



INTERNAL CONTROLS FOR SFTH COMMUNITY COUNCIL

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The San Francisco Tlingit and Haida Community Council (“SFTHCC”, Constitution Article II) herein establishes its internal controls whereby the Council and its Officers (Constitution Article IV) shall (1) report on all receipts and disbursements, and (2) analyze the control structure on an annual basis to determine if changes have occurred within the Community which may require a change in the design of the controls or adding additional reviews.

1.20.010 Purpose and policy.

(1) It is the purpose of this chapter to set forth standards of internal controls to guide all San Francisco Tlingit and Haida Community Council Members in their fiduciary duties and to provide effective means for enforcement thereof.

(2) Internal controls for financial duties of the Council Members are essential to promote and protect the integrity of the Community. Therefore, internal controls are necessary in order to ensure Council Members act in the best interest of the Community and not in their personal interest, and to promote and strengthen the faith and confidence of the SFTH Community citizens in the integrity, security and accountability of their Council Members in financial matters. The internal controls process includes:

- (1) Review Invoices and Receipts
- (2) Review Disbursements
- (3) Review Receipts and Disbursement Reports
- (4) Limit Treasurer Authority
- (5) Review Restrictions on Receipts and Disbursements
- (6) Analyze Restrictions on Receipts and Disbursements
- (7) Reconcile the General Ledger
- (8) Review Quarterly Statements Outside of Treasurer
- (9) Quarter-End Close Checklist
- (10) Review Quarterly Financial Sheets to Statements

1.20.020 Definitions.

“Internal control” means a process, effected by the Community Council and its Executive Officers, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

“Control environment” means discipline and structure factors that include the integrity, ethical values, competence, authority, and responsibility whereby the Community Council organizes and develops its financial transactions as its internal control framework.

“Control activities” means the policies and procedures that help ensure management directives are carried out, and include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

“Key Controls” means financial reporting and system access reviews that are important control activities required for external and internal audits, and assurance that operating results are complete, accurate, and valid, and that there are no material misstatements to the financial statements.

“Monitoring” means regular management and supervisory activities, and other actions of the Community Council in performing their duties, which includes an assessment of risks and the effectiveness of ongoing monitoring procedures.

“Risk assessment” means the identification and analysis of relevant risks to achievement of Community financial objectives that form a basis for determining how the risks should be managed.

1.20.030. Overarching Control Activities.

(1) Entity-level Controls

The control environment shall include a risk assessment process, control activities, information and communication, and internal control monitoring. Such controls include the enforcement of ethical standards and the appropriate assignment of authority and responsibilities.

(2) Information Technology Control Activities.

Safeguards that protect the accounting systems from unauthorized access or data manipulation include password protection and automated data entry accuracy checks.

1.20.040. Transaction Controls Activities.

Transaction controls are in three key areas: the cash disbursement cycle, the cash receipt cycle, and month end closing and financial reporting.

(1) Cash Disbursement Cycle

- (a) Review Invoices. Invoices shall be reviewed by the Treasurer, and if necessary, someone with knowledge of related charges, prior to being entered into the general ledger by the Treasurer. The check signers should review the related invoices for approval when reviewing and signing checks.
- (b) Review Reimbursements. Reimbursements and payments should be reviewed by the Treasurer and President. The reimbursement or payment should be reviewed by the Treasurer with an unrelated Council member monthly, and with the full Council quarterly. This review can be performed after payment to speed up processing if it is reviewed by the authorized signers, who shall be the President

and an unrelated Council member, upon entering the expense into the general ledger.

- (c) Review Expenditure Reports. Expenditure reports should be reviewed by authorized signers, who shall be the President and an unrelated Council member, prior to cash being transferred for the invoice. During the expenditure report review, the authorized signers should review for prior approval by the Council and reasonableness of payment.
- (d) Limit Accountant Authority. Prohibit the Treasurer from being the authorized signer on:
 1. Checking account
 2. Investment accounts
 3. Line of credit

(2) Cash Receipt Cycle

- (a) Review Significant Receipts and Disbursements Restrictions. Significant receipts and disbursements should be reviewed by the Treasurer and authorized signers to identify restrictions and compliance with controls.
- (b) Analyze Restrictions on Receipts and Disbursements. On an annual basis, restricted receipts and disbursements from the past year shall be analyzed by the Treasurer and reported to the Council to determine if restrictions and controls have been met, and restrictions and controls approved for the current year. This can include reviewing expense and disbursements reports by fund from the general ledger and the associated authorizing Council approvals to validate that the receipts and disbursements complied with restrictions and were properly authorized.
- (c) Reconcile the General Ledger. A reconciliation of the general ledger should be performed at least annually and approved by the Council.

(3) Quarter End Closing and Financial Reporting.

- (a) Review Quarterly Statements Outside of the Treasurer. The review of quarterly account reconciliations and statements shall be performed by the authorized signers with the assistance of the Treasurer, and reported to the Council.

(4) Quarter-End Close Checklist.

A quarter-end close checklist shall be completed that lists all quarter-end controls such as account reconciliations, financial statement preparation, review of manual journal entries, the check register, and payment reports. The list should contain two columns for preparer and reviewer signoff. Each task would be initialed and dated by the reviewer and preparer. This review process shall be performed by the Treasurer and the authorized signers.

(5) Review Quarterly Financial Sheets to Statements.

Review quarterly financial reports, including the balance sheet and budget, to actual statement of activities by the Treasurer and President. Additional review shall be performed by the Council who is responsible for approving receipts and disbursements.