

SPANISH LAKES COUNTRY CLUB VILLAGE
HOMEOWNERS ASSOCIATION, INC.

AUDIT COMMITTEE REPORT

April 25, 2018

To the Board of Directors:

The By-Laws of the Spanish Lakes Country Club Village Homeowners Association, Inc. (HOA) require an “audit” be completed at the discretion of the audit committee. The Audit Committee examined the financial records (cash receipts, disbursements, and bank reconciliations) of the HOA for the period April 1, 2017 to March 31, 2018 the latest complete fiscal year of the HOA.

An audit is designed to ensure that proper accounting procedures are followed and that proper internal controls over the receipts and disbursements are in place. An audit is not designed to detect all manner of fraudulent behavior. However, good internal controls and proper accounting procedures minimize the possibility of fraudulent activity. During our examination, we did not detect any indications of misappropriated funds or fraudulent activity. Attached for Board review and action are recommendations arising from this examination of the receipts and disbursements.

EXAMINATION PROCEDURES

The Audit Committee examined each cash receipt and agreed those receipts to deposits to the bank account. Deposits were made in a timely manner in accordance with the HOA By-Laws. The accounting records reflected all cash items received. Bank reconciliations are done in a proper manner and outstanding items are accounted for correctly. All questions raised during the examination were answered satisfactorily.

The Audit Committee also examined each cash disbursement and agreed those disbursements to documents supporting each disbursement. We agreed check disbursements to the bank statements, the financial records and the HOA checkbook. We noted no discrepancies during the audit. The Treasurer answered satisfactorily all questions raised during the examination.

We commend the Treasurer, Gay Fazio, for the work she does with the HOA and for the assistance, she provided the Audit Committee as it completed this audit. We also take this opportunity to thank her for the work she performs as Treasurer of the HOA.

Very truly yours,

Robert J. Cuddy, Jr. Peggi Davis
Audit Committee Audit Committee

SPANISH LAKES COUNTRY CLUB VILLAGE
HOMEOWNERS ASSOCIATION, INC.

AUDIT COMMITTEE REPORT RECOMMENDATIONS

AUDIT RECOMMENDATIONS:

Establish a written policy for levels of approvals for all disbursements.

Presently the HOA By-Laws dictate the approvals needed for the disbursement of funds. Amounts in excess of \$500 require Board Approval while amounts of \$1,000 or more require approval from the membership. It was noted during the examination that at least six disbursements greater than \$1,000 did not reflect membership approval as required by the By-Laws. Additionally, there were three instances of an amount greater than \$500 that did not reflect Board approval. The Board and meeting minutes reviewed for the past year did not reflect approval of any amounts. A written policy establishing the approval authorities of the various HOA officers and committee chairs delineates lines of approval authority. The policy should direct that the HOA officer or committee chair may only approve disbursements related to their specific areas of responsibility. The policy should specifically state that either Board or Membership approval is required prior to the Treasurer issuing a check. As the Treasurer writes and has signatory authority over disbursements the Treasurer should not have approval authority.

Establish a standard reporting format for all HOA events.

Presently there is no standard reporting format for reporting HOA or HOA committee events. Event chairs are responsible for organizing, scheduling, and reporting the income and expense of various HOA events. They are also responsible for keeping track of the volunteers that man each event. A standard reporting format would provide a summary of financial and volunteer information and be a resource for the next chair for that event.

Review cash receipt policies and procedures.

The By-Laws require that the Treasurer receive funds from HOA committees. Those receipts are to be deposited within three banking days. The Board should investigate a method where each committee deposits their receipts directly into the HOA bank account. This relieves the Treasurer of handling the funds and shortens the time cash receipts are in transit. The bank deposit and the standard reporting format (see above) issued by the committee would be compared for agreement. The bank deposit record is given to the Treasurer along with the standard reporting format. Additional copies of the standard reporting format are given to the appropriate Board Officers and Secretary for inclusion in HOA records.

Establish written policies and procedures for the handling of cash.

At present, the Board does not have written policies or procedures for the handling of cash receipts. The Board should establish a written policy and/or procedure for the handling of cash by the various HOA committees and the canteen. Establishing a written policy/procedure formalizes the process of depositing and recording cash receipts and establishes clear lines of responsibility for cash.

All cash receipts should be counted by two persons.

Cash receipts come from the canteen and committee events. At least two individuals, one of which may be the Treasurer, should count receipts and both should sign the report. Currently, the Treasurer prepares the cash receipt report based on the funds and

documentation received from the canteen or committee. The canteen or committee responsible for the cash receipt should initially prepare this report. The person(s) preparing the report should sign the report and submit it to the Treasurer. The Treasurer can then use the report to reconcile the deposit to the bank statement.

An inventory of all equipment owned by the HOA should be created and maintained.

The By-Laws require that the Vice President “assume the control and management of the property belonging to the HOA and shall keep a running inventory thereof.” The HOA owns a number of personal computers used by the Computer Club. These are not recorded in an inventory showing the purchase date, cost, insurable value and any warranty period. During the examination of financial records, we came across two inventory lists of equipment possibly owned by the HOA. The latest of these is dated August 1, 2002. This list shows approximately \$31,816 worth of equipment that is not reflected in the HOA financial reports. This list is of little value as it is some 16 years old and has not been updated. At present, there is not an inventory of equipment owned by the HOA even if that equipment is minor in nature. The Vice President should create a list of property owned and maintain it to ensure that property owned is properly accounted for and updated.