Executive summary | June 2026

Wipfli Tribal Government CFO Exchange

Host: Shanice York and Brian Anderson | Wipfli

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GWE subject matter specialist: Telly Meier | Hobbs, Straus, Dean & Walker, LLP

Facilitator: Austin Evans | Profitable Ideas Exchange

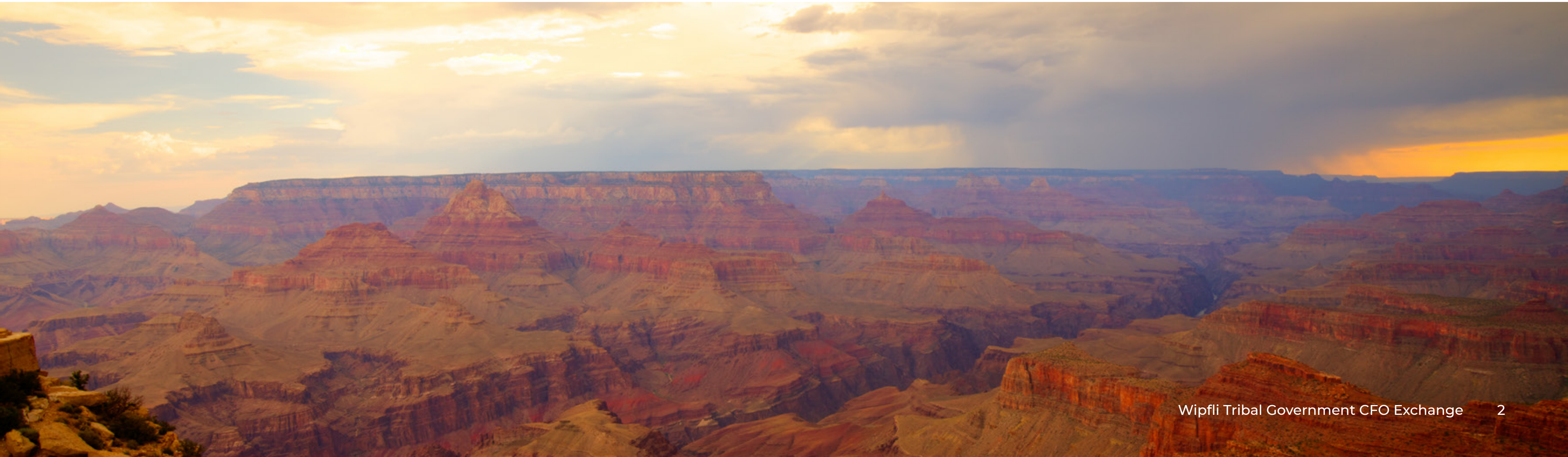
Introduction

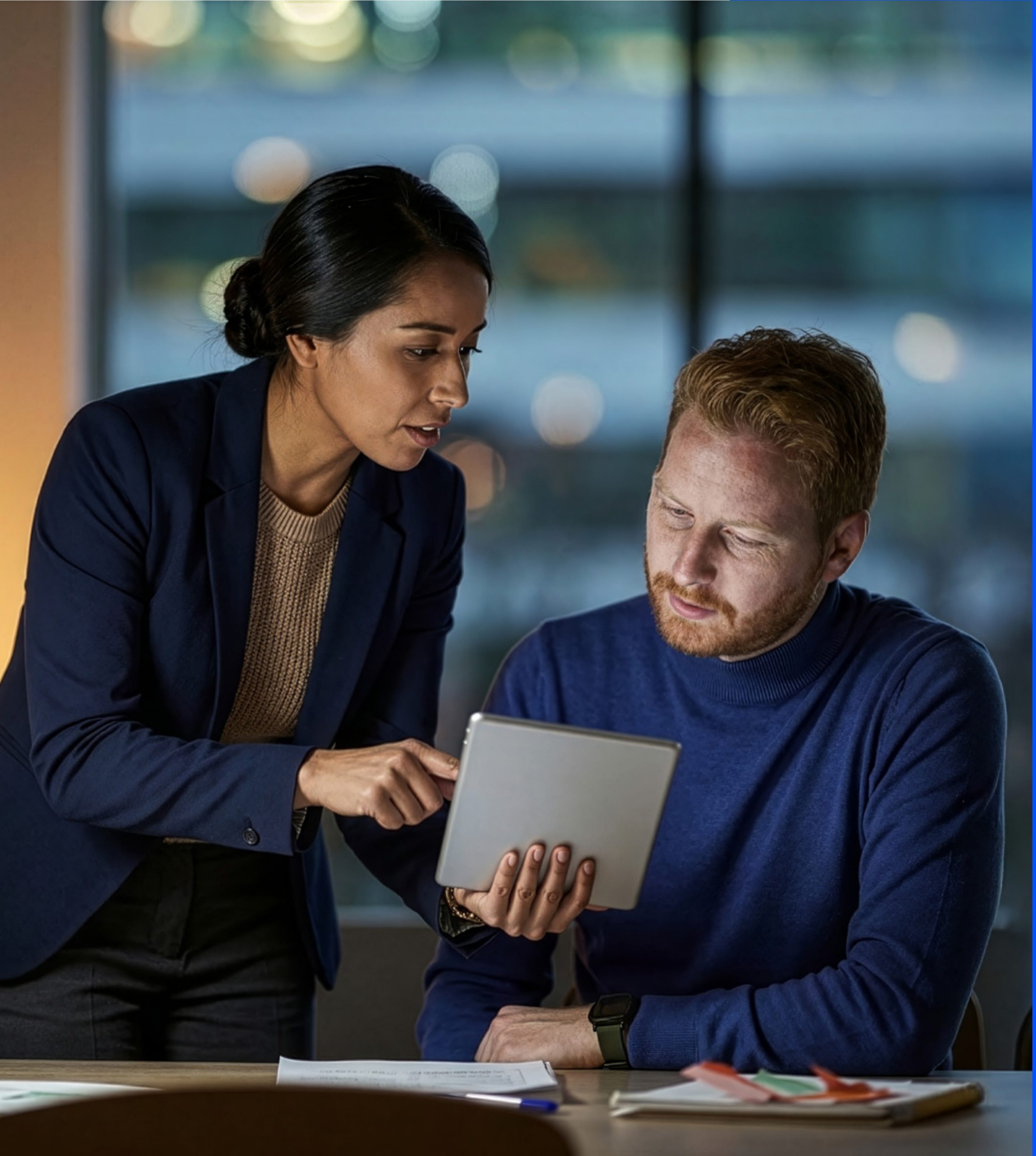
Artificial intelligence has become an increasingly important topic for tribal government CFOs and finance leaders. Across recent conversations, leaders are evaluating AI's potential to improve efficiency, strengthen financial oversight and reduce manual workload, while also navigating the realities of governance, data sovereignty, system readiness and staff adoption.

Across these perspectives, a consistent theme emerges: Interest in AI is growing, but responsible adoption depends on clear policies, secure environments and practical use cases aligned to the needs of tribal finance organizations.

The group also discussed general welfare exclusion (GWE) in the context of the finalized federal regulations.

Topics covered program design, compliance and long-term strategy. Four themes dominated the conversation: acting during the transition period, establishing thresholds and documentation, maximizing benefits within a defensible framework and revisiting trust structures and distribution strategies to optimize outcomes for tribal members.





AI adoption, governance and practical use cases

Wipfli AI subject matter specialist:

Lindan Elliott | Wipfli

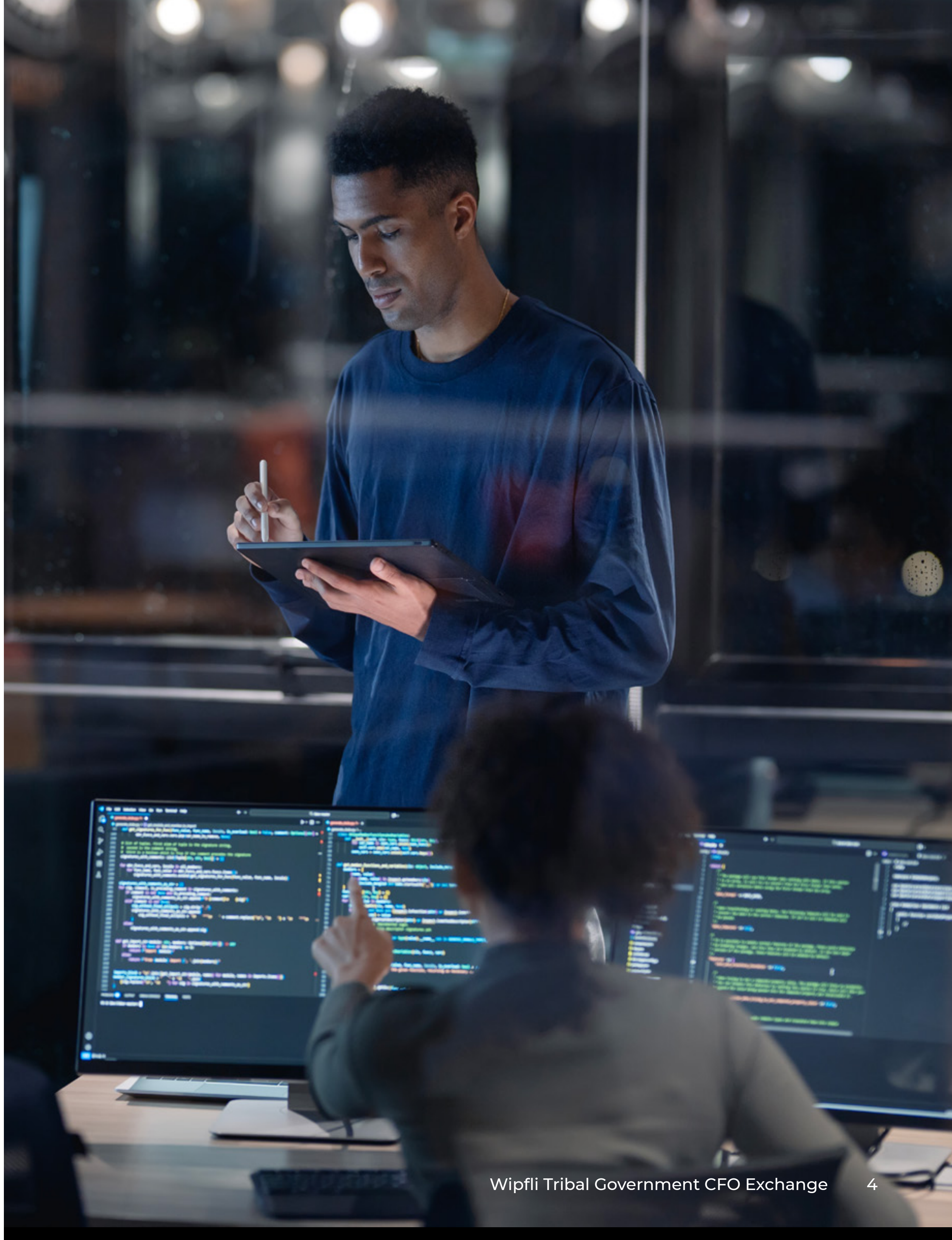
Governance and data protection are the starting point for AI adoption

Across conversations, the most consistent message is that governance and policy must come first. This holds true regardless of where an organization is in its adoption journey.

1. Treat AI like a new employee

A common framing is to treat AI agents the same way an organization would approach a new employee: Start with limited access, monitor output closely and expand responsibility as trust is established.

Leaders noted that AI should not operate without oversight simply because it can act autonomously. As with employees, performance should be measured, reviewed and governed over time.



2. Data sovereignty: A uniquely tribal concern

The most frequently cited concern is the risk of tribal data entering public AI systems. Enrollment data, payroll, grant information and member financial data were consistently identified as categories that should not be shared with public platforms.

Several organizations have already encountered informal or unauthorized use of public AI tools by staff, prompting increased focus on defining acceptable use and identifying approved platforms.

Microsoft Copilot, within the Microsoft 365 environment, has emerged as a preferred tool in many cases because it operates within an organization's existing data boundary. In parallel, some organizations are moving away from public tools toward private or enterprise environments.

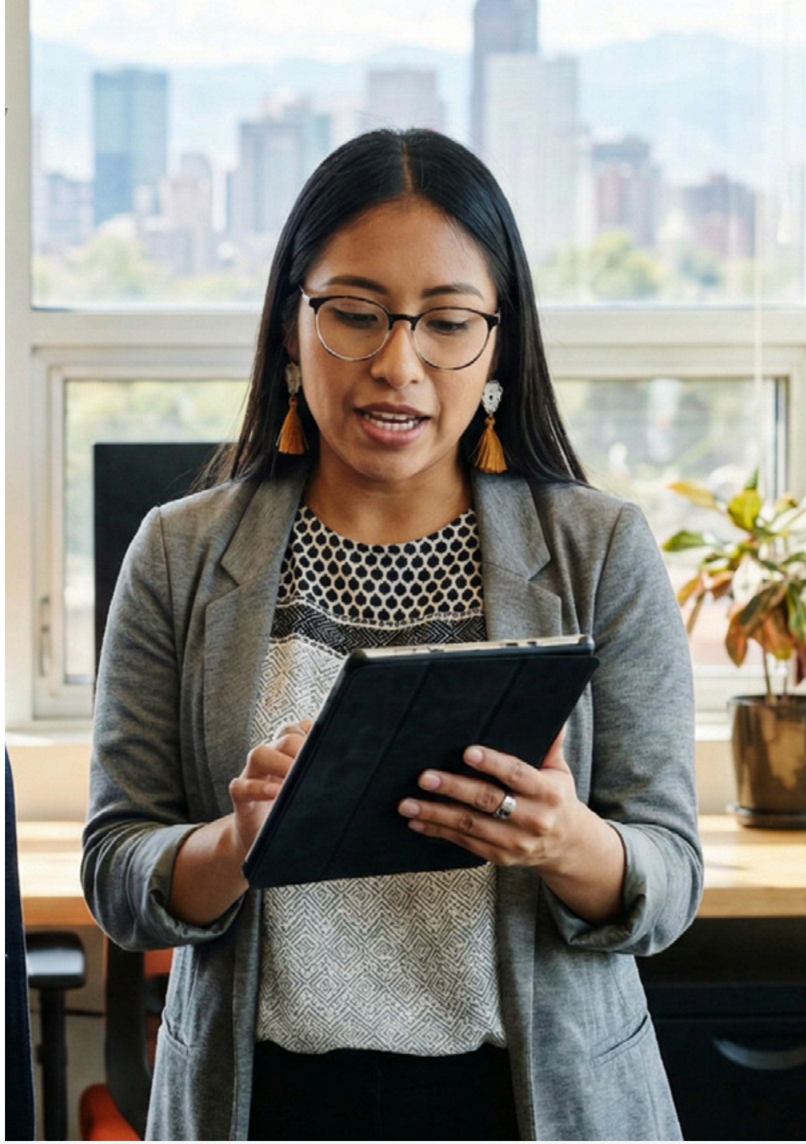
"We can't have tribal data in AI. Once it's in the public instance, it becomes public data — and we don't want that. We're working to find a private solution where we can use AI but keep the data protected."

3. Adoption is outpacing policy

While formal governance is still developing, many organizations are already using AI in limited ways, including research, document drafting, Excel support and meeting notes.

In many cases, formal policies, governance structures and training programs have not yet caught up with usage. Some organizations have paused adoption while policies are developed, while others are running targeted pilots to evaluate tools before broader rollout.

"I'm using AI more and more, but I'm careful not to input sensitive information. I'm trying to embrace it while pushing IT to create a policy and clear guidelines."



Key takeaway:

Governance and data protection are not barriers to adoption. They are foundational. Organizations that define policy, approved tools and clear usage expectations will be better positioned to adopt AI with confidence.

Near-term value is concentrated in finance and operational use cases

While interest in AI is broad, the most actionable focus is on practical finance and operational use cases where AI can reduce manual effort, improve accuracy and support constrained teams.

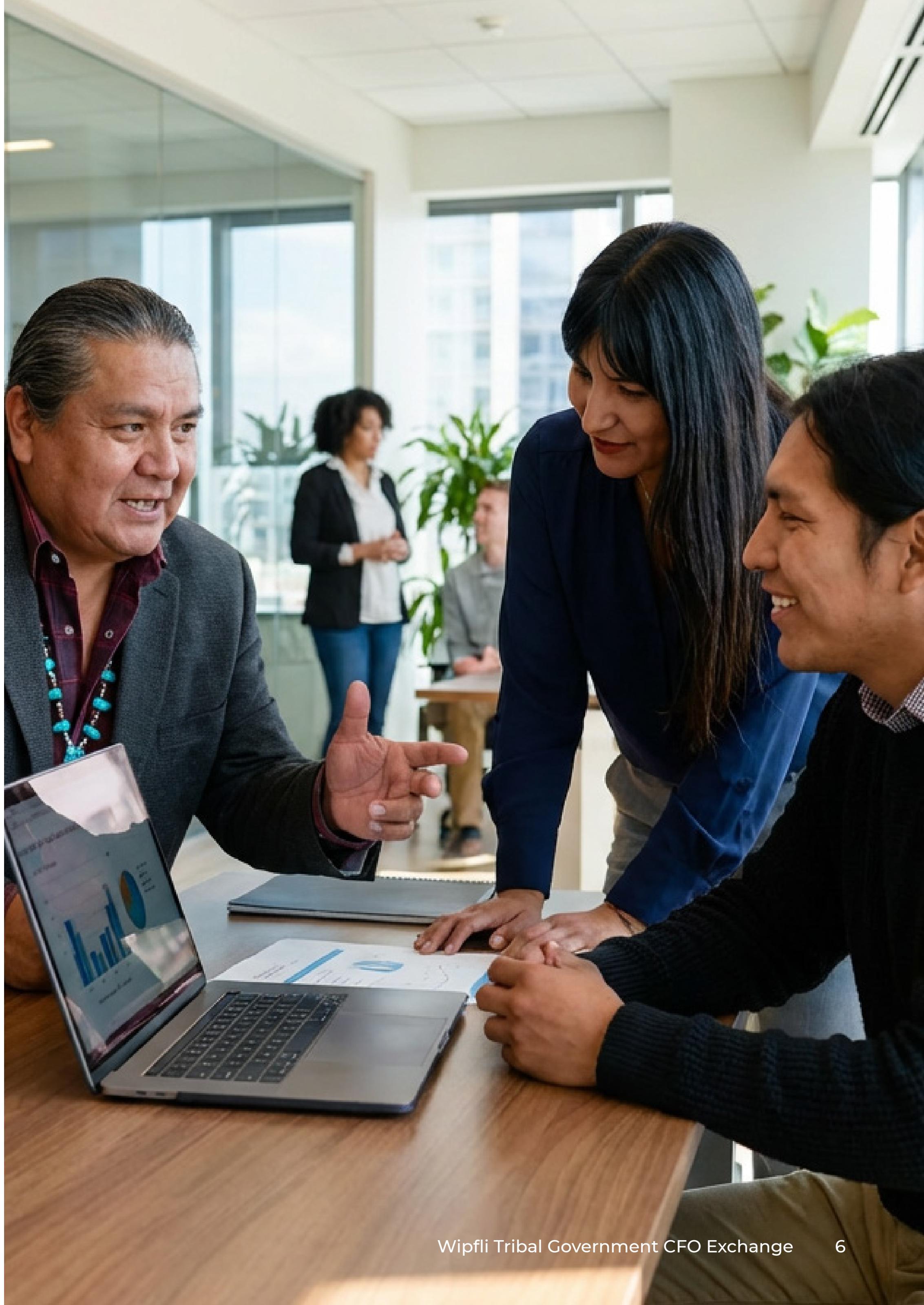
1. Grant-funded payroll validation

One example raised across conversations is an AI agent that connects payroll, ERP and budget systems to validate grant-funded payroll allocations before processing.

This type of agent can help identify:

- Employees allocated to expired or fully spent grants.
- Allocations that would result in overspending.
- Outdated or incorrect allocation percentages.

In some cases, similar capabilities are also being considered post-payroll to identify and correct issues after processing.



2. Emerging finance and operational applications

Other commonly discussed use cases include:

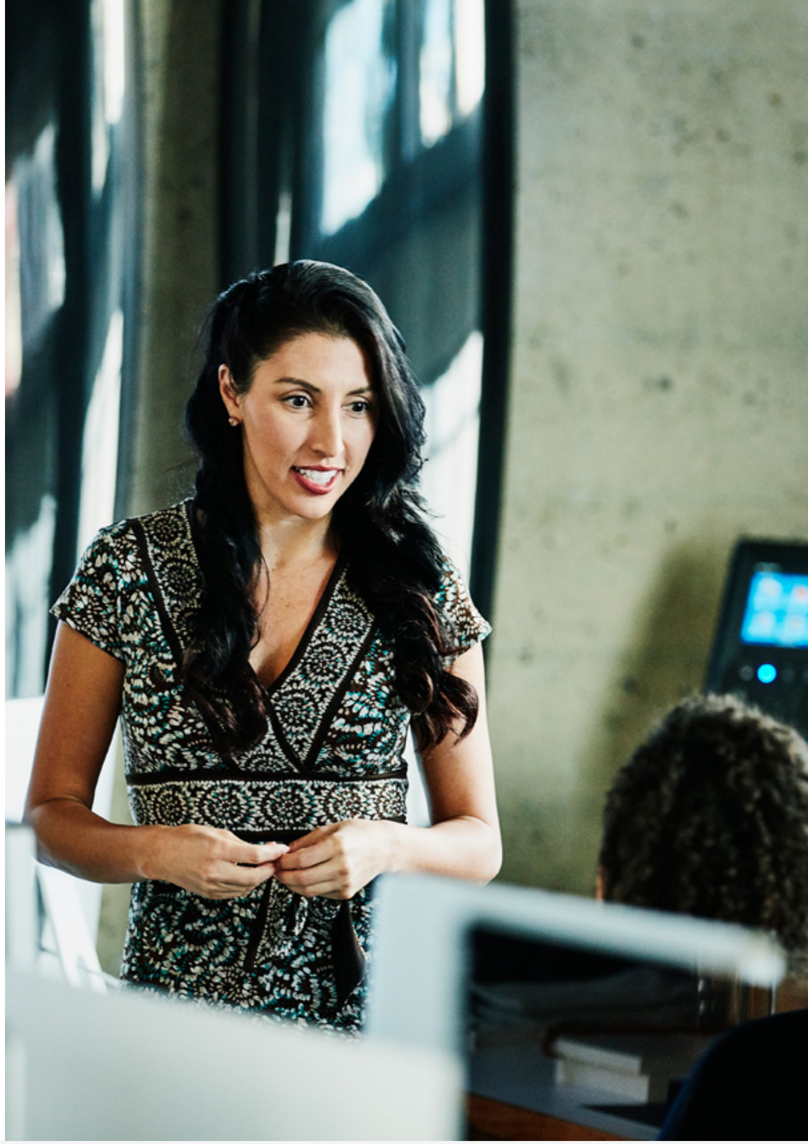
- **Construction project oversight:** Integrating financial and operational data across systems to identify cost, schedule and risk discrepancies
- **AP automation and workflow management:** Continued evolution of invoice processing, approvals and payment tracking
- **Accrual automation:** Using historical vendor data to generate accruals and automate reversals
- **Flux and variance analysis:** Automated review of ledger changes with explanations and prioritized focus areas
- **Payroll anomaly detection:** Identifying unusual patterns or discrepancies that may not be visible through manual review

3. CFO priorities

Across these examples, priorities are consistent and focused on efficiency and risk reduction:

- Exception detection and anomaly identification.
- Reduction of manual reconciliation and review.
- Improved visibility into grants, payroll and financial performance.
- Automation of repetitive, time-intensive processes.

"I want to use AI for anomaly detection — identifying discrepancies in budgets, grants or payroll data. That's where the real value is, not replacing staff."



Key takeaway:

The clearest near-term value lies in automating exception detection and manual finance processes — areas that are time-consuming, prone to error and difficult to scale with limited staff.

AI capabilities are expanding rapidly within core systems

A key trend is the pace at which AI is being embedded directly into ERP and finance platforms, often independent of formal adoption decisions.

1. AI is becoming standard in finance platforms

AI capabilities are evolving from standalone tools to embedded features within core systems. Current implementations are largely focused on analysis — such as variance explanations, anomaly detection and flux review — while more advanced use cases are beginning to automate portions of workflows.

For organizations evaluating or migrating ERP platforms, this raises new considerations around vendor roadmaps, governance and control environments.

"AI is a conversation I have multiple times a day. I see two schools of thought: embedded AI agents within systems or experimenting around the periphery with targeted use cases. Most organizations haven't mastered it yet. I think it will take another year or two before it scales effectively across infrastructure."

2. Early adoption, growing momentum

Adoption levels vary across organizations, but most leaders describe themselves as still in early stages of use, while actively exploring where AI can be applied responsibly.

Interest continues to expand, driven in part by staffing constraints and the need to improve efficiency in finance functions. At the same time, organizations are navigating practical barriers, including limited training, evolving IT policies and uncertainty around approved tools.

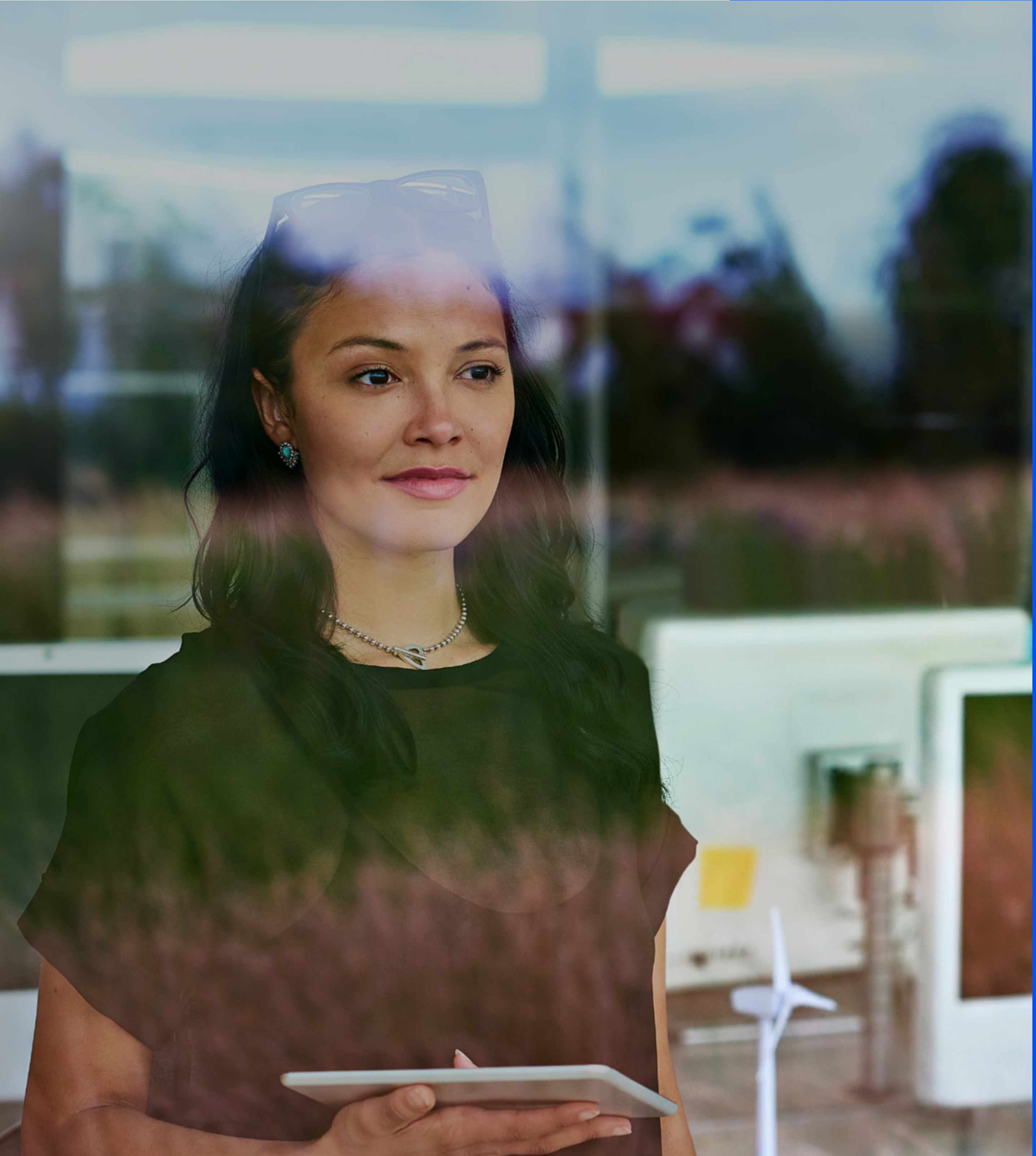
"Given our staffing shortages, the idea of using AI as a support function is very appealing, particularly if it can alleviate workload without introducing risk."

Recommended next steps

- Establish or formalize AI governance policies, including data classification, approved tools and acceptable use guidelines.
- Designate secure AI environments (e.g., Microsoft Copilot within M365) and clearly communicate restrictions on public tools.
- Prioritize a small set of high-value use cases in finance, such as payroll exception reporting, grant analysis or AP workflow automation.
- Invest in structured training and enablement to improve adoption while reducing unsanctioned usage.
- Engage ERP and technology vendors to understand current capabilities, roadmap timing and embedded governance controls.

Key takeaway:

AI is already becoming embedded in core finance systems. The critical question is not whether to engage with it but how to govern, train for and adopt these capabilities thoughtfully as they continue to evolve.



General welfare exclusion (GWE)

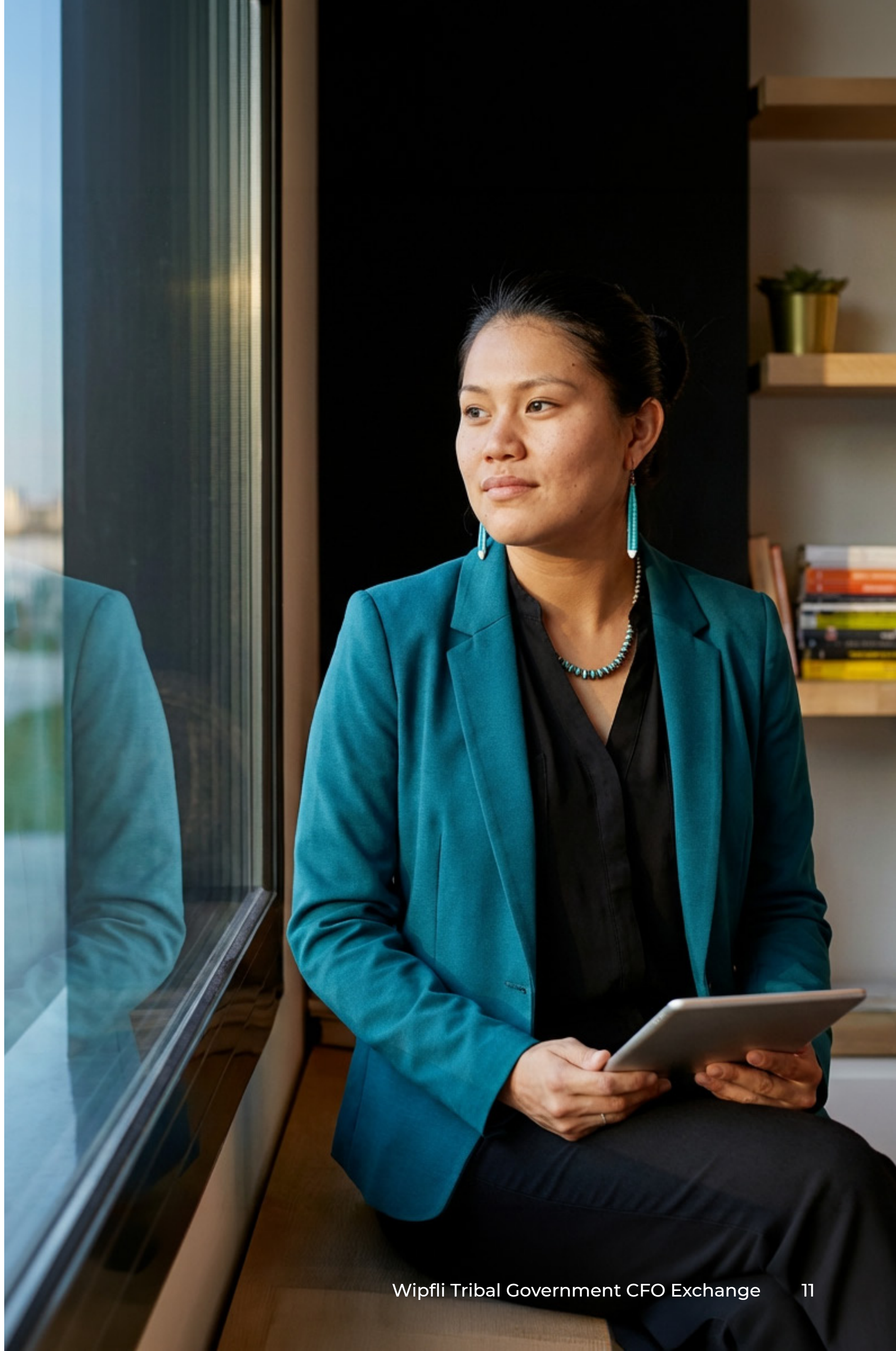
GWE subject matter specialist:

Telly Meier | Hobbs, Straus, Dean & Walker, LLP

1. Tribes are actively updating GWE programs and leveraging the transition period

“You can rely on the regulations now. Once your program is ready, you can start operating it as intended today. You do not have to wait until January.”

- Many tribes are using the transition period as an active planning and execution window — updating program documents, passing tribal resolutions and converting taxable distributions to tax-free benefits ahead of the January 1, 2027, effective date.
- The finalized regulations allow tribes to rely on GWE rules immediately. The January 1, 2027, effective date governs when the IRS is formally bound, not when tribes can begin applying the rules. This clarification addressed a widespread misconception that had led some tribal organizations to delay action unnecessarily.
- Acting early matters logistically. The federal office responsible for approving certain tribal gaming revenue allocation plan changes is expected to face a surge of submissions as the deadline approaches. Participants agreed that filing sooner increases the likelihood of receiving timely attention.
- One tribal leader shared that their tribe passed a GWE resolution the prior week and applied it retroactively to 2026, thus confirming that tribes can act during the transition period and capture benefits without waiting for year-end.
- Tribes at various stages are updating ordinances, program codes and plan documents to reflect current law. Mr. Meier noted this work is foundational: Tribes that complete it now will be positioned to operate fully compliant programs on day one.



2. Maximizing benefits while ensuring compliance and defensibility

"We want to maximize the program and not leave money on the table. But everything needs to be supportable and have a rationale. If the IRS comes in, I want that to be an easy conversation."

- Participants broadly agreed that GWE programs should capture the full scope of allowable benefits. However, aggressive design requires equally rigorous documentation so that every threshold and category can be clearly explained to an auditor.
- Cultural events, including powwow prize payments and awards to native individuals from other tribes, are explicitly covered under GWE. Mr. Meier confirmed this and encouraged tribes to include specific language in program documents to establish a presumption of compliance. Higher payout amounts can be justified by factoring in the cost of travel, meals and lodging for participants attending from across the country.
- One experienced leader described running birth-month audits that require members to substantiate income and expenses for a single month each year. The tribe has issued only one taxable form in four years under this model, evidence that internal rigor builds long-term program credibility without burdening most participants.
- Mr. Meier recommended that tribes send notification letters to members for distributions below the IRS threshold, noting that needs are met and no action is required.

3. Establishing thresholds and documentation is central to program design

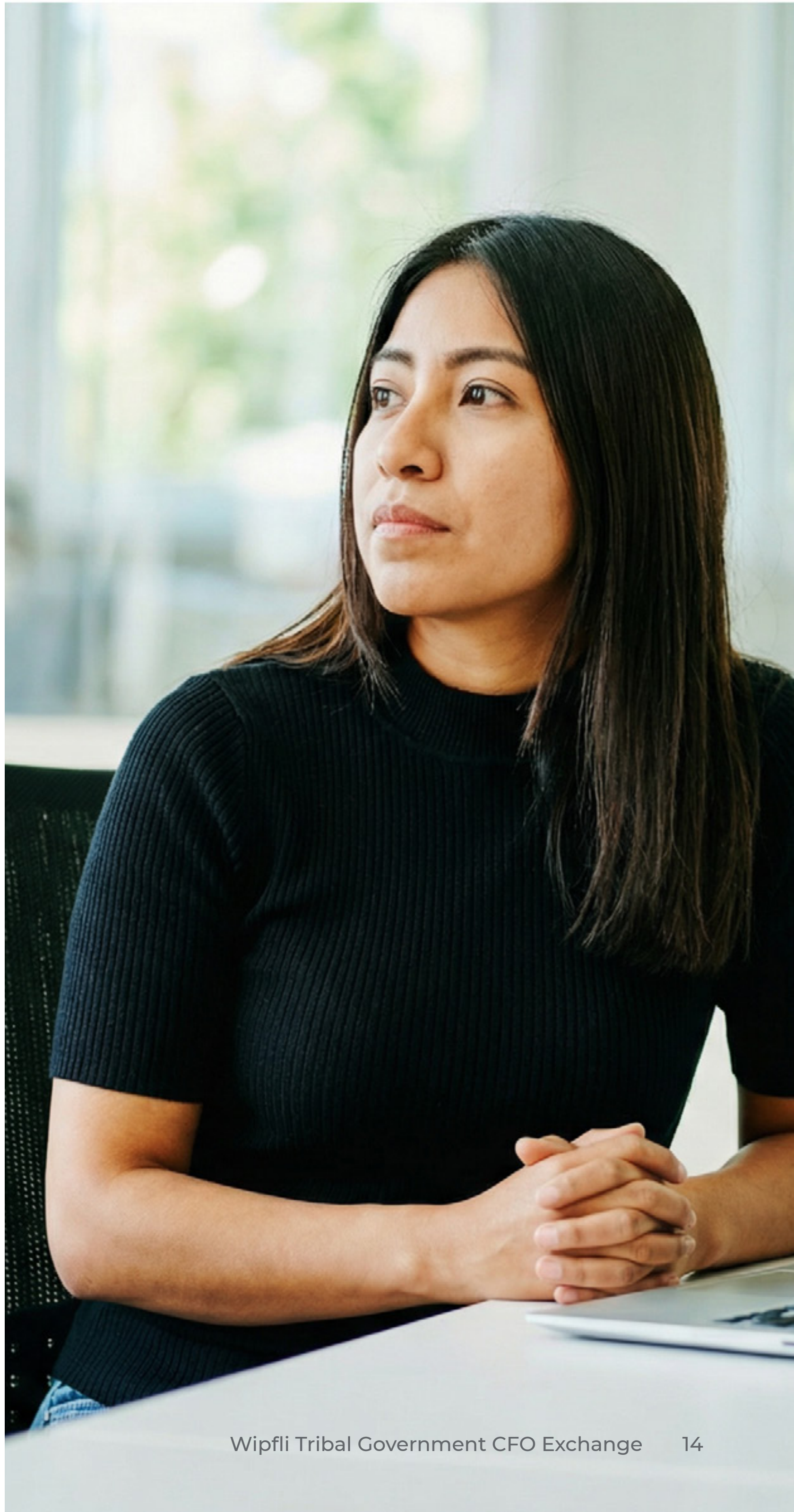
"We start with the IRS national standards and then layer on childcare, home maintenance, elder care — the real costs that go beyond basic survival. There are economic firms that do community-specific studies, and those numbers typically come in higher."

- Threshold setting is not a one-time exercise; it is a living process that should draw on multiple data sources, reflect life-stage costs and be revisited regularly to protect programs as distributions grow over time.
- IRS National Collection Standards — covering food, clothing, transportation, housing and utilities — are a widely accepted starting point for GWE threshold justification. Depending on location and cost of living, these typically yield annual thresholds between $40,000 and $60,000. It was noted that the IRS would have difficulty challenging a threshold anchored to its own published standards.
- Life-stage costs significantly expand what a defensible threshold can include. Childcare runs $9,000 to $15,000 per child annually; home maintenance averages $14,000 to $18,000 per year; elder care and young-adult relocation can also increase costs. Economic consulting firms can produce community-specific welfare need studies that often exceed IRS benchmarks and carry additional evidentiary weight.
- One tribe described passing an annual resolution that establishes the GWE threshold for the year based on a cost-of-living study, then indexing future thresholds to inflation. Actual payment amounts may not change year to year, but the documented threshold grows, creating forward protection if distributions increase.
- Participants noted tension in how the IRS addressed documentation in the final regulations: Language suggested members need not retain records, while other provisions cite substantiation rules that require it. The practical consensus was that tribes should be able to explain how thresholds were set, even if individual member receipts are not mandatory.

4. Tribes are reassessing trust structures and distribution strategies

"We have minor trust accounts where distributions come every three to four years. Now we are evaluating both options — maintaining that staggered schedule and adding annual amounts or shifting to a straight annual distribution that stays below the threshold."

- Minor trust accounts represent one of the highest-impact areas for GWE optimization. Tribes are actively restructuring distribution schedules, threshold documentation and trust frameworks to reduce or eliminate tax liability for members aging into distributions.
- For tribes with large minor trust accounts, the central challenge is converting historically taxable distributions into qualifying general welfare benefits. Designing distributions around eligible expense categories — education, housing, transportation and land purchases — can significantly shift tax outcomes for members receiving funds at age 18 or whatever age the minor's trust distributions are scheduled.
- One member described offering beneficiaries a choice at distribution time. They can receive the funds and pay tax or defer funds into a lifetime general welfare trust and access them later through GWE-covered uses. When the tax cost was made explicit, many members chose to defer — an outcome that surprised several trustees in the room.
- Mr. Meier noted that lifetime general welfare trusts designed to hold funds long-term rather than trigger an immediate taxable event are an emerging but not yet fully settled strategy. Tribes exploring this approach should engage legal counsel with specific experience in tribal tax matters before proceeding.



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