

Minutes Rev. A
Finance Committee Meeting Monday June 18, 2018
9:30 AM Conference Room

Distributions: Previous Minutes, Financial Report, Agenda

Attendance: Sal Monaco (Chair), Todd Handy, David Sorkin, Sandy MacGregor, Marti Zieg, Fred Miller, Dan Drobnis; Joseph Guiterrez, Treasurer/Board Liaison; Claudia Ahlstrom, Board VP/Alternate Liaison; Nolan Zisman, Facilities & Grounds Committee Chair; Isabel Ugarte, HOAMCO/ECIA General Manager; Robert Hertado, HOAMCO/ECIA Maintenance Supervisor; Emily Spies, HOAMCO Director of Accounting; Michael Franciosi, HOAMCO NM Regional VP; Stacy Maule, HOAMCO COO.

1. **Public Comment.** There was a discussion with Stacy regarding:
 - a. HOAMCO lack of temporary support during GM medical absences and staff shortages, leading to problems with routine operations, member communications, and project scheduling
 - b. lack of support with locating vendors
 - c. lack of Accounts Receivable report that identifies current year vs. older accounts and collections
 - d. failure to regularly furnish details of expenses HOAMCO reimburses itself directly from ECIA accounts
 - e. lack of formal Board training.
1. **Additions to/Adoption of Agenda:** adopted as distributed with an additional item Forensic Audit.

1. **Approval of Minutes:** approved as distributed.

May 14, 2018

4. General Manager's Report

Update on Insurance Invoice: Isabel believes all have been received, but total amount seems low. Isabel will check with agent Steve Crawford.

Report on Status of R&R 2018 Projects: promised for 6/8, not yet available.

Swimming Pool Maintenance and R&R work: Robert advised that spare pumps and motors are needed to avoid long outages; FC advised him to procure spares in advance as needed, charge Replacement Reserve. Backwash issues have been addressed, but new leach field may be needed.

Hike/Bike Trail Maintenance: RFP promised out today (6/18) to five vendors—not all may respond. County is requesting funds in five-year plan to address some Isabel needs to establish contacts to pay for materials for trail aprons.

Embezzlement: now up to about \$3,800 and more may yet be discovered. It appears multiple credit cards were used and bills destroyed, and vendors contacted to redirect invoices—indications of a more extensive scheme rather than incidental petty theft. GM Isabel will determine whether a Police Report is available yet, and obtain a copy.

Stables: GM indicated that excessive staff time is being consumed to prepare multiple invoices per year for each Barn owner. **Motion 5** by FC to Board requesting a more streamlined process (attached)

It is time for the third contracted update to the independent Replacement Reserve audit by DJ at Association Reserves. When Isabel contacted him, DJ erroneously claimed we had already received three. She will recontact him.

5. Board Liaison Report

Legal Issues: Treasurer reports that 34 overdue accounts are still with Carpenter Hazelwood collections; new accounts (currently approx. 70) to Moses Dunn with liens in July.

6. Annual Review of ECIA Office Procedures: Motion 2 recommending resumption of the annual FC review of Office Procedures in the following areas (attached)

- Handling of procurements

- Payment and coding of invoices

- Liability risk management and mitigation

- Business record handling

- Financial fraud vulnerabilities

Forensic Audit: **Motion 1** recommending Board immediately commission an independent professional Forensic Audit of embezzlement amounts and methods (attached)

7. Financial Reports

May 2018 Report and Bank Statements:

Several detailed questions were investigated with the help of Emily and Isabel; it is apparent that some embezzled amounts have contaminated General Ledger expense items.

Accounts Payable seems extremely high.

Still need an answer on whether Konica-Minolta scanner has completed lease-to-own period starting early 2014.

Pool pass cash has not yet been reported—FC was unaware that cash was still being collected for Pool passes. **Motion 4** recommends that Pool pass charges be dropped (attached).

1. Update on Joint Meeting with F&G regarding future R&R and capital spending

Depot Floor replacement—In Replacement Reserve, needs a Board motion to bring funds forward. **Motion 4** recommends that Board do this (attached).

Pool Shade—Would be a Capital project, would need informal approval from the Board for approximate amount and design concept, then proceed to a detailed design and quote.

Pickleball test project striping on Basketball Court—should be funded from Operations for supplies, should be approved by Board to use BB court (some controversy).

1. Election of Committee Officers : Sal Monaco was re-elected Committee Chair for 2018-19 year. Adopted 6-0-0

1. Next Meeting

Regular Finance Committee Meeting Monday, July 16, 2018 at 9:30 AM

1. Adjourn—12:45 PM

FIVE Finance Committee Motions Adopted 6/18/2018

Motion 1. The Finance Committee recommends that the Board immediately commission an **independent** Forensic Audit by either the Association's present Auditor or other qualified professional source to determine the extent and method(s) of the apparent embezzlement of funds from the Association. Adopted 7-0-0

Motion 2. The Finance Committee recommends that the Board authorize the Finance Committee to perform a formal review with HOAMCO staff **following completion of the Forensic Audit of Motion 1** and submit a written report regarding ECIA Office Financial and Risk Management procedures, with particular emphasis on the following subjects:

- Procurements
- Coding and payment of invoices
- Liability risk management and mitigation
- Business record handling
- Financial fraud vulnerabilities and mitigation

Adopted 7-0-0

Motion 3. The Finance Committee recommends that the Board use Replacement Reserve funds for replacement of the Depot Floor as proposed by the Facilities & Grounds Committee, moving funds from outyears to 2018 and adjusting the Replacement Reserve schedule as necessary. Adopted 6-0-0

Motion 4. The Finance Committee recommends that, in order to eliminate handling of and accounting for small amounts of cash, there be no charges to Association members or authorized renters in the future and effective immediately for Issuance, Replacement, or Renewal of Pool passes. Adopted 6-0-0

Motion 5. The Finance Committee recommends that the Board revisit the method of billing Stable Barn owners for their share of Stable expenses to reduce the burden on HOAMCO/ECIA staff. Adopted 6-0-0