



San Francisco Tlingit & Haida Community Council

Tlingit & Haida Indian Tribes of Alaska

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March 20, 2022

TO: Tribal Citizens of the San Francisco Tlingit & Haida Community
FROM: San Francisco Tlingit & Haida Community Council
SUBJECT: Report on Community Council Internal Controls; Improvements

The San Francisco Tlingit & Haida (SFTH) Community is a political subdivision of the Central Council of Tlingit and Haida Indian Tribes of Alaska (CCTHITA), a federally recognized regional Indian Tribe for all of southeast Alaska. Over 33,000 Tribal citizens are enrolled from each of its communities. Nearly 1,500 CCTHITA Tribal citizens reside in California, and over 1,000 are enrolled with the SFTH Community. Every two years in even numbered years the CCTHITA Communities elect Delegates to its Tribal Assembly, which is the governing body of CCTHITA. CCTHITA Tribal citizens who are eligible voters (18 years of age or older) and enrolled with the SFTH Community may vote to elect five Delegates to the Tribal Assembly. In this election SFTH Community also elects its seven Council members, which includes five officers (President, Vice President, Treasurer, Recording Secretary, Corresponding Secretary) and two at-large Council members.

The SFTH Community Council is the governing body of the SFTH Community. The seven Council members are delegated the powers to serve the interests of the SFTH Community. The five Officers are delegated powers and duties to fulfill specific roles on the Council in serving Community interests. Two key Officials are the President and the Treasurer, in whom is vested duties to receive, preserve, and safeguard all funds in the possession of the SFTH Community or the Council, to keep adequate and accurate records of the same, to report on all receipts and disbursements and on the amount and nature of all such funds to the Council, and to not pay out or disburse any funds except as authorized by the SFTH Community Council. For this purpose, the SFTH Community Council successfully complied with its internal controls since its founding in the 1970s.

However, the current SFTH Community Council elected in 2000 immediately found financial records were incomplete and internal controls may not have been followed. The current Council reviewed the financial records and found reasonable cause to believe the prior Council President and Treasurer may not have complied with the Council's long-standing internal controls or their duties as Officers. The current Council made a significant effort to investigate these questions between 2000 and 2022, however, answers were unsatisfactory and records were unavailable. In 2022 the current Council determined a report from an independent accounting and audit firm was necessary and appropriate. The Council received a report from the firm of Hunter & Renfro LLP on March 5, 2022.

The Council asked Hunter & Renfro LLP to review and analyze transaction material for the prior SFTH Community Council to determine whether proper accounting and reporting procedures have been followed in reporting the financial operations of the Council. Their analysis included reviewing bank statements, minutes of meetings, emails and miscellaneous documents relating to the transactions of the Council from 2016 through December 2019 with a more limited review of documents dating back to 2005. Hunter & Renfro LLP also considered the existence of, and adherence to, internal control procedures and the role internal control procedures would have in conducting financial operations and reporting. The Report is broad in scope and intended only to assist in evaluating deficiencies in financial reporting or significant deficiencies or material weaknesses in internal control procedures and practices, and was not intended to discover all deficiencies in particular transactions.

The Report noted several deficiencies involving internal control that we would consider to be significant deficiencies and material weaknesses under auditing standards established by the American Institute of Certified Public Accountants. The Report determined the following factors contributed to a lack of proper reporting



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and possible misuse of financial resources:

1. A lack of compliance with internal control procedures for the organization.
2. A potential conflict of interest between the President and the Treasurer in their roles that generally increased reporting risk.
3. A lack of minutes of Council activities that would support the authority to engage in questioned financial transactions.
4. A lack of consistent financial reporting and oversight of financial activity to the Council.
5. Multiple Automated Teller Machine (“ATM”) cards associated to the SFTH Community Council bank account that may have been used by multiple parties.

The SFTH Council has taken immediate action to improve its system of internal controls that will prevent non-compliance by future Officers, which includes more stringent controls and division of duties between Council Officer, publishing the controls for review by its SFTH Community members, and requiring each Council member to acknowledge and commit to compliance with these controls by signed declaration upon election.

Specific control improvements include:

- An improved check and balance system among Council Officers to achieve consistency and accountability.
- An improved segregation of accounting duties so that no one or two persons handle all aspects of a transaction from beginning to end.
- A re-emphasis of the existing requirement for Council review and authorization of receipts and disbursements.
- A re-emphasis on the existing requirement for Council review of financial results.
- A re-emphasis on the existing requirement for Council meeting minutes.
- A prohibition on the use of ATM or other cash cards.

Conclusion

Overall, the Hunter & Renfro Report confirmed the current Council’s concern that non-compliance with internal control procedures contributed to a lack of proper accounting and financial practices in the period between 2018 and 2020. And while further forensic analysis could be conducted in an attempt to uncover individual transactions and assign fault, the effort would be an expensive cost for the Community compared to the amounts involved, and not an effective use of limited Community resources. Instead, the current Council has improved its internal controls that will prevent non-compliant financial practices and activities and will improve the accountability for Officers elected to Council.

Sincerely,

Jay Silva, President

San Francisco Tlingit & Haida Community Council