

T-1798

UNITED STATES
DEPARTMENT OF THE INTERIOR
Bureau of Indian Affairs
Washington, D. C. 20242

42 BIAM Supp. 3, Release 3

June 5, 1972

Memorandum

To: Holders of Bureau of Indian Affairs Supplement No. 3
From: Director of Fiscal Plans and Management
Subject: Manual Supplement, 42 BIAM 3.11 Investments

This release transmits a revision of 42 BIAM 3.11, Investments.

This release is effective immediately except in those instances where reference is made to the following general ledger accounts:

G.L. 104.00, Deposit Funds in U. S. Treasury (net)
G.L. 109.30, Funds in Banks, Time Deposits, Bureau Level, and
G.L. 206.10, Liabilities for ISSDA Deposit Funds and Tribal
Funds, Individual Indians or Organizations.

As soon as existing computer records and daily computer processing can be made to conform with the revised general ledger accounts above, you will be advised of the effective date these general ledger accounts will be utilized in the Bureau's accounting system.


John F. Sykes
Director of Fiscal Plans
and Management

Filing Instructions for Material Transmitted

(a) Remove superseded material:

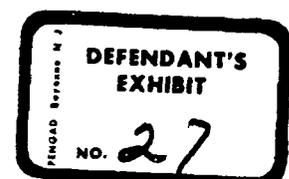
42 BIAM Supplement 3.11, dated 5/11/71 (5 sheets)

(b) Insert New Material:

42 BIAM Supplement 3.11 (11 sheets)

(c) Pen-and-Ink Changes:

None



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3.11 Investments

A. Authority. Funds held in trust for the benefit of tribes and individual Indians may be invested in (1) public debt obligations of the United States; (2) bonds, notes, or other obligations which are unconditionally guaranteed as to both principal and interest by the United States; (3) commercial banks in custodial savings accounts; and (4) commercial bank time deposit certificates. The latter two investments must be secured by acceptable collateral security therefor in the form of any public debt obligations of the United States and in any bonds, notes, or other obligations which are unconditionally guaranteed as to both interest and principal by the United States, as provided for by the Act of June 24, 1938 (52 Stat. 1037, 25 U.S.C. 162a).

Osage funds are authorized to be invested in other securities by the Act of March 3, 1921 (41 Stat. 1250) and the Act of February 27, 1925 (43 Stat. 1008-1009).

B. Authority Vested in Chief, Division of Financial Management. The Chief, Division of Financial Management, or anyone acting in his stead, is authorized to exercise the authority vested in the Secretary of the Interior under the Act of June 24, 1938 (52 Stat. 1037, 25 U.S.C. 162a), which relates to the investment of tribal and individual trust funds in banks, in public debt obligations of the United States, and in bonds, notes, or other obligations which are unconditionally guaranteed as to both principal and interest by the United States.

C. Authority Vested in Area Directors. Area Directors may invest tribal trust funds in banks, in public debt obligations of the United States, and in bonds, notes, or other obligations which are unconditionally guaranteed as to both interest and principal by the United States, as provided by the Act of June 24, 1938 (52 Stat. 1037, 25 U.S.C. 162a), and the investment of funds of Osage Indians as provided by Section 4 of the Act of March 3, 1921 (41 Stat. 1250), and in Section 1 of the Act of February 27, 1925 (43 Stat. 1008-1009).

D. Investment Policy. Area Directors and Superintendents shall encourage Indian participation in investment planning and shall provide for counsel and advice to the Indians, associations of Indians, and Indian tribes, on the investment of their surplus moneys. Negotiations for the purchase and sale of Government securities involving unrestricted funds under the local control of Indians should be made by adult Indians, associations of Indians, and Indian tribes, in all cases where they are able to transact business for themselves. Advice.

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should be given whenever necessary. It will be the responsibility of the Area Directors to notify the Division of Financial Management, Attention: Branch of Investments and ISSDA, when funds are available for investment. The amount of surplus funds available and the period of time such funds can remain invested are guiding factors in selecting securities that will yield the best possible return.

(1) Treasury Securities. United States bonds, notes, bills, and United States Savings Bonds are securities meeting the requirement for the investment of Indian trust funds by the Bureau. "Public debt obligations" includes only bonds issued by the United States Treasury.

(2) Other Obligations. "Bonds, notes, or other obligations which are unconditionally guaranteed as to both principal and interest by the United States" includes obligations fully or unconditionally guaranteed or insured by a Government agency pursuant to a Congressional grant of authority for a constitutional purpose. By existing statute and in accordance with existing policy, certain securities are considered proper for investment of ISSDA funds. Some examples are as follows:

(a) Farm loan bonds issued by Federal land banks, section 27 of the Federal Farm Loan Act of 1916, 39 Stat. 380, 12 U.S.C. 941.

(b) Obligations of the Federal home loan banks, section 15 of the Federal Home Loan Bank Act of 1932, 47 Stat. 736, 12 U.S.C. 1435.

(c) Debentures of the Federal intermediate credit banks, section 6(b) of the Farm Credit Act of 1935, 49 Stat. 316, 12 U.S.C. 1045.

(d) Debentures of the banks for cooperatives, section 1 of the Act of August 23, 1954, 68 Stat. 770, 12 U.S.C. 113m.

(e) Participation certificates of the Federal National Mortgage Association, section 311 of the FNMA Charter Act, as enacted in the Housing Act of 1954, 68 Stat. 622, and as amended by section 701(b) of the Act of September 2, 1964, 12 U.S.C. 1723c.

E. Treasury Department Service and Requirements. As a service to the Bureau, the Treasury Department will purchase or sell Government securities, upon request by officials who have been authorized by the Commissioner of Indian Affairs to purchase or sell Government securities.

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The Chief, Division of Financial Management, or persons acting in his stead, presently are the only persons who may exercise this authority.

(1) Safekeeping. All securities purchased by the Treasury Department for the Bureau are held for safekeeping in the United States Treasury. Safekeeping receipts are held by the Bureau in lieu of the actual security. Safekeeping receipts issued by the Treasury Department shall be retained in a safe and shall be made available to authorized Government auditors upon request. Receipts for maturing securities sent to the Treasury Department shall be transmitted by letter, which shall identify each receipt by number, type, and denomination, including reference to maturity date. These receipts shall be reviewed periodically and reconciled with the Treasury Department and applicable general ledger account to determine that the records are in agreement.

(2) Signature Cards. Persons authorized to request the Treasury Department to procure securities are required to furnish signature cards in triplicate to the Central Office for forwarding to the Treasury Department.

(3) Purchase of Securities. A letter should be prepared to request the purchase of securities. It should be addressed to:

Chief, Investment Operations
Treasury Department
Washington, D. C. 20220

The letter should contain information as follows:

- (a) Type of securities desired and date they were issued.
- (b) Date security will mature.
- (c) Face amount.
- (d) Date delivery desired.
- (e) Citation to fund symbol and amount available to pay for security.
- (f) How the security or safekeeping receipt is to be issued. (i.e., Chief, Division of Financial Management, Bureau of Indian Affairs, in trust for _____.)

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F. Group Securities

(1) Surplus Moneys in Cash Account. When a cash balance exists in the account of the Indian Service Special Disbursing Agent which is in excess of needs for disbursements, such amount may be invested in United States bonds, notes, bills, or other obligations which are unconditionally guaranteed both as to principal and interest by the United States. The funds are to be invested by the Investment and ISSDA Branch.

(2) Methods of Purchase. Requests for the purchase of United States Treasury securities shall be made by letter, original and one copy, to the United States Treasury Department, Division of Investments, Washington, D. C. 20220. See section 3.11E(3) above.

(a) Safekeeping receipts to be issued subject to the order of the Chief, Division of Financial Management, for the account of Individual Indian Money 4844.

(b) All securities are to be held for safekeeping in the Treasury.

(c) Interest payments for coupon bonds are to be deposited in the official account of the Indian Service Special Disbursing Agent, whose name, title, address, and symbol number must be clearly stated. For registered securities, the check should be drawn exactly as the bonds are inscribed.

(d) The Treasury Department will report the total cost of securities purchased, and a check should be issued and mailed promptly by the disbursing agent.

(3) Purchase Price. The purchase price of group securities purchased from ISSDA funds shall be reflected as a debit to the appropriate general ledger account for investments and securities at the Bureau level (108.10, 108.20, 108.30, 108.40, or 109.30) and a credit to general ledger account 104.00, Deposit Funds in United States Treasury (Net). The interest and/or capital gain realized by cash payments will be debited to general ledger account 104.71, Collections (Dr), and credited to general ledger account 206.20, Undistributed Interest-Group Earnings-Bureau Level. A reasonable balance will be retained in general ledger account 206.20, Undistributed Interest-Group Earnings-Bureau Level, as a reserve to avoid overdrafts caused by sales below par value and to provide funds for the payment of interest on accounts being closed between interest periods.

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(4) Sale or Redemption. Requests for sale or redemption of group securities shall be made by letter, original and one copy, addressed to the Office of the Treasurer of the United States, Division of Securities, Washington, D. C. 20220. The letter should contain the following:

(a) Custody receipt, and in the body of the letter, show date of issue of the securities, maturity date, and face amount.

(b) Indicate ownership of securities when original purchase was made.

(c) Show Disbursing Symbol and fund symbol (i.e., Disbursing Symbol 4844 and fund symbol 14X6039) and amount to be credited.

G. Bank Deposits

(1) Time Certificates of Deposit. Tribal trust funds may be invested by Area Directors subject to conditions imposed by the Act of June 24, 1938 (52 Stat. 1037, 25 U.S.C. 162a) in commercial banks for the purpose of earning interest. The Chief, Division of Financial Management, may invest tribal trust funds and ISSDA funds in commercial banks, under delegated authorities and the law as quoted above, for the purpose of earning interest.

(2) Banks--Designated as Depositories and Financial Agents of the Government. Part 202, Subchapter A, Chapter II of Title 31 of the Code of Federal Regulations (Treasury Department Circular 176, revised 12-1-67) provides regulations and standards which must be met before a bank can act as a depository of the Government. As a minimum requirement each bank, for which a deposit of tribal trust funds is contemplated, must be a member of the Federal Reserve or insured by the Federal Deposit Insurance Corporation. When the minimum requirements have been met by the bank as indicated above, the Treasury Department in Washington should be requested to establish an account. Please refer to Illustration 1.

(3) Negotiation with Banks Concerning Proposed Investment of Trust Funds. Banks located in the area where Indians reside may be contacted to obtain bids for proposed investment for funds involved. Please refer to Illustration 2 for the type of form which can be used to record bids of banks solicited.

(4) Agreement between the Bureau of Indian Affairs and Commercial Banks. An agreement is to be executed by and between the Bureau of Indian Affairs and commercial banks. Also, the bank should

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execute a resolution authorizing execution of the agreement and the issuance of Certificates of Deposit. Please see Illustrations 3 and 4.

H. Distribution of Interest

(1) Group Securities. Group securities are those representing investment of surplus moneys in the cash account of the Indian Service Special Disbursing Agent. All Individual Indian Money accounts subsidiary to general ledger account 206.10, Deposits-Individual Indians or Organizations (Cr) (It does not include any investments made by the Bureau for an individual or tribe.), and the balance in 206.70, ISSDA Deposit Funds-Other (Special Deposits) (Cr), participate in earnings from "so-called" group investments of surplus cash.

(a) Interest Earnings. The interest earned and received from group investments shall be recorded at Bureau level in general ledger account 206.20, Undistributed Interest-Group Earnings-Bureau Level.

(b) Distribution at Field Level. The balance in this account shall be made available to ISSDA disbursing points at the close of each interest period. The interest should be distributed to each applicable account immediately but not later than three months following the close of the interest period. (See section 3.11H(5) for computation of interest.)

(c) Interest Periods. Interest periods are from April 1 through September 30, October 1 through March 31. The interest applicable to account 206.10, Deposits-Individual Indians or Organizations (Cr), will be distributed to all subsidiary accounts meeting the minimum requirements. (See section 3.11H(4) for minimum requirements.)

The interest applicable to account 206.70, ISSDA Deposit Funds-Other (Special Deposits) (Cr), will be deposited by the appropriate agency direct to 14X8500 A/R, Indian Moneys, Proceeds of Labor. The check for account 206.70 interest will be issued by the Branch of Investments and ISSDA.

(2) Individual Securities. Individual securities are those purchased for and identified to the applicable individual account set up for an investment in bonds or in a time certificate of deposit with a commercial bank. The applicable general ledger account in these cases would be account 206.65, Deposits-Investments and Securities-Field Level (Cr), for bonds or for a bank investment. The interest earned on such individual investments will be credited to the applicable individual Indian account promptly upon receipt of a check thereof, or

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the previous interest period. The interest must be posted immediately prior to closing the account in order that it may be included in the final check. The interest shall be credited to account 206.10, Deposits-Individual Indians or Organizations, and account 206.23, Undistributed Interest-Field Distribution of Bureau Level Earnings.



3.11
Illustration 1

United States Department of the Interior
BUREAU OF INDIAN AFFAIRS
Post Office Box 127
Albuquerque, New Mexico 87103

IN REPLY REFER TO
Investments

Mr. K. E. Marmer
Deputy Assistant Comptroller
(Depository Analysis)
Bureau of Accounts
Department of the Treasury
Washington, D.C. 20226

Dear Mr. Marmer:

Please establish an account for the _____

to maintain balances of Indian Trust Funds under the provisions of
Treasury Circular 176. The initial deposit will be _____.

The deposits of Indian Trust Funds with the commercial bank will be made
under authority of the Act of June 24, 1938, (52 Stat. 1037; 25 USC 162(a)).

Sincerely yours,

Chief, Division of Financial
Management

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upon receipt of appropriate evidence of deposit or credit from the United States Treasury Department. These accounts will not share in investments made from group surplus cash.

(3) Computation of Interest Factor. The sum of the general ledger account balances at the end of each month included in the interest period in account 206.10, Deposits-Individual Indians or Organizations (Cr), account 206.70, ISSDA Deposit Funds-Other (Special Deposits) (Cr), together with the balance in account 206.20, Undistributed Interest-Group Earnings-Bureau Level, at the close of the interest period will be used in computing the interest rate and factor to be used in distributing the interest available. The accrued interest on all unmatured investments applicable to ISSDA accounts must be encoded as an accrual by debiting account 154.00, Other Deferred Debits, and crediting account 206.20, Undistributed Interest-Group Earnings-Bureau Level.

The sum of the balances at the end of each month included in the interest period in accounts 206.10 and 206.70 will be the divisor, and the balance in account 206.20 (derived from all group investments) at the close of the interest period as the dividend. The quotient, carried to six decimal places, will be the interest factor to be used in computing the distribution of group interest to be applied to accounts subsidiary to account 206.10. (In order to determine the actual annual rate of interest earned, multiply the factor x 12 (months) = actual interest annual percentage.) The factor as indicated is the monthly rate of interest. The factor will be furnished by the Branch of Investments and ISSDA during the month following the close of the interest period.

(4) Minimum Requirements. Distribution of interest is to be made to each Individual Indian Money account subsidiary to general ledger account 206.10, Deposits-Individual Indians or Organizations (Cr), earning interest in the amount of \$2.00 or more during the interest period.

(5) Computing Interest for Distribution to Individual Accounts. Individual accounts subsidiary to account 206.10, Deposits-Individual Indians or Organizations (Cr). The product of the sum of balances in each Individual Indian Money ledger at the end of each month included in the interest period multiplied by the interest factor will be the amount, if it meets the minimum requirements, to distribute to that account.

(a) Undistributed Interest. The amounts applicable to accounts not meeting the minimum requirements will remain in account 206.20, Undistributed Interest-Group Earnings-Bureau Level, and will

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be included with the interest distribution at the close of the next interest period or be available for application to accounts closed prior to the close of the next interest period.

(b) Minimum Balance. An account is entitled to have interest applied when the sum of the balances at the end of each month during the interest period multiplied by the factor equals \$2.00 or more. To determine the minimum balance, divide \$2.00 by the factor. (For example, if the factor were .004855 and if divided into \$2.00, the minimum balance would be \$411.95.) (Also, if the factor .004855 were multiplied by 12, the annual interest rate would be 5.826%.)

(c) Overdrafting of Undistributed Interest Account. After the factor for the six-month interest period is received from Financial Management, each disbursing point should begin immediately to calculate interest earnings for each individual based on the factor indicated and post the interest accrual to each ledger. The interest is to be charged to account 206.23, Undistributed Interest-Field Distribution of Bureau Level Earnings. You are to "overdraft" account 206.23. When the semi-annual interest has been applied, forward copies of the journal vouchers to Bureau of Indian Affairs, Division of Financial Management, P. O. Box 127, Albuquerque, New Mexico 87103. The interest charges will then be funded by check which when deposited will remove the "overdraft" from account 206.23.

(6) Deposits-Other (Special Deposits). The account 206.70, ISSDA Deposit Funds-Other (Cr), will participate in the interest earned and received. The product of the sum of the balances in account 206.70 at the end of each month included in the interest period multiplied by the interest factor will be the amount of interest earned by this account. The balances will be computed by the Branch of Investments and ISSDA from the figures contained in the "General Ledger Detail List--ISSDA Funds" "printout" for the interest period involved. A United States Treasury check will be issued and forwarded to the disbursing point for deposit by the applicable Area or agency direct to the 14X8500 A/R, Indian Moneys, Proceeds of Labor account.

(7) Closed Accounts. Accounts which are closed (and are not expected to be reopened) during any interest period shall be entitled to earn interest if the interest earned is \$2.00 or more.

If an account is closed prior to the end of a month, the month-end balances to be used in computing interest shall not include any amount for the month in which the account is closed, except if closed on the last day of the month. The amount of interest to be credited to closed accounts shall be determined by the interest factor in effect during

Tribes: _____ Date: _____
 Amount \$ _____ Date Available _____
 Term _____ Maturity Date _____ Day of Week _____

1. Bank _____ Address _____
 Name of Person Contacted _____ Title _____
 Rate _____ Compounded _____ 360 or 365 Day Basis _____

2. Bank _____ Address _____
 Name of Person Contacted _____ Title _____
 Rate _____ Compounded _____ 360 or 365 Day Basis _____

3. Bank _____ Address _____
 Name of Person Contacted _____ Title _____
 Rate _____ Compounded _____ 360 or 365 Day Basis _____

4. Bank _____ Address _____
 Name of Person Contacted _____ Title _____
 Rate _____ Compounded _____ 360 or 365 Day Basis _____

5. Bank _____ Address _____
 Name of Person Contacted _____ Title _____
 Rate _____ Compounded _____ 360 or 365 Day Basis _____

Funds sold to _____
 Use Fed of _____ Account of _____

A G R E E M E N T

Between

The United States of America, Department of the Interior, Bureau of
Indian Affairs

and the

(Name of Bank)

THIS AGREEMENT is made and entered into this _____
day of _____, by and between the Chief, Division of
Financial Management, Bureau of Indian Affairs, Albuquerque, New Mexico
87103, United States of America and the _____
(Name of Bank)

WITNESSETH:

Whereas, the Act of June 24, 1938 (52 Stat. 1037; 25 U.S.C.
162a), provides that Indian tribal and individual Indian funds held in
trust by the United States may be deposited in banks;

NOW THEREFORE, in consideration of the mutual covenants
herein, the parties hereto agree to the responsibilities respectively
delineated below.

1. The Bureau of Indian Affairs:

1.1 may open and maintain with the Bank custodial time deposits
in the name of Bureau of Indian Affairs for various Indian
tribes and individual Indians as may be designated by the Chief,
Division of Financial Management.

1.2 will negotiate for and accept therefor duly executed certificates of deposit designating the term of deposit and the rate of interest the deposited funds bear.

2. The _____ will;
(Name of Bank)

2.1 maintain the deposits provided for under 1.1 hereof, each properly identified to indicate the respective custodial nature;

2.2 pay interest on time deposits at rates to be determined, with concurrence of the Chief, Division of Financial Management, at the time any deposit is made; furnishing certificates of deposit evidencing such payments for an agreed on period of deposit and otherwise manage the account in accordance with law and the regulations of the Federal Reserve Board;

2.3 automatically pledge the necessary collateral security as provided by the Act of June 24, 1938 (52 Stat. 1037, 25 U.S.C. 162a).

2.4 waive all bank charges.

3. The effective dates of any specific deposit agreement shall be mutually agreed upon by the Chief, Division of Financial Management and the official representative of the Bank.

IN WITNESS THEREOF, the parties hereto have subscribed their names and affixed their seals this _____ day of _____, 19__.

THE UNITED STATES OF AMERICA

(Name of Bank)

BY: _____
Chief, Division of Financial
Management

BY: _____

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This is to CERTIFY, that at a meeting of the Executive Committee of the Board of Directors of _____ of _____, held on _____, the following resolutions were duly adopted:

RESOLVED, that _____, Senior Vice President, _____, Vice President and Treasurer and _____, Assistant Treasurer be and each of them is hereby authorized to execute on behalf of this Bank an Agreement between this Bank and the United States of America, Department of the Interior, Bureau of Indian Affairs providing for Indian tribal funds held in trust by the United States to be deposited with the Bank in interest bearing time deposits.

RESOLVED, that _____, Senior Vice President, _____, Vice President and Treasurer, _____, Vice President, _____, Assistant Treasurer, _____, Assistant Vice President and _____ be and each of them hereby is authorized to execute on behalf of this Bank, Certificates of Deposit and/or Time Open Contracts issued in the name of the Bureau of Indian Affairs.

Assistant Secretary

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