

March 5, 2022

To the Board of Directors
San Francisco Tlingit & Haida Community Council
Isleton, California

Re: Transaction Analysis for the San Francisco Tlingit & Haida Community Council

To Council Board Members,

We have been asked by the Board to review and analyze transaction material for the San Francisco Tlingit & Haida Community Council (“Council”) to determine whether proper accounting and reporting procedures have been followed in reporting the financial operations of the Council. Our 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. We 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.

Analysis Procedure

Our analysis is preliminary and broad in scope and intended only to assist in evaluating potential next steps if further investigation and analysis is desired. Our analysis may not necessarily discover all deficiencies in financial reporting or significant deficiencies or material weaknesses in internal control procedures. As discussed below, however, we noted several deficiencies involving internal control that we would consider to be significant deficiencies and material weaknesses if we were auditing the books and records under auditing standards established by the American Institute of Certified Public Accountants. It is extremely important to note that our analysis was conducted by reviewing documents only for the purposes of this preliminary analysis and we have not conducted any interviews with any Council members or Officers.

Analysis Summary

Our analysis determined there is a likelihood the financial affairs of the Council were conducted improperly and that financial resources may have been used for purposes other than what they were intended. Additionally, we determined there is a lack of internal control procedures in the organization and this lack of internal control procedures likely contributed to improper use of financial resources. Our analysis determined the

following factors contributed to a lack of proper reporting and possible misuse of financial resources:

- 1) There is a lack of internal control procedures for the organization.
- 2) It appears the President and the Treasurer may live in the same household and/or may be related which generally increased reporting risk.
- 3) There is a lack of consistent minutes of Council activities which indicates a possible lack of authority to engage in transactions.
- 4) There is a lack of consistent financial reporting and oversight of financial activity to the Council.
- 5) It appears there are multiple Automated Teller Machine (“ATM”) cards associated to the bank account that may have been used by multiple parties.

Background and Analysis Results

The San Francisco Tlingit & Haida Community Council is an active not-for-profit organization that conducts activities in accordance with its Constitution. The Constitution describes conditions of membership, outlines the makeup and power of the Council, and describes the functions of its officers. The organization has a minimal budget and has minimal transactions on a monthly basis. A recent change in administration in 2020 resulted in efforts to close out and finalize financial activity up through the date of the new administration.

The Constitution of the Council, Article IV, Section 5, describes the duties of the Treasurer which consist of keeping accurate records and reporting on all receipts and disbursements and the amount and nature of all such funds at each meeting and prohibits the Treasurer from paying out or disbursing any funds except as authorized by the Council. Article III, Section 4, grants immunity to the Council, its agents and members acting in an official capacity and within the scope of their authority from unconsented suit which, such immunity, extends beyond the term of office.

During the course of our review, we noticed transactions passing through the bank account for which we did not immediately find receipts or authorization for. Our review determined the Constitution lacked a framework for internal control procedures that described how the Council would carry out the duties of the Constitution. We believe there are material weaknesses in internal control that likely had an adverse effect on the financial resources of the Council. A material weakness in internal control exists when there is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Council’s financial information will not be prevented or detected by management’s internal control over financial reporting. Our review determined the following weaknesses:

Inadequate Internal Controls. A significant material weakness we noted was the lack of internal controls regarding carrying out the financial transactions of the Council. Without proper, published internal controls, individuals with financial authority often are left with deciding how to conduct business on their own without a good check-

and-balance system. Generally, a lack of a check-and-balance system allows financial activity to spiral into whatever works for whomever is in charge without consistency or accountability. We believe this lack of internal control contributed significantly to the condition of the financial information.

Inadequate segregation of accounting duties. A fundamental concept of internal control is that no one department, or person, should handle all aspects of a transaction from beginning to end. The goal is not to have one individual performing multiple duties that would allow him or her to perpetrate or conceal errors or fraud in the normal course of his or her duties. We discovered the bookkeeping function was loosely conducted in an inconsistent manner and the relationship between the President and Treasurer increased the risk of misuse and misstatement of financial activity.

Inadequate review and authorization of disbursements. Our review indicated the existence of several meeting minutes which do contain comments regarding financial activity but are often lacking in consistency and authority for, and nature of, expenditures. We did notice more detailed financial information between 2010 and 2013 but it seems that as of 2013, reporting became less detailed and sometimes non-existent. Additionally, we noticed the timing of deposits after expenditures that appeared to “cover” the expenditure which may need to be examined more closely in order to determine whether these expenditures were personal in nature or related to Council activities.

Inadequate review of monthly financial results. Upon review of meeting minutes, we were unable to determine whether the Council was given enough information to perform an adequate and consistent review of financial results. We did find sporadic reports and occasional transaction descriptions but nothing that summed up financial transactions or pulled them together in an understandable format. We were unable to determine the existence of an adequate set of records from which to determine compliance with the accounting procedures of Article IV, Section 5.

Existence and use of multiple ATM cards. A review of bank activity indicates the possible existence of multiple ATM cards. We were unable to determine the authority for multiple ATM cards nor a proper method of authorizing and evaluating the transactions charged to these cards to determine compliance with the accounting procedures of Article IV, Section 5. Our brief review indicated the need to determine whether several of these transactions were incurred, or even necessary, in the course of pursuing the activities of the Council.

Conclusion

Overall, the lack of internal control procedures contributed heavily to the lack of proper accounting and results of financial activities of the Council. Although intentions of what should be done and how transactions should be reported may or may not have been widely known or accepted throughout the organization, the lack of internal control

procedures makes it more difficult to assign fault to any particular party. Further forensic analysis could be conducted in an attempt to uncover wrongdoing and assign fault at a likely expensive cost but the lack of proper, published internal control and accounting and reporting procedures, if more specific wrongdoing is determined, will make it difficult to determine where the blame should rest.

Recommendations

- 1) We recommend that a determination be made by the Board whether to forensically investigate the transactions further by evaluating whether the options available, if improper results are uncovered, outweigh the cost of conducting the investigation while keeping in mind the immunity clause in Article III, Section 4.
- 2) We recommend that at a minimum, a set of internal control procedures be created and adopted by the Council to ensure proper oversight of future financial activity.
- 3) We recommend that a standard financial transaction reporting procedure, or template, be created and used consistently on a go-forward basis.
- 4) We recommend determining whether multiple ATM cards are needed or at least reviewing, or creating, expenditure authorization procedures for the ATM cards.
- 5) We recommend a clear separation of duties such that no one person has complete control over fund deposits, disbursement authorizations, actual disbursements and bank reconciliations.

This report is intended solely for the information and use of the San Francisco Tlingit & Haida Community Council and its Board of Directors and is not intended to be, and should not be, used by anyone other than these specified parties. Please note this analysis is based on a preliminary review of the records and as, or if, additional records become available, this analysis could change.

Sincerely,

Hunter and Renfro, LLP