Financial Matters Matter!

The TOP 10 – Tips & Controls
For Board Members & Treasurers

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South Coast Homeowners Association meeting – Goleta, CA – October 21, 2013
Tips for Board members and Treasurers...What should you do to manage the financial affairs in your communities??

1. Spend more than 3 minutes on the Treasurer’s Report at the monthly board meetings.
   - Understand the Financial Statements, ask questions
     o Are there “Due to/From” Reserves on the Balance Sheet?
     o Are you over or under budget significantly, if so, why?
     o Is there Net Income or Net Loss on the Income Statement?
     o Is there 1-3 months of monthly expenses in Operations?

2. Are your financial statements “Cash Basis” or Accrual? Understand the Difference.
   - Primarily Accounts Receivable. Track them regardless of Cash or Accrual.

3. Two board signers on reserve accounts
   - Board access to reserve accounts (signatories)
   - Reserve cash accounts kept separate from operating

4. Understand your reserve study and how it compares to your budget.
   - If you can’t budget for the reserve allocation recommendations, explain why in the minutes.
   - If you can’t make the budgeted allocation, explain why, and how to repay.

5. Accounts Receivable Bad Debts -- Track the AR Delinquencies report, approve the write offs in the minutes.

6. Review the bank statements and reconciliations at least quarterly if not monthly.

7. Clearly classify & segregate operating and reserve expenses.
   - Approve reserve expenses in the minutes. (Dollar amount, vendor)

8. Consider having an annual review of your financial statements by a CPA- who knows this industry.

9. File a tax return every year
   - Pay tax on the interest income, user fees & nonmembership income

The Ten Commandments of Internal Control for Associations

1. **Separate accounting functions whenever possible.**

2. **Consider oversight of the financial functions an important Board responsibility.**

3. **Receive and review financial statements at least quarterly. Question items that significantly differ from the budget. Record your findings in the Board meeting minutes.**

4. **Review bank statements and reconciliations on ALL bank accounts at least quarterly. Consider getting a separate copy of bank statement with copies of cancelled checks sent to a second person.**

5. **Document the receipt process of “per use” and other income that is not routine. Implement appropriate controls. Consider random verification.**

6. **Insist that invoices, or other types of verification of the expense, is necessary before paying a bill. Check requests not adequate. If it is in-store charge or credit card, someone other than the person making the charge must review and approve.**

7. **Require two board signers on reserve withdrawals. Do not allow telephone or online withdrawals of reserve funds.**

8. **Update signature cards in a timely manner whenever there is a change in board members or change in management personnel. The board may want to consider having a board member deliver/mail the signature cards to the bank.**

9. **Require approval of write-offs of A/R balances over a certain amount by the board.**

10. **ALWAYS keep an attitude of skepticism. Never say “fraud couldn’t happen in my association” or “That person would NEVER do that!” Have controls in place so that someone is less tempted to use Association monies.**