluates proposals	X	X	X		
Selects contractor	X	X			X
Receives contractor invoice					X
Approves contractor invoice	X	X	X	X	
Assigns general ledger coding		X	X	X	
Inputs invoice into A/P system					X

Selects A/P to be paid					X
Runs A/P checks					X
Reviews checks			X	X	
Mails checks					X
Maintains custody of unused checks			X	X	
Reconciles A/P to general ledger			X	X	
Performs bank reconciliation			X		
Reviews cancelled checks			X		
Reviews bank reconciliations	X				

## **7210 CREDIT CARDS/PURCHASING CARDS**

### **.05 Employee Credit Cards**

Employees and trustees incurring legitimate College business expenses are not expected to utilize their personal credit cards for such expenditures. In cases where personal credit cards are used, the College shall reimburse employees and trustees for properly supported and documented business expenditures charged to personal credit cards within [ten] business days of the proper completion of an disbursement voucher. (See the earlier policy on Travel and Business Entertainment for expense report preparation procedures.) Travel advances may be requested in special circumstances (e.g., situations in which legitimate business expenses are expected to exceed an employee's credit card limit or other special cases).

## **7220 PAYROLL AND RELATED POLICIES**

### **.01 Payroll Taxes**

The Finance Department is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid. The Finance Department may utilize the services of an outside payroll service center for the processing of payroll, as determined by the Director of Finance.

### **.02 Personnel Activity Reports**

Leech Lake Tribal College follows the requirements in 2 *CFR Part 200.430(i), Standards for Documentation of Personnel Expenses*, as well as requirements in specific grants.

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

1. Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
2. Be incorporated into the official records of the College;
3. Reasonably reflect the total activity for which the employee is compensated;
4. Encompass both federally assisted and all other activities compensated by the College on an integrated basis;
5. Comply with the established finance policies and practices of College; and
6. Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect cost activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

### **.03 Preparation of Timesheets**

Each Leech Lake Tribal College employee must submit to the Finance Department a signed and approved timesheet no later than [12:00 noon on the 3<sup>rd</sup> day] following the close of each pay period.

### **.04 Processing of Timesheets**

The Accountant I will process the timesheets by checking them for mathematical accuracy (not required if timesheets are electronic), then entering all timesheets into the payroll system [or submitting payroll to the payroll service center].

The Accountant I may change or correct timesheets with approval from Department Supervisors.

### **.05 Review of Payroll**

Upon production of all payroll reports and checks [or return of payroll reports and checks from the payroll service center], the Director of Finance or Grant Administrator/Senior Accountant reviews payroll prior to its distribution to employees. The Director of Finance shall sign and date the payroll register indicating approval of the payroll.

### **.06 Distribution of Payroll**

Payroll payments (or check stubs for electronic deposits) shall be distributed by individuals who do not approve timesheets, are not responsible for hiring and firing, and do not control the preparation of payroll.

### **.07 Payroll Advance Policy**

Payroll Advances are provided on a limited basis and must be approved by the employee's immediate supervisor and department director. The final approval is obtained from the Finance Director who verifies that the employee has only received two (2) advances within a fiscal year.

## **.07 Control Grid – Payroll and Human Resources**

Leech Lake Tribal College strives to maintain adequate segregation of duties in its payroll and human resources functions. The following table illustrates how responsibilities have been assigned. In this table, personnel are identified as follows:

- A. [Human Resources Manager]
- B. Director of Finance
- C. [Grant Administrator/Senior Accountant]
- D. [Accountant I]

<b>Duty</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
Authorizes new hires	X	X		
Authorizes salary adjustments	X	X		
Authorizes terminations	X	X		
Sets up new employee in P/R system	X			
Enters salary adjustments to P/R system	X			
Enters direct deposit info. in P/R system				X
Deletes terminated employees from P/R	X			
Reviews changes to payroll master file		X		
Enters timesheets				X
Reviews input of timesheet data				X
Reviews distribution of time			X	X
Reviews payroll register		X		
Prints checks (or paystubs)				
Distributes checks (paystubs)				X
Has access to unused payroll checks		X		X
Prints annual W-2 forms				X
Reviews annual W-2 forms		X		X
Distributes annual W-2 forms				X

# **POLICIES PERTAINING TO SPECIFIC ASSET ACCOUNTS**

## **7230 CASH AND CASH MANAGEMENT**

***Editor's Note:*** Federal regulations do not require multiple bank accounts as long as recipient's finance records can account for the source and use of federal funds. Therefore, we recommend the following accounts.

### **.01 Cash Accounts**

#### ***General Checking Account (operating account):***

The primary operating account provides for routine business check disbursements. All cash and credit card deposits are made to this account.

In addition, all advances of federal funds shall be deposited in an interest-bearing account and interest earned in excess of \$500 shall be returned to the Federal Payment Management System (PMS). Interest earned on such funds will be allocated to federal awards based on the percentage of funds received during the month for each award.

### **.02 Authorized Signers**

The following Leech Lake Tribal College personnel are authorized to sign checks drawn on the general operating accounts:

College President  
BOT Chairperson

Director of Finance will promptly notify the College's financial institutions of changes in authorized signatures upon the departure of any authorized signer. Refer to the section titled "Check Signing" for procedures.

### **.03 Bank Reconciliations**

Bank account statements are received each month and forwarded unopened to the Grant Administrator/Senior Accountant. The Grant Administrator/Senior Accountant shall open the statement and review its contents for unusual or unexplained items, such as unusual endorsements on checks, indications of alterations to checks, etc. (This review must be performed in a timely manner so that reconciliation of the bank account is not delayed.) Unusual or unexplained items shall be reported immediately to the Finance Committee.

***Editor's Note:*** A review of the original bank statement and items returned with the statement, as well as preparation or review of the bank reconciliation, is a critical component of the segregation of duties that is essential to strong internal controls. In addition, the Board Treasurer could be given on-line access to the bank account to review activity in the account.

After this review is complete, the entire bank statement is forwarded to the [Director of Finance] who prepares reconciliation between the bank balance and general ledger balance. The bank reconciliation process will be completed within [one week] of receipt of each bank statement.

**Editor's Note: If this is too time-consuming, we recommend, at a minimum, that payments to new contractors and for large amounts be examined.**

The reconciliation process shall involve an inspection of the fronts and backs of cancelled checks returned with the bank statement. The purpose of this inspection is to identify signs of forgery, altered or substitute checks, unusual endorsements, or other signs of fraudulent activity. If the College's financial institution does not return original cancelled checks or paper copies thereof, the person preparing the monthly bank reconciliation shall view electronic copies of cancelled checks provided by the financial institution via CD-ROM or Internet access to the Institution's website.

All bank reconciliations, including any adjusting journal entries resulting from preparing bank reconciliations, are reviewed and approved by the Grant Administrator/Senior Accountant on a monthly basis.

Bank reconciliations and copies of resulting journal entries are filed in the current year's finance files.

#### **.04 Cash Flow Management**

The Director of Finance monitors cash flow needs on a weekly basis to eliminate idle funds and to ensure that payment obligations can be met.

Leech Lake Tribal College adheres to the requirements of its grants which prohibit loaning funds between programs; therefore, cash management and reporting is performed at the program level as well as for the College as a whole.

#### **.05 Stale Checks**

Leech Lake Tribal College will write off checks of [\$1,000] or less that are more than [6 months] old that have not cleared the College's bank. For uncashed checks that are more than [6 months] old and that exceed [\$1,000], contact will be made with the payee to resolve the issue.

All stale checks that are written off within the same fiscal year as they were written shall be credited to the same expense or asset account that was debited when the check was written or the expenditure incurred. For stale checks written off in fiscal years subsequent to the year in which the check was written, the credit shall be to miscellaneous income.

#### **.06 Wire Transfers**

The Director of Finance and the [Grant Administrator/Senior Accountant] shall be the only Leech Lake Tribal College employees authorized to transact wire transfers from Leech Lake Tribal College bank accounts. To prevent anyone other than the Director of Finance and the [Grant Administrator/Senior Accountant] from transacting wire transfers, a system shall be employed that requires the use of pass

codes and the calculation of a test-key for each wire transfer. Pass codes, issued only to the Director of Finance and President, are assigned by the bank and are changed [annually].

Confirmations of all wire transfers are delivered to the [Accountant I],

## **7240 INVENTORY OF MATERIALS**

### **.01 Description of Inventory**

Leech Lake Tribal College maintains an inventory. Examples of such items include:

Bookstore.  
Print Shop.  
Information Technology.  
Maintenance.

### **.02 Finance for Inventory**

Leech Lake Tribal College accounts for purchased inventory items at cost, using the [average] method of valuation. Unit cost shall be computed by adding freight, insurance, and other shipping costs to the actual cost of purchased inventory, dividing this total amount by the number of units purchased.

### **.03 Physical Counts**

A physical count of inventory will be performed on [an annual] basis by someone who does not have responsibility for ordering or approving purchases of such items. Any inventory items that appear damaged, obsolete, or otherwise unable to be sold shall be excluded from the counts. A detailed record of the physical count shall be kept by the individuals involved in taking the inventory.

At the conclusion of the physical count, the inventory count sheets shall be extended by applying the average unit costs to the physical quantities of each item on hand. The general ledger balance shall be adjusted to reflect the total inventory on hand as determined by the physical count.

## **7250 PREPAID EXPENSES**

### **.01 Finance Treatment**

Leech Lake Tribal College treats payments of expenses that have a time-sensitive future benefit as prepaid expenses and will amortize these items over the corresponding time period. For purposes of this policy, payments of less than [\$1,000] shall be expensed as paid and not treated as prepaid expenses, regardless of the existence of a future benefit.

Prepaid expenses with future benefits that expire within one year from the date of the financial statements shall be classified as current assets. Prepaid expenses that benefit future periods beyond one year from the financial statement date shall be classified as noncurrent assets.

### **.02 Procedures**

As part of the account coding process performed during the processing of accounts payable, all incoming vendor invoices shall be reviewed for the existence of time-sensitive future benefits. If future benefits are identified, the payment shall be coded to a prepaid expense account code.

The Finance Department shall maintain a schedule of all prepaid expenses. The schedule shall indicate the amount and date paid, the period covered by the prepayment, the purpose of the prepayment, and the monthly amortization. This schedule shall be reconciled to the general ledger balance as part of the monthly closeout process.

### **.03 Unrecoverable Tuition/Fees and Bad Debts**

The Director of Finance shall submit a list of potential uncollectible tuition/fees and/or bad debt write-offs to the President for approval before the uncollectible tuition/fees and/or bad debt write off transaction is actually made. This system shall provide a consistent identification and treatment of accounts receivable.

Guidelines for identifying potential bad debt write offs shall include determination of student funding disposition and the age of the bad debt. This system shall identify the unpaid tuition/fees that are the source of bad debts for the College.

Write-off transactions over \$50,000 require approval by the Board of Trustees with a summary report provided to the Board annually.

The use of a reputable Collection Agency will be utilized for all Bad Debt in Student Receivables

#### **.04 Travel Advance Loans**

Travel advance loans shall be set up as accounts receivable rather than an expense account when paid. After the individual files a travel voucher, the travel advance loan shall be expensed along with any additional payments due the individual.

## **7260 INVESTMENT POLICIES**

### **.01 Introduction**

Leech Lake Tribal College treats all assets of the College, including those funds that are legally unrestricted, as though they are held in a fiduciary capacity for the purpose of accomplishing the College's tax-exempt mission. Hence, the policies described in this section are to be interpreted in light of that overall sense of stewardship, and the investment standards shall be those of a prudent investor.

This Investment Policy has been arrived at upon consideration by the Finance Committee of a wide range of policies, and describes the prudent investment process the Finance Committee deems appropriate. This process includes offering various asset classes and investment management styles that, in total, are expected to offer the opportunity to diversify the portfolio in a manner consistent with the specified risk and return requirements of the portfolio.

Funds to be invested do not include those from federal awards, unless required as such. Such funds will be spent on program requirements as budgeted, or returned to the awarding agency. Any advances of federal funds will be maintained in an interest-bearing account. Interest earned on such funds, up to \$500 per year, will be allocated to federal grants based on a percentage of funds received during the month, and any additional interest will be returned to the Federal Payment Management System.

### **.02 Delegation of Authority**

The Board of Trustees of Leech Lake Tribal College has delegated supervisory authority over its investing activities to the Finance Committee. The Finance Committee is responsible for regularly reporting on the College's investments to the full Board of Trustees.

The Finance Committee is authorized to retain one or more Investment Counselors to assume the investment management function. In that regard, the Finance Committee may enter into agreements with, delegate investment authority to, pay compensation to, and receive reports from one or more Investment Counselors.

### **.03 Finance Treatment**

All purchased investments shall initially be recorded at cost. All investments acquired by donation to Leech Lake Tribal College shall initially be recorded at their fair market value as of the date of donation. Donated investments shall be recorded as unrestricted, temporarily restricted, or permanently restricted income and net assets based on the existence or absence of such restrictions, as defined in the section on Contribution Finance in this manual.

Subsequent to acquisition, Leech Lake Tribal College carries all equity securities with readily determinable fair market values and all debt securities at their market values. Adjustments to market value shall be made in the finance records and financial statements of Leech Lake Tribal College on a [quarterly] basis.

Adjustments to market value result in unrealized gains and losses on investments. Such gains and losses resulting from contributed investments (or from investments purchased with contributed funds) shall be

classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of explicit restrictions on such appreciation and depreciation from the donor, as defined earlier. Such unrealized gains and losses from investments purchased with unrestricted funds shall be classified as unrestricted.

#### **.04 Procedures and Reporting**

The following reporting procedures will be followed to ensure that investments are properly managed and that these investment policies are consistent with the mission of Leech Lake Tribal College and accurately reflect the current financial condition of the College:

1. The Director of Finance shall maintain a schedule of investments and reconcile this schedule with the general ledger and with investment account statements on a monthly basis. The schedule of investments shall include the following information with respect to each investment:
  - a. Date acquired
  - b. Method of acquisition (purchase or donation)
  - c. Cost or basis at acquisition
  - d. Description of investment
  - e. Interest rate (if applicable)
  - f. Date of maturity (if applicable)
  - g. Holder/issuer of security
  - h. Current market value
  - i. Unrealized gain or loss
  - j. Accrued interest receivable (if applicable)
  - k. Income received, year-to-date (i.e., interest, dividends, etc.)
2. The Director of Finance and [Investment Counselor] shall prepare a schedule of investments for presentation on a [quarterly] basis for the Finance Committee and on an [annual] basis for the Board of Trustees.
3. The quarterly investment reports shall detail the portfolio's composition and performance for the quarter and year-to-date, along with a comparison to budget and to the prior year.
4. The annual investment report shall be presented to the Board of Trustees at the time the Leech Lake Tribal College audit is presented, outlining in detail the investment portfolio's composition and performance for the fiscal year, along with a comparison to appropriate market indices. The report will show results for the most recently-completed fiscal year and for the last three years.

#### **.05 Finance for Investments in Other Entities**

Non-exempt entities in which the College possesses a greater-than-50-percent ownership interest shall be consolidated into the financial statements of the College. A non-exempt entity as used here means any for-profit entity that is not exempt from federal income taxes, such as corporations, limited partnerships, S Corporations, LLPs, and LLCs, and that issues ownership or interests.

Entities in which the College holds a 50 percent or less interest, but over which the College exercises significant influence over operating and financial policies, shall be accounted for using the equity method of finance. Under this method of finance, an asset account is maintained to track the College's investment

in the entity, and this asset account shall be adjusted upwards or downwards based on the College's share of the entity's profits or losses.

If the College holds less than 50 percent of an entity, or does not exercise significant influence, ownership shall be accounted for at the lower of cost or market value (but see later policies governing consolidations, which supplement this policy).

#### **.06 Communication**

1. The Investment Manager will keep the Board of Trustees informed on a timely basis of major changes in its investment outlook, investment strategy, asset allocation, and other matters affecting their investment policies or philosophy.
2. The Board of Trustees also expects to be informed of any significant changes in the ownership, organizational structure, financial condition, or senior staffing of the Investment Managers firm.
3. Whenever the Investment Manager believes that any particular guideline should be altered or deleted, it will be the Investment Managers responsibility to initiate written communications with the Board of Trustees expressing its views and recommendations.

#### **.07 Prohibited Investments**

The following types of assets or transactions are expressly prohibited:

1. Commodities
2. Futures
3. Unrestricted Letter Stock
4. Foreign Securities other than those listed on the New York Stock Exchange
5. Warrants
6. Illiquid Securities
7. Purchasing of Securities on Margin
8. Selling Short

#### **.08 Asset Allocation**

It shall be the policy of the Fund to invest the assets in accordance with the maximum and minimum range for each asset category as stated below:

ASSET CATEGORY	MINIMUM	TARGET	MAXIMUM
Common Stocks	0 %	30%	50%
Fixed Income	20%	70%	100%
Cash and Equivalents	0%	0%	15%

The Asset Mix Policy and acceptable minimum and maximum ranges established by the Board of Trustees represent a long-term view. As such, rapid and significant market movements may cause the Fund's actual asset mix to occasionally fall outside the policy range but it is expected that any divergence should be of a short-term nature.

### **.09 Investment Manager Performance Evaluation**

Performance results for the Investment Manager will be measured on a quarterly basis. While the Board of Trustees intends to fairly evaluate the portfolio performance over the agreed upon period of evaluation, the Board of Trustees reserves the right to change the Investment Manager if there is:

1. Failure to meet the Fund's expectations.
2. Lack of responsiveness to the Boards' overall concern about the market- inflexibility of approach.
3. Failure to meet the Board of Trustees' communication and reporting requirements.
4. In the Board of Trustees' sole judgment a change of Investment Manager would be beneficial to the Fund.

## **7270 PROPERTY AND EQUIPMENT**

### **.01 Capitalization Policy**

Physical assets acquired with unit costs in excess of [\$5,000] are capitalized as property and equipment on the College's financial statements. Items with unit costs below this threshold shall be expensed in the year purchased.

If an awarding agency requires a lower amount for equipment, Leech Lake Tribal College will adhere to that dollar amount only for that program or contract.

Capitalized property and equipment additions are accounted for at their historical cost and all such assets, except land, are subject to depreciation over their estimated useful lives, as described later.

Capitalized assets will be reported as expensed for grants if they were so budgeted in the grant application. However, for the College's financial statements, these assets will be capitalized and depreciated according to these policies.

### **.02 Contributed Assets**

Assets with fair market values in excess of [\$5,000] (per unit) that are contributed to Leech Lake Tribal College shall be capitalized as fixed assets on the financial statements. Contributed items with market values below this threshold shall be expensed in the year contributed.

Capitalized contributed assets are accounted for at their market value at the time of donation and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives, as described later.

### **.03 Equipment and Furniture Purchased with Federal Funds (2 CFR Part 200.313)**

Leech Lake Tribal College may occasionally purchase equipment and furniture that will be used exclusively on a program funded by a federal agency. In addition to those policies on Asset Management described earlier, equipment and furniture charged to federal awards will be subject to certain additional policies as described below.

For purposes of federal award finance and administration, *equipment* shall include all assets with a unit cost equal to the lesser of \$5,000 or the capitalization threshold utilized by Leech Lake Tribal College, described under Asset Management.

All purchases of *equipment* with federal funds shall be approved, in advance and in writing, by the federal awarding agency. In addition, the following policies shall apply regarding equipment purchased and charged to federal awards:

1. Adequate insurance coverage will be maintained with respect to equipment and furniture charged to federal awards.

2. For equipment (or residual inventories of supplies) with a remaining per unit fair market value of \$5,000 or less at the conclusion of the award, Leech Lake Tribal College shall retain the equipment without any requirement for notifying the federal agency.
3. If the remaining per unit fair market value is \$5,000 or more, Leech Lake Tribal College shall gain a written understanding with the federal agency regarding disposition of the equipment. This understanding may involve returning the equipment to the federal agency, keeping the equipment and compensating the federal agency, or selling the equipment and remitting the proceeds, less allowable selling costs not to exceed \$500, to the federal agency. (2 CFR Part 200.313(e))
4. The Project investigator shall determine whether a specific award with a federal agency includes additional equipment requirements or thresholds and requirements that differ from those described above.
5. A physical inventory of all equipment purchased with federal funds shall be performed annually by an employee who is not responsible for approving the purchase of these assets. The results of the physical inventory shall be reconciled to the finance records of and federal reports filed by Leech Lake Tribal College.

#### **.04 Establishment and Maintenance of a Fixed Asset Listing**

All capitalized property and equipment shall be recorded in a property log. This log shall include the following information with respect to each asset: (2 CFR part 200.313(d)(1))

1. Date of acquisition
2. Cost
3. Description (including color, model, and serial number or other identification number)
4. Source of the funds used to purchase the equipment, including the federal award number, if applicable
5. Whether the title vests in the College or the federal government
6. Information to calculate the federal share of the cost of the equipment, if applicable
7. Location, use and condition
8. Depreciation method
9. Estimated useful life
10. Ultimate disposition data including the date of disposal and sale price

A physical inventory of all assets capitalized under the preceding policies will be taken on an [annual] basis by Leech Lake Tribal College. This physical inventory shall be reconciled to the property log and adjustments made as necessary. All adjustments resulting from this reconciliation will be approved by the Director of Finance.

#### **.05 Receipt of Newly Purchased Equipment and Furniture**

At the time of arrival, all newly purchased equipment and furniture shall be examined for obvious physical damage. If an asset appears damaged or is not in working order, it shall be returned to the contractor immediately.

In addition, descriptions and quantities of assets per the packing slip or bill of lading shall be compared to the assets delivered. Discrepancies should be resolved with the contractor immediately.

## **.06 Depreciation and Useful Lives**

All capitalized assets are maintained in the special property and equipment account group and are not included as an operating expense. Property and equipment are depreciated over their estimated useful lives using the [straight-line] method.

In the year of acquisition, depreciation is recorded based on the “Half-Year Convention”.

Estimated useful lives of capitalized assets shall be determined by the Finance Department in conjunction with the department or employee that shall utilize the asset. The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

Furniture and fixtures	Up to 10 years
General office equipment	5 years
Computer hardware and peripherals (which exceed the capitalization threshold)	3–5 years
Computer software	2–3 years
Leased assets	Life of lease
Leasehold improvements	Remaining lease term

For finance and interim financial reporting purposes, depreciation expense will be recorded on a [annual] basis.

## **.07 Changes in Estimated Useful Lives**

If it becomes apparent that the useful life of a particular capitalized asset will be less than the life originally established, an adjustment to the estimated useful life shall be made. All such changes in estimated useful lives of capitalized assets must be approved by the Director of Finance.

When a change in estimated useful life is made, the new life is used for purposes of calculating annual depreciation expense. In the year in which the change in estimate is made, the cumulative effect of the change shall be reflected as depreciation expense in the College’s statement of activities.

For example, if in the fourth year of an asset’s life, it is determined that the asset will last five years instead of the original estimate of seven years, depreciation expense for that year shall be equal to the difference between 4/5 of the asset’s basis (accumulated depreciation at the end of year four) and 3/7 of the asset’s basis (accumulated depreciation at the beginning of the year).

## **.08 Repairs of Property and Equipment**

Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property.

Expenditures to repair capitalized assets shall be capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs shall be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life.

#### **.09 Dispositions of Property and Equipment**

If equipment is sold, scrapped, donated, or stolen, adjustments need to be made to the fixed asset listing and property log. If money is received for the asset, then the difference between the amount received and the "book value" (purchase price less depreciation) of the asset will be recorded as a loss (if the money received is less than the book value) or a gain (if the money received is more than the book value).

#### **.10 Write-Offs of Property and Equipment**

The Director of Finance approves the disposal of all capitalized fixed assets that may be worn-out or obsolete. Property that is discovered to be missing or stolen will be reported immediately to the Director of Finance. If not located, this property will be written off the books with the proper notation specifying the reason.

## **7280 LEASES**

### **.01 Classification of Leases**

Leech Lake Tribal College classifies all leases in which the College is a lessee as either capital or operating leases. Leech Lake Tribal College shall utilize the criteria described in Statement of Financial Finance Standards No. 13 in determining whether a lease is capital or operating in nature. Under those criteria, a lease shall be treated as a capital lease if, at the time of entering into the lease, any of the following factors are present:

1. The lease transfers ownership to Leech Lake Tribal College at the end of the lease term.
2. The lease contains a bargain purchase option.
3. The lease term is equal to 75% or more of the estimated economic life of the leased property.
4. The present value of the minimum lease payments is 90% or more of the fair value of the leased property (using, as the interest rate, the lesser of Leech Lake Tribal College's incremental borrowing rate or, if known, the lessor's implicit rate).

All leases that do not possess any of the four preceding characteristics shall be treated as operating leases. In addition, all leases that are immaterial in nature shall be accounted for as operating leases.

### **.02 Reasonableness of Leases**

Leech Lake Tribal College assesses the value of leases according to the requirements of 2 CFR Part 200.465, Rental Costs of Real Property and Equipment, considering the following factors;

- The rate is reasonable when compared to similar property in the same area;
- The rate of any alternatives; and
- The type, life expectancy, condition, and value of the property leased.

Rental arrangements will be reviewed every [3 to 5] years to determine if circumstances have changed and other options are available.

### **.03 Finance for Leases**

All leases that are classified as operating leases and immaterial capital leases shall be accounted for as expenses in the period in which the lease payment is due. For leases with firm commitments for lease payments that vary over the term of the lease (i.e., a lease with fixed annual increases that are determinable upon signing the lease), the amount that Leech Lake Tribal College shall recognize as monthly lease expense shall equal the average monthly lease payment over the entire term of the lease. Differences between the average monthly payment and the actual monthly payment shall be accounted for as an asset or liability.

All leases that are classified as capital leases shall be treated as fixed asset additions. As such, upon the inception of a capital lease, Leech Lake Tribal College shall record a capitalized asset and a liability under the lease, based on the net present value of the minimum lease payments (or the fair value of the leased asset, if it is less than the present value of the lease payments). Periodic lease payments shall be allocated between a reduction in the lease obligation and interest expense. The capitalized asset recorded under a capital lease shall be depreciated over the term of the lease, using the [straight-line] method of depreciation.

Leech Lake Tribal College shall also maintain a control list of all operating and capital leases. This list shall include all relevant lease terms, including a schedule of future annual lease payments obligations.

### **.04 Changes in Lease Terms**

As described in earlier policies, leasehold improvements and deferred rent incentives are amortized over the initial lease term. If such lease term is changed prior to the expiration of the initial lease term, Leech Lake Tribal College will revise amortization to reflect the remaining lease term as of the effective date of the lease modification.

## **7290 SOFTWARE ACQUISITION AND DEVELOPMENT COSTS**

### **.01 Costs to Be Capitalized**

Certain costs incurred in connection with the acquisition or development of internal-use software shall be capitalized and reported as an asset of the College. The costs that shall be capitalized are those that are in excess of the College's capitalization threshold (explained earlier) and that meet any one of the following criteria:

1. External direct costs (i.e., amounts paid to vendors) of materials and services for developing or obtaining internal-use software ("developing" to include design, coding, installation, and testing).
2. Internal payroll and related benefit costs for employees who are directly associated with, and who devote time to, an internal-use software project (i.e., the same types of software development costs described above).
3. Interest costs incurred in developing software.
4. Costs associated with upgrades and enhancements when it is probable that these expenditures will result in additional functionality.

Costs that are capitalized in connection with the preceding policy shall be included as assets on the College's property and equipment listing, and shall be amortized over an estimated useful life in accordance with the previously stated policies on depreciation and amortization.

### **.02 Costs to Be Expensed As Incurred**

Many costs associated with acquiring or developing internal-use software are to be expensed as incurred, rather than capitalized, including:

1. External and internal costs incurred in the preliminary project phases, such as costs associated with making decisions to allocate resources to the project, determining performance requirements and specifications, and reviewing and selecting vendors and consultants.
2. Research and development costs.
3. General and administrative costs.
4. Data conversion.
5. Training costs.
6. Internal maintenance costs.

## **7300 INTANGIBLE ASSETS**

### **.01 Acquisition of Intangible Assets**

Intangible assets include a variety of items, such as copyrights, service marks, trademarks, license agreements, and videos. The College may acquire intangible assets in any of the following manners:

1. Contribution from a donor;
2. Purchase from an outside party that holds title to an intangible asset; or
3. Internally developing an intangible asset through utilization of the College's employees, volunteers, and contractors (e.g., an employee writes a document on behalf of the College)

### **.02 Finance for Intangible Assets**

Intangible assets acquired by contribution from donors shall be accounted for as assets measured at fair value at the date of the gift. (See "Fair Value Finance Procedures" for a description of internal controls over the establishment of fair values.)

Intangible assets acquired by purchase shall be capitalized as assets at the purchase price paid for such assets.

The costs of intangible assets that are developed internally shall be charged to expense (not capitalized) if any of the following criteria are met:

1. The intangible asset is not specifically identifiable.
2. The asset has an indeterminate life.
3. The asset is inherent in the College and related to the College taken as a whole.

Costs of internally-developed intangible assets not meeting any of the three preceding criteria shall be capitalized. These costs may include salaries, allocated employee benefit costs, consultant fees, and other related costs.

### **.03 Amortization**

Capitalized intangible assets of the College shall be classified into one of three categories, as follows:

1. Assets with finite and precise useful lives (such as a license agreement with a fixed term)
2. Assets with finite, but imprecise, useful lives
3. Assets with indefinite useful lives

Intangible assets with finite and precise useful lives shall be amortized over their useful lives, using the straight-line method of amortization.

For intangible assets with finite, but imprecise, useful lives, the College shall estimate a useful life and amortize the asset over that life, using the straight-line method of amortization.

For either of the two preceding categories of amortizable intangible assets, the College shall evaluate the useful life on an annual basis to determine whether an adjustment of the useful life is appropriate.

For intangible assets with indefinite useful lives, the cost of the asset shall remain on the books of the College as an asset, without reducing this basis for amortization, until such time as an impairment in the value of the asset is determined to have occurred. See the next section for a description of the College's policies and procedures associated with asset impairments.

In addition, intangible assets with indefinite useful lives shall be evaluated on an annual basis for purposes of determining whether the previously indefinite useful life has become finite and estimable (e.g., a copyright that when initially acquired had an indefinite life, but which has become dated and now has a finite remaining useful life). If it is determined that any intangible asset previously accounted for as having an indefinite useful life has become an asset with a finite and estimable useful life, the College shall begin amortizing the intangible asset over the estimated remaining useful life (i.e., rather than recording an impairment in the value of the asset).

## 7310 ASSET IMPAIRMENTS

Long-lived assets of the College include personal property and equipment, land, buildings, intangible assets, and other noncurrent assets. In connection with long-lived assets, the College shall record an impairment loss when the carrying amount (book value, net of any accumulated depreciation or amortization) is both:

1. Not recoverable (through sale, etc.); and
2. In excess of the asset's fair value.

Long-lived assets shall be tested for impairment whenever events or changes in circumstances indicate that an asset's carrying value may be impaired. Examples of such events or circumstances that the College shall consider include:

1. A significant decrease in the market price of a long-lived asset.
2. A significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition.
3. A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, including an adverse action by a regulator.
4. An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset.
5. A current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that indicates continuing losses associated with the use of a long-lived asset.
6. A current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

If the College records an impairment loss in connection with a long-lived asset subject to depreciation or amortization, the reduced basis resulting from recording the loss shall be used as a new basis for calculating future periods' depreciation or amortization.

## **7320 FAIR VALUE FINANCE**

### **.01 Scope**

Throughout this manual, numerous references are made to fair value finance issues. Examples include the valuation of publicly-traded securities held as investments, valuation of contributed services, other contributed noncash assets, recording of asset impairment losses based on fair value declining below book value.

For purposes of this manual, the term “fair value” shall be defined as it is in SFAS 157: the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Determination of fair value shall be performed by the individuals identified in this manual associated with each type of fair value finance issue. All fair value determinations in excess of [\$500] shall be reviewed and approved by the Director of Finance.

### **.02 Disclosures**

Leech Lake Tribal College shall comply with the disclosure requirements of SFAS 157, in that it will disclose information in the footnotes to the financial statements that enable readers of the financial statements to assess the inputs used to develop all material fair value measurements associated with assets and liabilities of the College.

For any asset impairment losses recorded as a result of the policy described earlier, the College shall disclose the reason for recording the impairment, in addition to the preceding disclosures.

## **POLICIES PERTAINING TO LIABILITY AND NET ASSET ACCOUNTS**

### **7330 ACCRUED LIABILITIES**

#### **.01 Identification of Liabilities**

The Finance Department shall establish a list of commonly incurred expenses that may have to be accrued at the end of a finance period. Some of the expenses that shall be accrued by Leech Lake Tribal College at the end of a finance period are:

- Salaries and wages
- Payroll taxes
- Paid leave (see policy below)
- Rent
- Interest on notes payable

In addition, Leech Lake Tribal College shall record a liability for deferred revenue (revenue received but not yet earned) in accordance with the revenue recognition policies described elsewhere in this manual. Adjustments to deferred revenue accounts shall be made monthly.

#### **.02 Accrued Leave**

Personnel policies permit employees to carry forward an amount specified in the HR policies of unused leave from year to year. Such unused leave is payable to an employee upon termination of employment.

Accordingly, Leech Lake Tribal College records a liability for accrued leave to which employees are entitled. The total liability at the end of a finance period shall equal the total earned but unused hours of leave, up to a maximum of an amount specified in the HR policies, multiplied by each employee's current hourly pay rate.

Leave that does not "vest" with employees (i.e., leave that is not paid to employees if unused at the time of termination of employment), shall not be accrued as a liability.

## 7340 INCOME TAXES PAYABLE

### **.01 Accrual of Income Taxes**

Leech Lake Tribal College is exempt from federal income taxes. However, if Leech Lake Tribal College generates taxable income from unrelated trade or business activities, a liability for income taxes payable shall be accrued at the applicable corporate income tax rates.

All income taxes payable shall be paid by the due date of the returns on which such income taxes are to be reported. If Leech Lake Tribal College becomes subject to a requirement to remit estimated income taxes on a quarterly basis, such amounts shall be accrued and paid quarterly.

### **.02 Income Tax Positions**

Leech Lake Tribal College takes several “income tax positions” that are reflected in the College’s financial statements. The primary income tax positions of Leech Lake Tribal College are:

1. That Leech Lake Tribal College qualifies for its exemption from income taxes under IRC section 501(c)(3) meaning it has not engaged in any activity that could result in revocation of this exemption, including but not limited to:
  - a. Not providing net distributions of profits, or paying compensation that was not earned or is excessive.
  - b. Not making political contributions or engaging in political activities.
  - c. Not exceeding the appropriate lobbying limitations.
2. That none of Leech Lake Tribal College’s forms of revenue is subject to the unrelated business income tax (UBIT).

***Editor’s Note: If the College does report unrelated business taxable income on Form 990-T, position number 2 would be modified, and there would also be additional income tax positions as follows:***

3. That Leech Lake Tribal College has properly determined which forms of revenue are subject to the unrelated business income tax and which forms of revenue are exempt from UBIT.
4. That the calculations of income, deductions, tax credits, and other amounts reported on Form 990-T are in compliance with the Internal Revenue Code and IRS regulations.
5. That Leech Lake Tribal College’s calculations of income, deductions, etc. reported on its state income tax return are in compliance with state laws and regulations.
6. That Leech Lake Tribal College’s allocation of gross taxable income by state is in compliance with all applicable state laws and regulations (i.e., the College is filing state returns in each state that would require a return).

**Editor's Note: If the College is a private foundation, an additional income tax position would be that the College's calculation of taxable investment income reported on Form 990-PF is in compliance with the Internal Revenue Code and IRS regulations.**

It is the policy of Leech Lake Tribal College that all income tax positions taken by the College shall meet the "more likely than not" criterion of FIN 48 meaning the College's management believes that it is more likely than not that the applicable taxing authorities would concur with the position taken by the College. In reaching this determination, the Director of Finance shall perform whatever tax research is considered necessary and shall have the authority to engage the College's independent CPA firm or other outside experts for advice on such matters.

If the College receives advice and/or research from an outside party in connection with this policy, the College shall make its own final determination of whether or not to take a particular income tax position. In doing so, it shall not blindly rely on outside advice. Rather, the College shall gain a complete understanding of the conclusions reached by any outside parties in providing counsel to the College in connection with this policy. Gaining this understanding and forming the income tax positions of Leech Lake Tribal College shall be the responsibility of the Director of Finance.

The Director of Finance shall provide a briefing to the [Finance Committee] and obtain the committee's concurrence each time an income tax position is established or changed.

## 7350 NOTES PAYABLE

**Editor's Note:** Most funding sources require prior approval to use grant-related assets as collateral, and to charge principle and interest to grant funds.

### **.01 General Policy**

Leech Lake Tribal College requires that all notes payable be approved by the Board of Trustees and signed by the President.

### **.02 Recordkeeping**

Leech Lake Tribal College maintains a schedule of all notes payable, mortgage obligations, lines of credit, and other financing arrangements. This schedule shall be based on the underlying loan documents and shall include all of the following information:

1. Name and address of lender
2. Date of agreement or renewal/extension
3. Total amount of debt or available credit
4. Amounts and dates borrowed
5. Description of collateral, if any
6. Interest rate
7. Repayment terms
8. Maturity date
9. Address to which payments should be sent
10. Contact person at lender

### **.03 Finance and Classification**

An amortization schedule shall be maintained for each note payable. Based upon the amortization schedule, the principal portion of payments due with the next year shall be classified as a current liability in the statement of financial position. The principal portion of payments due beyond one year shall be classified as a long-term/noncurrent liability in the statement of financial position.

Demand notes and any other notes without established repayment dates shall always be classified as current liabilities.

Unpaid interest expense shall be accrued as a liability at the end of each finance period.

A detailed record of all principal and interest payments made over the entire term shall be maintained with respect to each note payable. Periodically, the amounts reflected as current and long-term notes payable per the general ledger shall be reconciled to these payment schedules and the amortization schedules, if any, provided by the lender. All differences shall be investigated.

#### **.04 Non-Interest-Bearing Notes Payable**

As a charitable College, Leech Lake Tribal College may, from time to time, receive notes payable that do not require the payment of interest, or that require the payment of a below-market rate of interest for the type of obligation involved. In such cases, Leech Lake Tribal College will record contribution income for any unpaid interest.

For demand loans, recording of interest expense and contribution income shall be performed at the end of each finance period, based on the outstanding principal balance of the loan during that period, multiplied by the difference between a normal interest rate for that type of loan and the rate, if any, that is required to be paid. Determination of the appropriate interest rate shall be performed by the Director of Finance.

For loans with fixed maturities or payment dates, the note payable shall be recorded at the present value of the future principal payments, using as a discount rate equal to the difference between a normal interest rate for that type of loan and the rate, if any, required to be paid. The difference between the cash proceeds of the note and the present value shall be recorded as temporarily restricted contribution income in the period the loan is made. Thereafter, interest expense shall be recorded in each finance period using the effective interest method, with the corresponding credit entry increasing the note payable account to reflect the amount(s) that shall be repaid.

## 7360 NET ASSETS

### **.01 Classification of Net Assets**

Net assets of the College shall be classified based upon the existence or absence of donor-imposed restrictions as follows:

**Unrestricted Net Assets** – Net assets that are not subject to donor-imposed stipulations.

**Temporarily Restricted Net Assets** – Net assets subject to donor-imposed stipulations that may or will be satisfied through the actions of the College and/or the passage of time.

**Permanently Restricted Net Assets** – Net assets subject to donor-imposed stipulations that the College permanently maintain certain contributed assets. Generally, donors of such assets permit the College to use all or part of the income earned from permanently restricted net assets for general operations or for specific purposes. Permanent restrictions do not pass with the expiration of time, nor can they be removed through the College's actions.

Net assets accumulated that are not subject to donor-imposed restrictions, but which the Board of Trustees of the College has earmarked for specific uses, shall be segregated in the finance records as "board-designated" funds within the unrestricted category of net assets.

Restrictions may be associated with either a time period (e.g., a particular future time period) or a purpose (e.g., specific programs). A purpose stipulation will be considered a restriction only if it is more specific than the broad limits resulting from the nature of the College, the environment in which it operates, and the purposes specified in Leech Lake Tribal College's Articles of Incorporation and Bylaws.

### **.02 Reclassifications from Restricted to Unrestricted Net Assets**

The College shall report in its statement of activities a reclassification from restricted to unrestricted net assets if any of the following events occur:

1. Fulfillment of the purpose for which the net assets were restricted (e.g., spending restricted funds for the stipulated purpose)
2. Expiration of time restrictions imposed by donors
3. Death of an annuity beneficiary
4. Withdrawal by the donor (or by a court) of a time or purpose restriction

If a donor stipulates multiple restrictions (such as a purpose and a time restriction), reclassifications from temporarily restricted to unrestricted net assets shall be reported only upon the satisfaction of the final remaining restriction.

### **.03 Reclassifications from Unrestricted to Restricted Net Assets**

If the College accepts and receives a restricted contribution from a donor who further stipulates that the College set aside a portion of its unrestricted net assets for that same purpose, the College shall report in its statement of activities a reclassification of net assets from unrestricted to temporarily or permanently restricted, based on the specific nature of the restriction. (See the preceding Gift Acceptance policy for procedures for determining whether to accept a gift that requires reclassification of net assets from unrestricted to temporarily restricted.)

### **.04 Disclosures**

The College discloses in a footnote to the financial statements the different types of temporary and permanent restrictions associated with the College's net assets as of the end of each fiscal year.

# **POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING**

## **7370 FINANCIAL STATEMENTS**

### **.01 Standard Financial Statements of the College**

Preparing financial statements and communicating key financial information is a necessary and critical finance function. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method for providing information to interested parties external to the College. Financial statements may reflect year-to-year historical comparisons or current year budget-to-actual comparisons.

The basic financial statements that are maintained on a College-wide basis shall include:

1. **Statement of Financial Position** – Reflects assets, liabilities, and net assets of the College and classifies assets and liabilities as current or noncurrent/long-term and net assets by category (unrestricted, temporarily restricted, and/or permanently restricted.)
2. **Statement of Activities** – Presents support, revenues, expenses, and other changes in net assets of the College, by category of net asset (unrestricted, temporarily restricted, and permanently restricted), including reclassifications between categories of net assets.
3. **Statement of Cash Flows** – Reports the cash inflows and outflows of the College in three categories: operating activities, investing activities, and financing activities.
4. **Statement of Functional Expenses** – Presents the expenses of the College in a natural or objective format and by function (i.e., which program or supporting service was served).

### **.02 Frequency of Preparation**

The objective of the Finance Department is to prepare accurate financial statements in accordance with generally accepted finance principles and distribute them in a timely and cost-effective manner. In meeting this responsibility, the following policies shall apply:

A standard set of financial statements described in the preceding section shall be produced on a quarterly basis, as required by the BOT. The standard set of financial statements described in the preceding section shall be supplemented by the following schedules:

1. Comparisons of actual year-to-date revenues and expenses with year-to-date budgeted amounts

The quarterly set of financial statements shall be prepared on the accrual method of finance, including all receivables, accounts payable received by the time of report preparation.

### **.03 Review and Distribution**

All financial statements and supporting schedules shall be reviewed and approved by the Director of Finance prior to being issued by the Finance Department.

After approval by the Director of Finance, a complete set of quarterly financial statements, including the supplemental schedules described above, shall be distributed to the following individuals:

- Treasurer [and all members of the Finance Committee]
- President
- Members of Budget Meetings.

Financial statements may include an additional supplemental schedule prepared or compiled by the Director of Finance. The purpose of this schedule is to provide known explanations for material budget variances in accordance with Leech Lake Tribal College's budget monitoring policies described later in this manual (under the *Financial Management Policies* section).

#### **.04 Quarterly Distribution**

On a quarterly basis, the Board of Trustees will be provided with summary program and/or grant financial information.

#### **.05 Annual Financial Statements**

On an annual basis, the College shall prepare, under the direction of the Director of Finance, a complete set of GAAP financial statements, including footnotes addressing all disclosures required by GAAP. These financial statements shall be presented to Leech Lake Tribal College's independent auditors at the beginning of their annual audit as the draft statements from which they will conduct their audit.

A formal presentation of the College's annual audited financial statements shall be provided by the Independent Auditor to the full Board of Trustees at the College's Annual Meeting. See separate policies regarding the annual audit under "Financial Management Policies."

#### **.06 Trend Analysis**

On an annual basis, in connection with the preparation of the preceding financial statements, the Director of Finance may prepare a five-year revenue and expense report in order to facilitate the analysis of financial trends experienced by the College. This report shall also include a five-year comparison of certain key operating ratios, based on the College's annual financial statements. This report shall be submitted to the President and the Finance Committee no later than [90 days] after year-end.

## 7380 GOVERNMENT RETURNS

***Editor's Note:*** *This section deals with government returns to taxing authorities (IRS, state and local governments). Colleges should also develop policies and procedures for reports to funding sources, including federal and state granting agencies.*

### **.01 Overview**

To legitimately conduct business, Leech Lake Tribal College must be aware of its tax and information return filing obligations and comply with all such requirements of federal, state, and local jurisdictions. Filing requirements of Leech Lake Tribal College include, but are not limited to, filing annual information returns with IRS, [state charitable solicitation reports, annual reports for corporations, property tax returns, income tax returns, ~~sales tax returns~~, information returns for retirement plans, annual reporting of compensation paid, and payroll tax withholding tax returns].

### **.02 Filing of Returns**

The Director of Finance shall be responsible for identifying all filing requirements and ensuring that Leech Lake Tribal College is in compliance with all such requirements. The College will file complete and accurate returns with all authorities and make all efforts to avoid filing misleading, inaccurate, or incomplete returns.

Filings made by Leech Lake Tribal College include, but are not limited to, the following returns:

***Editor's Note:*** *List all known information and tax reporting requirements (federal, state, and local) in this section.*

1. **Form 990** – Annual information return of tax-exempt Colleges, filed with IRS. Form 990 for Leech Lake Tribal College is due on the fifteenth day of the fifth month following year-end. An automatic 3-month extension of time to file Form 990 may be obtained filing Form 8868. Upon expiration of the first 3-month extension, a second 3-month extension may be requested using Form 8868.
2. **Form 990-T** – Annual tax return to report Leech Lake Tribal College's unrelated trade or business activities (if any), filed with IRS. Form 990-T is due on the fifteenth day of the fifth month following year-end. An automatic 6-month extension of time to file Form 990-T may be obtained by filing Form 8868.
3. **Form 5500** – Annual return for Leech Lake Tribal College's employee benefit plans. Form 5500 is due on the last day of the seventh month after the end of the plan year, but a 2½-month extension of time to file may be requested using Form 5558.
4. **Personal Property Tax Return** – Filed with the State of [XX] to report personal property and officers of the corporation. Leech Lake Tribal College's personal property tax return is due April 15].

5. **W-2s and 1099s** – Annual report of employee and non-employee compensation, based on calendar-year compensation, on the cash basis. These information returns are due to employees and independent contractors by January 31 and to the federal government by February 28. Generally, Form 1099 is required only if the College has provided more than \$600 in compensation to an independent contractor during the calendar year.

***Editor's Note: For those Colleges that are able to pay stipends to directors, and do so, Form 990 disclosure is required for those payments, regardless of whether Form 1099 is filed.***

6. **Form 940** – Annual federal unemployment tax return filed with IRS, for all employers [other than charitable Colleges exempt from FUTA (but not necessarily state unemployment tax) under IRC section 501(c)(3)], due January 31.
7. **Form 941** – Quarterly payroll tax return filed with IRS to report wages paid to employees and federal payroll taxes. Form 941 is due by the end of the month following the end of each quarter, or 10 days later if all payroll tax deposits have been made in a timely manner during the quarter.

[Insert other required filings and due dates.]

Leech Lake Tribal College's fiscal and tax year-end is [December 31]. All annual tax and information returns of Leech Lake Tribal College (Form 990, Form 990-T) are filed on the accrual basis of reporting.

Federal and all applicable state payroll tax returns are prepared by the College's [external Payroll Administrator].

Leech Lake Tribal College complies with all state payroll tax requirements by withholding and remitting payroll taxes to the state of residency of each Leech Lake Tribal College employee.

### **.03 Review of Form 990 by Board of Trustees**

A draft of Leech Lake Tribal College's annual Form 990 information return shall be reviewed and approved by the [Board of Trustees or Finance Committee] prior to being filed with the Internal Revenue Service. This review and approval shall be documented with the signature of the [Board/Committee] Chair [or Treasurer].

***Editor's Note: Review of the Form 990 (and other returns) is not required by law or regulation. However, beginning with the 2008 version of IRS Form 990, whether such a review is performed is a mandatory disclosure on the return, and it is recommended that this review be in place for all Colleges. Please note that in order to answer this question "yes" on Form 990, the full Board of Trustees must be provided a complete copy of the Form 990 before being filed with the IRS. This can be done through any means including review at a board meeting or simply a communication indicating the Form 990 is available for review.***

## **Public Access to Information Returns**

Under regulations that became effective in 1999, Leech Lake Tribal College is subject to federal requirements to make the following forms "widely available" to all members of the general public:

1. The three most recent annual information returns (Form 990 and Form 990-T, if applicable) [excluding the list of significant donors (Schedule B) that is attached to the Form 990, but including the accompanying Schedule A].
2. Leech Lake Tribal College's original application for recognition of its tax-exempt status (Form 1023 or Form 1024), filed with IRS, and all accompanying schedules and attachments.

Leech Lake Tribal College adheres to the following guidelines in order to comply with the preceding public disclosure requirements:

1. Anyone appearing in person at the offices of Leech Lake Tribal College during normal working hours making a request to inspect the forms will be granted access to a file copy of the forms. The Director of Finance shall be responsible for maintaining this copy of each form and for making it available to all requesters.
2. For all written requests for copies of forms received by Leech Lake Tribal College, the College shall require prepayment of all copying and shipping charges. For requests for copies that are received without prepayment, Leech Lake Tribal College will notify the requester of this policy via phone call or by letter within 7 days of receipt of the original request.
3. The copying cost charged for providing copies of requested forms shall be \$1.00 for the first page and \$0.15 for each subsequent page. All copies shall be shipped to requesters via [Priority Mail, thus, shipping charges will be a standard \$3.00 per shipment].
4. After payment is received, all requested copies shall be shipped to requesters within 30 days. Making of all copies and shipping within the 30-day time period shall be the responsibility of the Finance Department.
5. For requests for copies made in person during normal business hours, copies shall be provided while the requester waits.
6. Leech Lake Tribal College shall accept certified checks and money orders for requests for copies made in person. Leech Lake Tribal College shall accept certified checks, money orders, and credit cards (or personal checks) as payment for copies of forms requested in writing.

***[As an alternative to steps 2 through 6 above, GFP's may adopt the following policy:]***

[Leech Lake Tribal College shall comply with the federal requirements to make its forms widely available by posting all required forms on the College's website and referring all requesters to this website within 7 days of receipt of any request for copies. In addition to making its returns widely available on its website, Leech Lake Tribal College will also permit visual inspections of its returns to anyone personally appearing at the College's offices during normal working hours and making such a request.]

## **7390 OTHER TAX CONSIDERATIONS**

### **.01 State and Local Property, Sales, Use & Income Taxes**

Leech Lake Tribal College will monitor state and local tax laws in locations where the College conducts business to ensure that it is complying with all applicable tax laws. Colleges that qualify as tax-exempt charitable entities under Section 501(c)(3) of the Internal Revenue Code for income tax purposes may need to apply separately for exemptions from state and local property and/or sales tax in the various locations where they conduct business. State and local tax rules vary widely from state to state

### **.02 State Charity Registrations**

Various states may require Leech Lake Tribal College to register with them for two primary reasons: if the College has an office, programs or owns real estate in that state and/or if they raise funds in the state.

Leech Lake Tribal College could be required to register and file annual reports with other states if it conducts charitable solicitations within those states. States regulate fundraising through charitable solicitation laws. State reporting can involve two components – registration and an annual financial report. The registration may be a single initial filing or an annual filing which provides information about a College's finances and budgets. The annual financial report generally covers operating results with an emphasis on fundraising.

Leech Lake Tribal College's internet fundraising efforts could be considered charitable solicitations in various other states. Leech Lake Tribal College will examine the reach of its internet fundraising efforts and register to solicit funds in all applicable states. Some factors Leech Lake Tribal College will consider in determining whether internet fundraising efforts require registration in specific states are whether the campaigns specifically target individuals in a certain state and whether Leech Lake Tribal College repeatedly receives contributions from a state on an ongoing or substantial basis.

## 7400 TRANSACTIONS WITH INTERESTED PERSONS

**Editor's Note:** Colleges are required to disclose transactions with *interested persons*. The term *interested persons* is defined similarly to, but not exactly the same as, the term *disqualified person* as used in IRC section 4958 on excess benefit transactions (e.g., 4958 considers former officers, directors, and trustees to be *disqualified persons* only for a five-year period after leaving the board, whereas the term *interested persons* covers all former board members). In addition to the list below, Colleges that make grants to individuals are required to identify certain other interested persons.

### **.01 Identification of Interested Persons**

In connection with complying with requirements of the Internal Revenue Code and the Form 990 information return, the College shall identify all individuals and entities qualifying as *interested persons* as defined by the IRS:

1. All current officers, directors, trustees, and key employees (individuals required to be listed on the Form 990)
2. All former officers, directors, trustees, and key employees
3. Substantial contributors (a person required to be listed on Schedule B of the Form 990)
4. Family members of any individual listed in 1, 2, or 3, defined as spouses, ancestors, brothers, sisters, children, grandchildren, great-grandchildren, and spouses of brothers, sisters, children, grandchildren, and great-grandchildren.
5. A 35% controlled entity of any of the persons listed in 1, 2, or 3
6. A donor or donor advisor to a donor-advised fund
7. An investment advisor of a sponsoring College.

### **.02 Record of Transactions with Interested Persons**

The College shall maintain a record of all transactions and balances with interested persons for each fiscal year for purposes of disclosure on the Form 990. This record shall be reviewed and approved by the Director of Finance and provided to the Form 990 preparer.

## **7410 UNRELATED BUSINESS ACTIVITIES**

### **.01 Identification and Classification**

Leech Lake Tribal College properly identifies and classifies income-producing activities that are unrelated to the College's tax-exempt purpose using the guidelines described in the Internal Revenue Code and underlying regulations. Such income accounts shall be segregated in separate accounts in the general ledger in order to facilitate tracking and accumulation of unrelated trade or business activities.

### **.02 Allocation of Expenses to Unrelated Activities**

In addition to segregating income associated with activities that are unrelated to Leech Lake Tribal College's exempt purpose, the College's general ledger shall also provide accounts for expenses associated with each such unrelated activity. These expenses shall be offset against unrelated business revenue in arriving at unrelated business taxable income. Expenses that shall be offset against gross unrelated business income shall be limited to those expenses directly associated with the production of such income, including reasonable allocation of indirect costs that benefit each activity, in accordance with expense allocation policies described elsewhere in this manual.

### **.03 Reporting**

Leech Lake Tribal College will file IRS Form 990-T to report taxable income from unrelated trade or business activities. Form 990-T is subject to public access and disclosure requirements. Please see Public Access to Information Returns above.

Leech Lake Tribal College shall also report taxable income from unrelated trade or business activities that are subject to state or local income or franchise taxes on the appropriate return [identify states and returns required].

## **7420 JOINT VENTURES**

Leech Lake Tribal College will evaluate and negotiate potential participation in joint ventures under Federal tax law to ensure that any proposed venture safeguards the College's tax-exempt status. For the purposes of this policy, a joint venture is any joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific business enterprise, investment or exempt purpose activity.

In order to adequately safeguard its tax-exempt status, Leech Lake Tribal College will negotiate transactions and arrangements so that it has sufficient control over the venture to ensure that the activity furthers the exempt purpose of the College and that all agreements be on terms that are arm's length or more favorable to the College. Leech Lake Tribal College will also require that the venture give priority to exempt purposes over maximizing profits and that the venture not engage in activities that would jeopardize the College's exempt status.

# FINANCIAL MANAGEMENT POLICIES

## 7430 BUDGETING

### .01 Overview

Budgeting is an integral part of managing any College in that it is concerned with the translation of Collegiate goals and objectives into financial terms. A budget should be designed and prepared to direct the most efficient and prudent use of the College's financial and human resources. A budget is a management commitment of a plan for present and future Collegiate activities that will ensure survival. It provides an opportunity to examine the composition and viability of the College's programs and activities simultaneously in light of the available resources.

The Budget Committee shall be comprised of the Administrative staff, which includes the College President, hereinafter referred to as the President, the Grant Administrator/Senior Accountant, the Director of Institutional Advancement, and the Director of Finance, and any other staff appointed by the President.

Budgets are also prepared for funding sources, and each project investigator must be aware of budget modification requirements. Awarding agencies may or may not require approval for changes in line items. Leech Lake Tribal College will document and follow all such requirements.

Budgets will be prepared upon the availability of funds from the following sources:

1. Bureau of Indian Affairs
2. Other Federal Grants
3. Leech Lake Band of Ojibwe
4. Tuition Fees
5. Other Foundations and Sources of Funding

### .02 Preparation and Adoption

Leech Lake Tribal College will prepare an annual budget on the accrual basis of finance. The Director of Finance gathers proposed College-wide budget information from all Department Directors [and others with budgetary responsibilities] and prepares the first draft of the budget. Budgets proposed and submitted by each department should be accompanied by a narrative explanation of the sources and uses of funds and should explain all material fluctuations in budgeted amounts from prior years.

After appropriate revisions and a compilation of all department budgets by the Director of Finance, a draft of the College-wide budget, as well as individual department budgets, is presented to the President for discussion, revision, and initial approval.

The revised draft is then submitted to the [Finance Committee], and finally to the entire Board of Trustees for adoption.

It is the policy of Leech Lake Tribal College to adopt a final budget by July 1st. The purpose of adopting a final budget at this time is to allow adequate time for the Finance Department to input the budget into

the finance system and establish appropriate finance and reporting procedures (including any necessary modifications to the chart of accounts) to ensure proper classification of activities and comparison of budget versus actual once the year begins.

Budgets for programs that are not on the College's fiscal year will be prepared in accordance with awarding agency requirements.

Operating statements showing comparisons of budget with actual expenditures shall be prepared by the Director of Finance each quarter and submitted to the President for review. The President shall submit the reports to the Board at their regularly scheduled quarterly meeting.

### **.03 Monitoring Performance**

Leech Lake Tribal College monitors its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the quarterly financial reporting process described earlier.

On a monthly basis, financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by the Finance Department and distributed to each employee with budgetary responsibilities.

In addition, Department Directors shall submit quarterly performance (non-financial) reports to the President, the Director of Finance, and the Board of Trustees.

The President shall monitor the performance of all programs administered by the College. Program reviews shall be done periodically to ensure that time schedules are being met and performance goals are being achieved.

The President shall be responsible for the publication of an annual report reflecting the performance of all College activities taken as a whole.

### **.04 Budget and Program Revisions**

Leech Lake Tribal College will request prior approval from federal awarding agencies for any of the following program or budget revisions: (*2 CFR Part 200.308*)

1. Change in the scope or objective of the project or program, even if there is no associated budget revision requiring prior written approval.
2. Change in a key person (Project Director, etc.) specified in the application or award document.
3. Disengagement for more than three months, or a 25% reduction in time devoted to the project, by the approved Project Director or principal investigator.
4. The need for additional federal funding.
5. The inclusion, unless waived by the federal awarding agency, of costs that require prior approval in accordance with 2 CFR Part 200.407, Prior written approval.

6. The transfer of funds allotted for participant support costs to other categories of expense.
7. Unless described in the application and funded in the approved awards, the subaward, transfer, or contracting out of any work under an award. (However, this provision does not apply to purchases of supplies, materials, equipment, or general support services.)
8. Changes in the amount of the approved cost-sharing or matching provided by the College.

### **.05 Budget Modifications**

After a budget has been approved by the Board of Trustees and adopted by the College, reclassifications of budgeted expense amounts of less than [\$5,000] within a single department may be made by the Department Director, with approval from the Director of Finance. Reclassifications of budgeted expense amounts across departments of greater than [\$5,000] but less than [\$10,000] may be made only with approval of the President.

Reclassifications in excess of the preceding thresholds and any budget modification resulting in an increase in budgeted expenses or decrease in budgeted revenues shall be made only with approval of the Finance Committee [or full Board of Trustees].

## **7440 ANNUAL AUDIT**

### **.01 Role of the Independent Auditor**

Leech Lake Tribal College will arrange for an annual audit of the College's financial statements to be conducted by an independent finance firm. The independent finance firm selected by the Board of Trustees will be required to communicate directly with the College's Finance Committee upon the completion of their audit. In addition, members of the Finance Department are authorized to initiate communication directly with the independent finance firm.

Audited financial statements, including the auditor's opinion thereon, will be submitted and presented to the Board of Trustees by the independent finance firm at the College's Annual Meeting, after the financial statements have been reviewed and approved by the Finance Committee.

### **.02 Auditor Independence**

Leech Lake Tribal College may from time to time request the independent auditor to provide services outside the scope of the annual audit and Form 990 preparation. In connection with these non-audit services, it is imperative that the independent auditor remain independent in fact and in appearance in order to continue serving the College as its auditor.

Generally, in order to remain independent with respect to the audit, the College's auditors should not provide non-audit services that involve performing management functions or making management decisions nor should they provide non-audit services in situations where the non-audit services are significant/material to the subject matter of the audits (or where they would be auditing their own work in connection with the annual audit).

Therefore, it is the College's policy to evaluate any non-audit service requested from the independent auditor for possible impairments to the firm's independence, and to not permit the performance of any services that would impair independence. This evaluation shall be performed by the Director of Finance, who may consult the independent auditor or other external sources in making this determination.

In addition, for each non-audit service that is to be provided by the College's independent auditor, the College shall:

1. Designate a management level individual to be responsible and accountable for overseeing the non-audit service (to be determined by the President).
2. Establish and monitor performance of the non-audit service to ensure that it meets management's objectives (to be performed by the person designated in step 1).
3. Make any decisions that involve management functions related to the non-audit service and accept full responsibility for such decisions.
4. Evaluate the adequacy of the services performed and findings that result.

### **.03 How Often to Review the Selection of the Auditor**

Leech Lake Tribal College shall review the selection of its independent auditor in the following circumstances:

1. Any time there is dissatisfaction with the service of the current firm.
2. When a fresh perspective and new ideas are desired.
3. Every [3-5 years] to ensure competitive pricing and a high quality of service (this is not a requirement to change auditors every five years, but simply to reevaluate the selection).

### **.04 Selecting an Auditor**

The selection of an accounting firm to conduct the annual audit is a task that should be taken very seriously. The following factors shall be considered by Leech Lake Tribal College in selecting an accounting firm:

1. The firm's reputation in the nonprofit community.
2. The depth of the firm's understanding of and experience with not-for-profit Colleges and federal reporting requirements under 2 CFR Part 200.
3. The firm's demonstrated ability to provide the services requested in a timely manner.
4. The ability of firm personnel to communicate with College personnel in a professional and congenial manner.

If Leech Lake Tribal College decides to prepare and issue a written Request for Proposal (RFP) to be sent to prospective audit firms, the following information shall be included:

1. Period of services required
2. Type of contract to be awarded (fixed fee, cost basis, etc.)
3. Complete description of the services requested (audit, management letter, tax returns, etc.)
4. Identification of meetings requiring their attendance, such as staff or Board of Director meetings
5. Organizational Chart of Leech Lake Tribal College
6. Chart of account information
7. Financial information about the College
8. Copy of prior year reports (financial statements, management letters, etc.)
9. Identification of need to perform audit in accordance with 2 CFR Part 200.500 – 521 and the appropriate Compliance Supplements.
10. Other information considered appropriate
11. Description of proposal and format requirements
12. Due date of proposals
13. Overview of selection process (i.e., whether finalists will be interviewed, when a decision shall be made, etc.)
14. Identification of criteria for selection

Minimum Proposal Requirements from prospective CPA firms shall be:

1. Firm background
2. Biographical information (resumes) of key firm member who will serve Leech Lake Tribal College
3. Client references

4. Information about the firm's capabilities
5. Firm's approach to performing an audit
6. Copy of the firm's most recent quality/peer review report, including any accompanying letter of findings
7. Other resources available with the firm
8. Expected timing and completion of the audit
9. Expected delivery of reports
10. Cost estimate including estimated number of hours per staff member
11. Rate per hour for each auditor
12. Other information as appropriate

In order to narrow down the proposals to the top selections, the Director of Finance shall meet with the prospective engagement teams from each proposing firm to discuss their proposal. Copies of all proposals shall be forwarded to each member of the Finance Committee. After the Director of Finance narrows down the field of prospective auditors to [three] firms, final interviews of each firm are conducted by the Finance Committee, who makes the final recommendation to the Board of Trustees for approval.

#### **.05 Preparation for the Annual Audit**

Leech Lake Tribal College shall be actively involved in planning for and assisting with the College's independent finance firm in order to ensure a smooth and timely audit of its financial statements. In that regard, the Finance Department shall provide assistance to the independent auditors in the following areas:

**Planning** – The Director of Finance is responsible for delegating the assignments and responsibilities to finance staff in preparation for the audit. The Director of Finance shall review the list of information requested by the auditors and assign responsibility for each item to the appropriate staff of Leech Lake Tribal College. The Director of Finance shall then schedule and direct status meetings in the weeks leading up to the audit in order to review the progress of staff in preparing for the audit.

The Director of Finance shall arrange and coordinate any and all meetings, interviews, telephone discussions, and conference calls requested by the auditor with Leech Lake Tribal College board members, audit or finance committee members, or employees of Leech Lake Tribal College to facilitate the auditor's work. Prior to any such meetings or discussions, the Director of Finance shall inform each College participant of the nature of the discussion or meeting and what, if any, preparations they should do prior to the meeting. The Director of Finance shall communicate to each Leech Lake Tribal College participant in such meetings or discussions the importance of being open, honest, and frank with the auditors with respect to any and all questions posed by the auditors.

**Involvement** – College staff will do as much work as possible in order to assist the auditors and, therefore, reduce the cost of the audit.

**Interim Procedures** – To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to the College's year-end. By performing significant portions of audit work as of an interim date, the work required subsequent to year-end is reduced. College staff will provide requested schedules and documents to assist the auditors during any interim audit fieldwork.

Throughout the audit process, Leech Lake Tribal College will make every effort to provide schedules, documents, and information requested by the auditors in a timely manner.

#### **.06 Concluding the Audit**

Upon receipt of a draft of the audited financial statements of Leech Lake Tribal College from its independent auditor, the Director of Finance shall perform a detailed review of the draft, consisting of the following procedures:

1. Carefully read the entire report for typographical errors.
2. Trace and agree each number in the financial statements and accompanying footnotes to the finance records and/or internal financial statements of Leech Lake Tribal College.
3. Review each footnote for accuracy and completeness.

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

It shall also be the responsibility of the Director of Finance to review and respond in writing to all management letter or other internal control and compliance report findings and recommendations made by the independent auditor.

In addition, the Single Audit Clearinghouse form shall be completed and a copy submitted to the Finance Committee.

#### **.07 Audit Adjustments**

It is the policy of Leech Lake Tribal College to review all adjustments prepared by the independent auditor in connection with the annual audit, and, if in concurrence, record them in the general ledger.

The College may also receive a list of unadjusted differences (or passed audit adjustments) from the independent auditor in connection with the audit. If the College receives such a list, it shall be the responsibility of the Director of Finance to review them and determine whether or not to record them in the current year.

#### **.08 Internal Control Deficiencies Noted During the Audit**

In accordance with generally accepted auditing standards, at the conclusion of the audit the College's independent auditors may provide a written communication of internal control deficiencies noted in connection with their audit. Not all deficiencies in internal control are required to be reported by the auditor. Only the following two types of deficiencies are required to be communicated:

1. **Material weakness** – A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

2. **Significant deficiency** – A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The College's independent auditors are required to provide written communication to the Finance Committee of all significant deficiencies and material weaknesses (i.e., only those control deficiencies that rise to the level of materiality at which they qualify under the definitions provided above, in the opinion of the auditor).

It is the College's policy that all internal control deficiencies that are communicated by the auditor in writing shall be formally addressed by the Finance Committee, the President, and the Director of Finance. The President and the Director of Finance shall prepare a written response, which shall include a corrective action plan, to each internal control finding and such response shall be presented to the Finance Committee for its review and approval.

### **.09 Finance Committee Communications with the Auditors**

In accordance with generally accepted auditing standards, in connection with and at the conclusion of each annual audit, the auditors are required to make certain communications directly to the Finance Committee. The Director of Finance shall facilitate all of these communications, arranging for face-to-face meetings, telephone or conference calls, or delivery of electronic or paper documents between auditor and Finance Committee members.

Some of the communications that Leech Lake Tribal College's auditors may have with the College's Finance Committee include:

1. Planning discussions prior to commencing the audit, such as by inquiring of Finance committee members their perception of where the risk of material misstatements in the College's financial statements may be greatest, the various risks of fraud, and other inquiries.
2. Planning stage communications informing the Finance committee of the planned scope and nature of certain audit procedures that the auditors plan to perform, to aid in the Finance committee members having a thorough understanding of the audit.
3. Internal control deficiencies noted during the audit, communicated in writing at the conclusion of the audit.
4. Any material fraud detected by the auditor, or any fraud, regardless of materiality, involving senior management, noted at any time during the audit.
5. Significant problems or other issues that arose during the audit (e.g., disagreements with management and certain other items that the auditors may be required to report to the Finance committee).
6. Audit adjustments made by the auditors as a result of their audit.
7. Certain audit differences noted by the auditors that they deemed not material enough to warrant making an adjustment for.

Finance Committee members should be aware of these communications and engage in active discussions with the auditors whenever it is considered appropriate in the fulfillment of these or their other duties.

## 7450 INSURANCE (LLBO Provided)

### .01 Overview

It is fiscally prudent to have an active risk management program that includes a comprehensive insurance package. This will ensure the viability and continued operations of Leech Lake Tribal College.

Leech Lake Tribal College maintains adequate insurance against general liability, as well as coverage for buildings, contents, computers, fine arts, equipment, machinery, and other items of value.

### .02 Coverage Guidelines (Verify with Current Coverages)

***Editor's Note: We provide these types and amounts of coverage as examples only. Each College should refer to its own policies and record them here. We recommend that management meet with an insurance advisor at least every three years to review insurance needs and coverage amounts.***

As a guideline, Leech Lake Tribal College will arrange for the following types and levels of insurance as a minimum:

Type of Coverage

Amount of Coverage

### INSURANCE PROPOSAL

# Leech Lake Band of Ojibwe

Property & Casualty 2017-2018 Insurance Program

PROPOSAL EFFECTIVE DATE

July 1, 2017-2018

PRESENTED BY

John Link and the Cottingham & Butler Risk Management Team

## Service Team Listing |

SERVICE	RESPONSIBILITIES		
<b>John M. Link, CPCU</b> <b>Vice President</b>	Primary account responsibility and resource; responsible for overall delivery of services.	<b>Phone:</b> 563-587-5288 <b>Cell:</b> 563-590-0428 <b>E-Mail:</b> jlink@cottinghambutler.com	
<b>Kayla McLaughlin, CLCS</b> <b>Account Administrator</b>	First line contact for day-to-day servicing issues, billing, insurance contract review and questions. Also involved in coverage and risk analysis.	<b>Phone:</b> 563-587-5562 <b>Cell:</b> 563-542-9266 <b>E-Mail:</b> kmclaughlin@cottinghambutler.com	
<b>Jill Boge</b> <b>Marketer</b>	Directly negotiates and compares insurance programs and coverage options on your behalf.	<b>Phone:</b> 563-587-5378 <b>E-Mail:</b> jboge@cottinghambutler.com	
<b>Katie Davis</b> <b>Account Service Representative</b>	Requests to include certificates, auto ID's, policy changes, monthly report changes, change requests, and endorsement invoicing.	<b>Phone:</b> 563-587-5342 <b>E-Mail:</b> kdavis@cottinghambutler.com	
CLAIMS MANAGEMENT	RESPONSIBILITIES		
<b>Nick Thompson</b> <b>Director of Claims Advocacy</b>	Provides advocacy and expertise on all claim-related issues.	<b>Phone:</b> 563-587-5407 <b>E-Mail:</b> nthompson@cottinghambutler.com	
<b>Katie Hensley</b> <b>Work Comp Specialist</b>	Available for Workers' Compensation questions and claims advocacy.	<b>Phone:</b> 563-587-5464 <b>Fax:</b> 563-587-6644 <b>E-Mail:</b> kahensley@cottinghambutler.com	
<b>Lori Brock</b> <b>Brokerage Claims Representative</b>	Assists clients with reporting of new claims. Available for questions and requests for claim follow-up.	<b>Phone:</b> 563-587-5307 <b>E-Mail:</b> lbrock@cottinghambutler.com	
SAFETY MANAGEMENT	RESPONSIBILITIES		
<b>Dave Franson, CSP, ARM</b> <b>Senior Vice President, Safety Management Services</b>	Provides customized industry solutions such as formal safety assessment, accident countermeasures, payroll stuffer, training seminars, Mock DOT inspections, benchmarking, and scorecard.	<b>Phone:</b> 563-587-5276 <b>E-Mail:</b> dfranson@CBCSClaims.com	
<b>Mailing Address</b> PO Box 28 Dubuque, IA 52004-0028	<b>Physical Address</b> 800 Main Street Dubuque, IA 52001	(563) 583-7344 (800) 793-5235 www.cottinghambutler.com	

# Program Summary |

① ② ③ ④ ⑤  
 RTC / Gaming / TC / LHA / F

PROPERTY	2017/2018
Building	\$137,014,411
Personal Property, Computer & Equipment	\$55,263,291
Business Income & Extra Expense	\$56,516,258
Total Insured Values	\$248,793,960
Deductible	\$10,000
Scheduled Equipment	Included
Average Property Rate (TIV)	0.1170
<b>Premium</b>	<b>\$291,005</b>

BUSINESS AUTO	2017/2018
F. Auto Liability Limit	\$10,000,000
Auto Liability Deductible	\$1,000
Med Pay	Excluded
UnInsured/Underinsured Motorists Coverage	\$1,000,000
Garagekeepers Limit	\$1,000,000
G. Auto Physical Damage - Number of Units incl Trailers	655
Comp/Collision Deductible	\$1,000/\$1,000
Average Cost per Unit	\$371
<b>Premium</b>	<b>\$243,285</b>

- Vehicles / Trailers

CRIME	2017/2018
Employee Theft	\$500,000
Money & Securities Inside/Outside Premises	\$500,000
Faithful Performance	\$250,000
Computer Fraud	\$500,000
Falsified Instruments & Instructions	\$500,000
Deductible Per Loss	\$5,000
<b>Premium</b>	<b>\$11,995</b>

Crise (?)

Program Summary | Continued

LIABILITY	2017/2018
General Aggregate Limit - Coverages A, B, C, D	\$12,000,000
A. General Aggregate Limit including Contractual	\$10,000,000
Per Occurrence Limit	\$10,000,000
Fire Legal Liability Limit	\$500,000
- GL Deductible - Coverages A - K	\$1,000
B. Liquor Liability (Each Occ/Annual Agg)	\$10,000,000
- Deductible	\$1,000
C. Cemetery Legal Liability (Each Occ/Annual Agg)	Excluded
- Deductible	N/A
D. Innkeepers Legal Liability (Each Occ & Annual Agg)	\$50,000
- Deductible	\$1,000
E. Law Enforcement Liability (Each Occ & Annual Agg)	\$9,000,000
- Deductible	\$1,000
H. Tribal Officials E&O (Each Clm/Ann Agg)	\$10,000,000
- Deductible	\$1,000
I. Miscellaneous E&O (Each Clm/Ann Agg)	\$10,000,000
- Deductible	\$1,000
J. Employee Benefits Liability (Each Clm/Ann Agg)	\$9,000,000
- Deductible	\$1,000
K. Medical Malpractice (Each Clm/Ann Agg)	\$10,000,000
- Deductible	\$1,000
L. Employment Practices Liability (Each Clm/Ann Agg)	\$10,000,000
- Deductible	\$1,000
M. Sexual Misconduct (Ea. Claim/Ann Agg)	\$500,000/\$1,000,000
- Deductible	\$1,000
Special Events -(Pow Wows, Concerts)	Included in General Liability
Fireworks	Included in General Liability
Payroll Basis	\$71,330,000
General Liability Rate	0.22999
Premium	\$164,053

- P ?

- Decision making coverage

- H/R dept.

- wrongful term, etc

	2017/2018
TOTAL ANNUAL PREMIUMS	\$710,338

## Loss Summary |

## Property

Policy Period	Carrier	Policy Number	Paid Losses incl Expenses)	Reserves	Paid Expenses	Total Incurred*	# of Claims
7/1/16-17	Lexington Insurance	01747158903Dec319196	\$0	\$10,000	\$0	\$10,000	1
7/1/15-16	Lexington Insurance	01747158902Dec319196	\$34,259	\$0	\$0	\$34,259	2
<b>Totals</b>			<b>\$34,259</b>	<b>\$10,000</b>	<b>\$0</b>	<b>\$44,259</b>	<b>3</b>

Loss Valuation: Lexington (Tribal First) as of 06/23/2017

## LARGE CLAIMS (in excess of \$25,000)

Date of Loss	Claimant	Paid	Reserve	Incurred	Description of Loss
19/04/2015	Leech Lake Band of Ojibw	\$34,259	\$0	\$34,259	Lightning damage at casino

## Liability

Policy Period	Carrier	Policy Number	Paid Losses incl Expenses)	Reserves	Paid Expenses	Total Incurred*	# of Claims
7/1/16-17	Hudson Specialty	NACL0092302	\$35,040	\$7,370	\$385	\$42,795	16
7/1/15-16	Hudson Specialty	NACL0092301	\$35,635	\$0	\$11,944	\$47,579	30
<b>Totals</b>			<b>\$70,675</b>	<b>\$7,370</b>	<b>\$12,329</b>	<b>\$90,374</b>	<b>46</b>

Loss Valuation: Hudson Specialty (Tribal First) as of 6/23/17

## LARGE CLAIMS (in excess of \$25,000)

Date of Loss	Claimant	Paid	Reserve	Incurred	Description of Loss
07/19/2016		\$31,908	\$3,870	\$35,778	IV sustained damage due to unknown cause

Risk mgmt

Leech Lake Tribal College shall maintain a detailed listing of all insurance policies in effect. This listing shall include the following information, at a minimum:

1. Description (type of insurance)
2. Agent and insurance company, including all contact information
3. Coverage and deductibles
4. Premium amounts and frequency of payment
5. Policy effective dates
6. Date(s) premiums paid and check numbers

### **.03 Insurance Definitions**

#### ***Workers' Compensation and Employer's Liability***

Contractors are required to comply with applicable federal and state workers' compensation and occupational disease statutes. If occupational diseases are not compensated under those statutes, they shall be covered under the employer's liability insurance policy, except when contract operations are so commingled that it would not be practical to require this coverage.

#### ***Fidelity Bond*** (By LLBO)

For all personnel handling cash or preparing or signing checks, Leech Lake Tribal College shall obtain insurance that provides coverage in a blanket fidelity bond. The specific needs of the College will determine the dollar limit of this coverage.

#### ***Comprehensive Liability***

This type of coverage may include directors, officers, and employee general liability insurance, buildings, contents, computers, fine arts, boilers, and machinery.

## 7460 RECORD RETENTION

**Editor's Note:** 2 CFR Part 200 addresses non-Federal entity's responsibilities for personally identifiable information (PII) and protected personally identifiable information (PPII). These terms are defined as follows:

**§ 200.79 Personally Identifiable Information (PII).**

PII means information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked or linkable to a specific individual. Some information that is considered to be PII is available in public sources such as telephone books, public Web sites, and university listings. This type of information is considered to be Public PII and includes, for example, first and last name, address, work telephone number, email address, home telephone number, and general educational credentials. The definition of PII is not anchored to any single category of information or technology. Rather, it requires a case-by-case assessment of the specific risk that an individual can be identified.

**§ 200.82 Protected Personally Identifiable Information (Protected PII).**

Protected PII means an individual's first name or first initial and last name in combination with any one or more types of information, including, but not limited to, social security number, passport number, credit card numbers, clearances, bank numbers, biometrics, date and place of birth, mother's maiden name, criminal, medical and financial records, educational transcripts.

The non-Federal entity is required to take reasonable measures to safeguard PPII (2 CFR Part 200.303).

**Editor's Note:** 2 CFR Part 200.335, *Methods for collection, transmission and storage of information*, states that, "non-Federal entities should, whenever practicable, collect, transmit and store Federal award-related information in open and machine-readable formats rather than in closed formats or paper...When original records are electronic and cannot be altered, there is no need to create and retain paper copies."

**Editor's Note:** *The requirement for retaining records related to federal awards (grants, contracts, etc.) is 3 years from the date the final report was filed. We recommend not retaining such records beyond the legal requirements because federal monitors have the right to request all records still in your possession, regardless of how old they are.*

## **.01 Record Retention Policy**

Leech Lake Tribal College retains records as required by law and destroys them when appropriate. All files, both hard copy and electronic shall be labeled with topic, year (if applicable), and destruction date. Electronic copies shall be saved in appropriate folders on the network storage device. Hard copies should be stored in file cabinets or archived in the storage area. Archived hard copy files shall be stored in water and animal proof containers.

The destruction of records must be approved by the Director of Finance and logged into the College's [Destroyed Records Log]. Review and purging of files may take place on an ongoing basis, but must occur at least once per year, and must follow the minimum retention requirements outlined below.

***Editor's Note:*** *Insert the following at the end of the schedule of record retention time periods:*

The destruction of any documents containing social security numbers or any other "consumer data" as defined under federal laws and regulations shall be done via shredding using an approved shredding service provider.

***Editor's Note:*** *In order to simplify the records retention process, Colleges may consider the following:*

- ***Eliminate duplicate copies of documents. There may copies of invoices in program departments as well as in the fiscal department. Only retain the originals of invoices, timesheets, etc.***
- ***Sort out all permanent records and retain all other records for the time period required for personnel records, often 7 years. Personnel record requirements are set by the state and are usually the longest of all requirements. This will put all records on the same schedule and eliminate the need to track records for different retention periods (e.g. 1, 2, 3, or more years).***
- ***Use off-site storage or scanning for record retention.***
- ***Also, we do not recommend scanning records until after the audit period is closed.***
- ***Know your state's laws, especially related to personnel records (as noted above), and nonfederal grant requirements. They may be different from federal requirements.***

The formal records retention policy of Leech Lake Tribal College is as follows:

<b>Record</b>	<b>Retention</b>
Audit reports	Permanent
Correspondence – Legal and important matters	Permanent
Deeds, mortgages, and bills of sales	Permanent
Financial statements – Year-end	Permanent
General ledgers/year-end trial balance	Permanent
Minute books of directors, bylaws, and charters	Permanent
Retirement and pension records	Permanent
Tax returns and worksheets, examination reports and other documents relating to tax filings	Permanent
Trademark registrations and copyrights	Permanent
Accident reports/claims (settled Cases)	7 Years
Accounts payable ledgers and schedules	7 Years
Accounts receivable ledgers and schedules	7 Years
Contracts, mortgages, notes, and leases – expired	7 Years
Garnishments	7 Years
Insurance claims	7 years
Inventories of products, materials, and supplies	7 Years
Invoices (to customers, from vendors)	7 Years
Notes receivable ledgers and schedules	7 Years
Payroll records and summaries	7 Years
Personnel records (terminated)	7 Years
Property records (incl. depreciation schedules)	7 years
Purchase orders	7 Years
Sales records	7 Years
Subsidiary ledgers	7 Years
Timesheets/cards	7 Years
Withholding tax statements	7 Years
Bank statement & reconciliations	3 Years
Chart of accounts	3 years
Employment applications	3 Years
Insurance policies (expired)	3 Years
Internal audit reports	3 Years
Internal reports	3 Years
Petty cash vouchers	3 Years
Correspondence – General	2 Years

## **.02 Exception for Investigations**

In connection with any ongoing or anticipated investigation into allegations of violations of federal laws or regulations, provisions of government awards, or violations of the College's Code of Conduct, the following exceptions are made to the preceding scheduled retention and/or destruction of records:

1. All records related to the subject of the investigation or allegation shall be exempt from any scheduled record destruction.
2. The term "records" shall also apply to any electronically stored record (e.g., documents stored on computers, email messages, etc.), which shall also be protected from destruction.

***Editor's Note: Record protection is one of the requirements of the 2002 Sarbanes-Oxley Act, and it is also the subject of a disclosure on the IRS Form 990.***

***Consistent application of this policy is also important. Therefore, we recommend Colleges schedule record storage and destruction dates at consistent and appropriate intervals throughout the year.***

## **7470 FACILITIES USE**

### **.01 Overview**

In keeping with the mission of Leech Lake Tribal College and to maintain a campus climate conducive to learning, LLTC will approve the use of campus facilities by non-profit organizations, community groups, non-LLTC clubs, vendors and other commercial entities based on established guidelines identified below and in accordance with other applicable College policies.

LLTC welcomes community based groups and others to use LLTC campus facilities. The following guidelines, rules and fees are established to help coordinate this effort so LLTC can continue to meet the needs of students, faculty and staff as well as constituents in the community.

The President or his/her designee shall serve as the Facility Use Coordinator, and has the authority to grant a waiver of fees when circumstances warrant this action so long as this does not place the College at risk.

Finance Department requires a contract if financial obligations are involved.

### **.02 Waiving of Fees**

Exemptions may be granted to government and social agencies on a reciprocity basis, when they seek to acquaint LLTC students with their services. Non-profits organizations, community groups and non-LLTC clubs may request exemptions upon showing that the group provides a service to students and that the facility use is limited to no more than two hours per week. Exemptions may also be granted when an organization recognized by the Student Senate wants to use the event as a fund-raising activity; the vendor is part of an event leasing the building, or when the vendor provides a special service to students. Any group that receives an exemption and does not leave the facility in a neat, clean and orderly fashion will lose the exemption status for future use/occupation and may be subject to paying applicable fees/charges

### **.03 Facility Rates**

Rates are reviewed on an annual basis by the Director of Finance and the President. Rate changes are subject to the approval of the President. Current facility rates can be found on the College Website at [www.lltc.edu](http://www.lltc.edu) or on the intranet website.

## **7480 LOBBYING**

### **.01 Introduction**

Unlike political intervention, described in the preceding section, expenditures by a section 501(c)(3) public charity for lobbying activities are allowable under the Internal Revenue Code. However, **no** lobbying expenditures may be charged directly or indirectly to any federal award (i.e., the College must have a nonfederal source of funds to which such lobbying costs can be charged ).

### **.02 Definition of Lobbying Activities**

Lobbying activities conducted by the College may be either direct or indirect. Direct lobbying activities consist of attempts to influence legislation through communication with any member or employee of a legislative body (federal, state, or local levels) or, if the principal purpose of the communication is lobbying, with any government official or employee who may participate in the formulation of the legislation. Direct lobbying occurs when employees of the College or paid lobbyists communicate directly in attempts to influence legislation. Lobbying is distinguishable from advocacy activities, which involve efforts to advocate certain positions which may have legislative implications, as long as a nonpartisan analysis of the relevant facts is performed.

Lobbying occurs only when there is a specific piece of legislation or legislative proposal pending that the College is attempting to influence. Therefore, lobbying is considered to have taken place only if both of the following elements are present:

1. The communication refers to specific legislation (legislation that has been introduced or a specific legislative proposal that the College supports or opposes), and
2. The communication reflects a view on the legislation (supporting or opposing it).

Indirect lobbying involves communications with the general public (rather than directly with legislators, etc.) where the communication includes the same two preceding characteristics, plus it encourages the recipient of the communication to take action with respect to the specific legislation (by contacting legislators, etc.).

### **.03 Segregation of Lobbying Expenditures**

Lobbying expenditures are allowable for charities under the Internal Revenue Code. However, lobbying may not represent a substantial portion of the College's overall activities. The College's tax exemption would be at risk if lobbying becomes a substantial portion of the College's activities.

Accordingly, Leech Lake Tribal College segregates all direct and indirect lobbying expenditures in a separate section of the chart of accounts in the general ledger. Where appropriate, lobbying expenditures shall also be allocated their fair and reasonable share of employee benefits and other allocated costs in accordance with cost allocation policies described elsewhere in this manual.

#### **.04 Lobbying Election**

As a public charity, the College has two options with respect to the Internal Revenue Code's restriction against lobbying being a "substantial" portion of its activities. One option is to make a formal lobbying election, which results in the College following a specific mathematical formula to determine its lobbying limitations. Exceeding the limitation would result in an excise tax assessed to the College. Exceeding the limitation by 50 percent or more over a four-year period would result in loss of the College's overall tax exemption. The other option is to not make the election, resulting in an entirely judgmental assessment of its lobbying activities by the IRS. If it is deemed by the IRS to have engaged in substantial lobbying for any period, the College would lose its overall tax exemption under this option.

If Leech Lake Tribal College incurs lobbying expense, it will make the Internal Revenue Code section 501(h) lobbying election by filing Form 5768 and will leave that election in place. As a result, the College shall report its lobbying expenditures by completing the section for "Electing Charities" on Schedule A that accompanies its annual Form 990 information return filed with IRS.