

# MEMO



**Date:** June 20, 2018

**To:** Eldorado Board Of Directors

**From:** Stacy Maule, Michael Franciosi, & Emily Spies

**RE:** HOAMCO Management

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## ECIA – REPORT TO BOARD OF DIRECTORS

### Personnel Issue – Fraudulent use of Credit Cards

The issue of misuse of credit cards was brought to our attention by Isabel Ugarte, GM, immediately upon discovering suspicious Sam’s Club charges. As to a timeline, our first record of unauthorized charges stems from mid-February. We then jump to late March, and then much more frequency in late April and into May. What we surmise is that the first attempts were less frequent, and then when there was not an immediate red flag raised, the frequency and boldness in making unauthorized purchases escalated. We have looked at other specific vendor invoices such as pool, landscape, etc. and do not believe that there is anything suspicious, and that the fraud involved the use of credit cards and/or credit purchases from a vendor such as Tractor Supply. We are, however, continuing to review charges and invoices to determine any additional fraudulent expenses, and will provide the NM Director of Accounting to assist in the review. At present all credit cards have been cancelled.

We have implemented a Credit Card Usage Policy (attached) and this will be required for any employee who will be using or having access to any credit or debit card. In addition, all invoices for any credit card use will need to be provided immediately to the GM, and the GM will also review all statements involving any credit or debit cards.

As a further level of protection, we would recommend the elimination of all credit cards with the exception being the Alliance Bank debit card. This card is tied to a special account at Alliance Bank, and has a set limit, which can be adjusted at the direction of the Board. This account will only be replenished with funds upon the presentation of the receipts for purchases/charges already made and the monthly reconciliation by the Portfolio Accountant and A/P Department. The GM will also be reviewing all receipts associated with the Alliance Bank debit card.

The matter was turned over to the Santa Fe County Sheriff’s Office and our understanding is that a warrant for arrest was issued. Likewise our understanding is that the matter was referred to the Santa Fe County District Attorney for their consideration of the charges. The investigation is continuing and we will update the Board of Directors with any new information that we may learn.

HOAMCO will reimburse ECIA for all fraudulent charges and purchases made, the current amount of which we show as \$3,425.97. We will adjust the amount for any newly identified charges that we believe are suspicious and we will likewise reimburse ECIA for those additional fraudulent charges and purchases.

## Financial Management Questions

- Coding of expenses – the budget is the primary tool to address proper coding of expenses, and although we have a number of accounting personnel interact with various aspects of the financials, we believe that instituting a review by the GM of the Financial Report before it is sent to the Treasurer and Finance Committee is the best way to assure that expenses are properly categorized. The GM (along with the assistance of the AGM) will ultimately know most intimately the expenses for ECIA. They will work alongside the Portfolio Accountant and make any adjustments of coding errors prior to issuing the financial report.
- Monthly budget projections – rather than split evenly an annual expense across 12 months, the desire to place the expense in the months for which they will be anticipated is a desire that is not unusual nor uncommon, the classic examples being pool expenses in the summer months and snow removal in the winter months. We are always happy to revise any monthly distributions at the direction of the Board and/or Finance Committee and adjustments have already been made. We are happy to make further adjustments if they are requested by the Board of Directors. As a means of avoiding an adjustment in the future, we would recommend that before the final budget is approved, that the monthly breakdown is reviewed and approved as well.
- Budgeting reserve/capital improvement projects – Reserve or Capital Improvement projects can appear in the reserve budget. Going forward we can do this as well as part of the budgeting process and also include it for approval. In the meantime, we have entered the Reserve budget as provided.
- Clean-up of A/R – per our discussion, the small interest/late amounts will be adjusted. We will work with the Board of Directors to develop a policy for waiver/rescission of interest so that those amounts can automatically be adjusted at the direction of the Board.
- Consolidated statement of monthly HOAMCO charges – HOAMCO will provide an itemized list of supplemental charges with number count included, i.e. 18 envelopes, 20 sets of labels. We will also work with the Portfolio Accountant to ensure that those charges are being automatically coded to the correct G/L accounts in the ECIA Budget.
- Bank Statements – bank statements are currently only being sent to the Treasurer per previous direction. We are happy to also include the Finance Committee chair if that is the wish of the board.
- Financial Report numbering – there are two versions of financial reports, a complete version presented to the Treasurer, and a Finance Committee version with A/R detail omitted. It was previously agreed that the numbering for the “full” version would be the master numbering and that the Finance Committee version have the same numbers (obviously there would be page numbers missing) so that when a given page was mentioned for discussion, all parties would have the same number for that specific page.

Other pro-active measures that we will be implementing are providing a Variance Report as well as an Adjusting Journal Entry narrative to accompany the financial reports. We will also have the NM Director of Accounting present at all Finance Committee Meetings for the foreseeable future. In addition, we propose that the NM Director of Accounting participates in the Budget planning process.

Also, as identified below with staffing and operating procedures, specific attention will be given to reviewing and implementing new procedures for handling office operations with respect to finances, invoices, etc.

## Project Management

- Better understanding of annual approved projects – with the annual approved projects being included in the Reserve budget, there will be a clear breakdown of what has been agreed to by the Board of

Directors for the year.

- HOAMCO support-structure – HOAMCO is a resource to the GM, Facilities and Grounds Committee, and the Board of Directors for local and New Mexico vendors, as well as vendors that may be better suited to a project that happen to be outside of the local area. Likewise, HOAMCO will be a resource for vendors and procedures for similar projects that may have occurred with other clients both in NM and outside, and we will provide assistance with the RFP process as needed.
- Procurement Policy – Per our discussion regarding the policy, the GM is familiar with the Procurement Policy (April 2013) and states that it is being followed. We will review this policy along with our comprehensive policy review and provide some processes to ensure proper implementation.
- Timely implementation and flow of information – HOAMCO recommends that a flow chart or project management software be utilized to track and oversee all annual projects. This will be regularly updated showing the status of all capital improvement/major projects. The GM will begin implementation of all projects, some being recognized as seasonally driven, once approved by the various committees and board (Budget). The status (chart/project management report) shall be provided to the Board, Finance Committee, and Facilities and Grounds Committee, as well as to the HOAMCO Executive Team who will review the progress with the GM monthly. The GM will also attend all F&G Committee and Finance Committee meetings.

## **General Comments and Proposals**

- Master Calendar – a master calendar will be developed to list events, meetings, projects, etc.
- Policies – HOAMCO will review all existing policies, providing recommendations of revisions, restructuring, and consolidations where needed to streamline operating procedures.
- Office Staffing – HOAMCO will utilize our HR Department to fill all office positions and vacancies in the timeliest manner possible. Properly staffing the ECIA Office will enable calls, e-mails, walk-ins to be handled more promptly and efficiently. In addition, we will audit the current staffing and suggest changes, if identified, that could lead to greater efficiency. We will also review office operational procedures, again suggesting changes to lead to greater efficiency. Our main staffing initiative at present is to fill the AGM position.
- Training – HOAMCO will conduct and assist in staff training as needed as well as offer Board or Committee Training as requested.
- Santa Fe Office Resources – HOAMCO is in the process of adding a Regional Director to our Santa Fe Office who will also become a resource for ECIA.

## **Timelines**

After our on-site reviews and evaluations, HOAMCO will be better equipped to provide an exact timeline for implementation of all of the above. Some has already begun. We would like to circle back with the Board of Directors at the 60-day mark, approximately August 4, to present an update of where we are with the above and for a discussion and evaluation of the progress achieved by that date.