

## Minutes Rev C

Finance Committee Meeting Wednesday November 14, 2018

10:30 AM Conference Room

**Distributions:** Previous Minutes, Financial Report, Draft Agenda, HOAMCO Financial Procedures, Forensic Audit Report, HOAMCO Controls, Draft 2019 Budget

**Attendees:** Committee members Sandy MacGregor, David Sorkin, Fred Miller, Sal Monaco (Chair), Todd Handy, Nolan Zisman. Dan Drobnis; Board members Joseph Guiterrez (Treasurer/Liaison), David MacDonald (President); HOAMCO staff Julie Navarro (General Manager), Emily Spies (NM Director of Accounting), Stacy Maule (HOAMCO COO); Thad Porch, Auditor, Porch & Assoc.

1. **Public Comment**—Sal announced that Marti Zieg has resigned from the Committee, after several years of valuable service. Several people interested in specific budget items left after learning that the Forensic Audit and HOAMCO Financial Procedures would take up the early part of the meeting.
1. **Additions to/Adoption of Agenda**—Agenda was rearranged to accommodate Auditor and HOAMCO COO schedules.

### 1. Approval of Minutes

October 16, 2018—Rev B approved as distributed

4. **Forensic Audit Report.** Auditor Thad Porch answered questions regarding his written report on the theft by a HOAMCO employee of over \$10K.
  - Thad emphasized that regardless of who was hired as General Manager, or indeed whether or not the Association hired one, the Board is ultimately responsible for the Association's financial integrity
  - He emphasized that the Board had missed obvious warning signs from the previous GM of overwork and lack of competence, and HOAMCO had not been engaged on the level they should have been.
  - This led to failure of oversight of finances, particularly individual (not merely summary) credit card charges, which were blatantly false.
  - Controls must be consistently, not haphazardly, applied.
  - There must be two-person controls over opening mail, to assure that any incoming checks are not misappropriated.
  - All bank statements must be reconciled properly. Sunflower Bank statements had unreconciled items, pointing to sloppy oversight.
  - Thad also advised much stronger fraud warnings (signs and on invoices) to Association members to NEVER bring cash or checks to the office for assessment payments, and a camera covering the front reception desk to record any unauthorized payments or inappropriate conduct.
5. **HOAMCO Report.** COO Stacy Maule presented written financial procedures to address the problems identified by the Forensic Audit, and commented further:
  - Stacy acknowledged a lack of proper HOAMCO supervision of the previous General Manager, and that the previous GM was unqualified.
  - HOAMCO has fully reimbursed the ECIA for all funds found stolen, and paid for the Forensic Audit.

- The new General Manager Julie is highly qualified, and will report directly to Stacy, the HOAMCO COO.
- Stacy intends to visit the ECIA quarterly or more often.
- HOAMCO will do repeated background checks on employees who handle ECIA funds (roughly every 6 months).

## **6. General Manager's Report**

Report on Status of R&R 2018 Projects—details needed for input to R&R spreadsheet in time for Tuesday 11/20 review.

Pool Update –pool tank is sound, but decking and bathhouse need complete replacement, electrical system needs replacement and service upgrade, backwash system, holding, and septic tanks need extensive rework, filter may need extensive maintenance, supply piping and valves. Estimates now in Replacement Reserve 2019 budget, over \$300K, but funds have been accumulated and are available.

Hike/Bike Trail Maintenance—completed for 2018.

## **7. Board Liaison's Report**

Recommended procedures for stable water billing—the Board's own Stable Billing policy is not being followed.

Status of October Motions submitted

- Negotiate Annual Audit with Porch & Assoc.—done.
- Acceptance of Audit Findings by Board and date of written response—findings accepted, no date for written Board response.

Estimating Allowance for Doubtful Accounts—Motion 1 (below) to accept HOAMCO method

## **8. Financial Reports**

October 2018 Report and Bank Statements were briefly reviewed.

Stacy asked Emily to do a manual summary report of Accounts Receivable to identify numbers of delinquent accounts and dollar amounts for the last five years to provide a basis for tracking assessment response and collection efforts.

## **9. 2019 Draft Budget and Chart of Accounts Review**

### **1. Next Meeting**

Finance Committee Special Meeting on final 2019 Budget recommendation Tuesday, November 20, 9 AM.

Finance Committee Regular Meeting Tuesday, December 11, 2018 at 9:30 AM.

### **1. Adjourn—1:59 PM**

**Motion 1: The Finance Committee requests the Board Treasurer to accept the HOAMCO standard method for estimating the Allowance for Doubtful Accounts and to instruct our HOAMCO bookkeeper to show this charge on all forthcoming Financial Reports. (7-0-0)**