

**Audit Committee Report**  
Meeting Held October 25, 2018

*CAI*  
*Approved*

Audit Committee Members Present:  
Nick Calabro, Treasurer (Ex-Officio)  
JuDee Dawkins, Chair  
Robert Edwards

Others Present:  
Jon Holtom, President  
Candy Strand, Secretary

**Applicable References From Bylaws of the Huntington Estates Homeowners Association, Inc.**

ARTICLE XII – Committees

Section 7. The Audit Committee shall supervise the annual audit of the Association's books and approve the annual budget and balance sheet statement to be presented to the membership at its regular meeting as provided in Article XI, Section 8. The treasurer shall be ex-officio member of the Committee.

ARTICLE XI – Officers

Section 8. The treasurer shall keep proper books or account and cause an annual audit of the Association books to be made by a certified public accountant at the completion of each fiscal year. He/she shall prepare an annual budget and an annual balance sheet statement and the budget and balance sheet statement shall be presented to the membership at its regular annual meeting.

ARTICLE XIII – Meetings of Members

Section 1. The annual meeting of the members shall be held during November of each year on a day and at an hour designated by the Board of Directors in the notice of such meeting, which is sent to the members.

**Response to Issues Cited in Audit Review by CPA**

Separation of duties, a different individual should receive dues payments, make deposits, and record the dues payments in accounting systems.

- Response: Secretary for 2018 receives payments, makes deposits and records information in association records. Treasurer for 2018 records dues payments in accounting system and reconciles bank statements. CPA is comfortable with the current separation of duties.

Individuals should not sign checks to themselves. A check written to one signatory on the account should be signed by the other signatory on the account.

- Response: The President and Treasurer for 2018 are both signatories on the account, therefore one could sign checks to reimburse applicable expenses for the other.

Dues payments need to be documented and better maintained. It is suggested going with a modified-accrual basis rather than cash basis. Suggest using Quickbooks or other accounting system to produce annual dues invoices that would also create an account receivable at the time the dues statements are prepared.

- Response: The Treasurer and Secretary for 2018 have researched past records regarding dues payments and have produced a report of delinquent HOA dues. Contact has been made with identified homeowners in an attempt to collect past due payments. There has been some success in collections, however, there remain delinquent payments. The Treasurer for 2018 has begun to establish an accounting system using Quickbooks to capture dues payments. Treasurer will use accrual basis and will record invoices in Quickbooks to produce accounts receivable.

There needs to be specific procedures related to how the board will deal with collection past due payments as well as how the invoice process will work. These procedures must be documented and followed with respect to the timing of first reminders, subsequent attempts to contact homeowners and at what point legal action will be taken.

- Response: The 2019 Board of Directors should develop written procedures to address this issue.

Email vs. mailing dues invoices: Either method is acceptable from an accounting and legal standpoint. It is suggested that a form be mailed to homeowners asking if they are willing to accept dues invoices by email and have them provide their email address on the form to be mailed back with dues payment.

- Response: The 2019 Board of Directors should develop a form to be sent to all homeowners requesting their approval to have invoices sent by email, thereby reducing cost to the HOA.

A review of the Income Statement was traced back to source documents and bank statements. The CPA can provide reasonable assurance that everything was recorded properly. The CPA also reviewed all bank statements and reviewed the Raymond James statements (no withdrawals from that account). The legal expense category was reviewed in detail as this was a significant expense as compared to the budget. The expense appears reasonable and was able to be reconciled back to attorney invoices and documentation.

- Response: No response required.

#### **Recommendations of Audit Committee**

- Continue to maintain a separation of duties with regard to HOA financial activities.
- Continue to document dues accounts receivable and payments utilizing Quickbooks or other automated accounting system.



- The Board should develop written procedures to deal with collection of past due payments as well as how the invoice process will work. These procedures must be documented and followed with respect to the timing of first reminders, subsequent attempts to contact homeowners and at what point legal action will be taken.
- The Board should develop a form to be sent to all homeowners requesting their approval to have invoices sent by email, thereby reducing cost to the HOA.
- The Board should amend existing by-laws to eliminate the requirement for an audit by a CPA to conform to Chapter 720, F.S. and to reduce cost to the HOA. *↳ \$150,000*
- The Board should develop a procedure to specify when transfers should be made to the road fund.
- Recommend that Board members not be compensated solely for the purpose of serving on the Board as has been done in the past. Board members should, however, be reimbursed for incurred Board-related expenses as authorized by the Board. (Chapter 720.303(12), FS.)
- Recommend that the Audit Committee be able to review financial records at the request of the Audit Committee Chair.
- The Board should develop a target date when presentations should be made by financial managers for road fund. Such as every so many years. *3-5 yrs. presentations by companies*
- The Board should revise the Covenants and Restrictions and the bylaws to conform with Chapter 720, FS. *MRTA*

Jon #1  
Terry #2 Approved

2018 TID Summary and 2019 Budget

	Jan - Sep 18	2018 Budget	\$ Over Budget	% of Budget	2019 Budget
<b>Ordinary Income/Expense</b>					
<b>Income</b>					
Homeowner's Dues	\$ 31,957.94	\$ 38,700.00	\$ (6,742.06)	82.58%	\$ 36,400.00
<b>Total Income</b>	<u>31,957.94</u>	<u>38,700.00</u>	<u>(6,742.06)</u>	<u>82.58%</u>	<u>36,400.00</u>
<b>Expense</b>					
Insurance Expense	1,051.00	1,200.00	(149.00)	87.58%	1,200.00
Office Supplies	66.90	337.50	(270.60)	19.82%	500.00
<b>Professional Fees</b>					
Corporate Filing Expense	61.25	375.00	(313.75)	16.33%	65.00
Legal	1,734.16	3,000.00	(1,265.84)	57.81%	8,000.00
Meeting Space Rental	35.00	-	35.00	100.0%	75.00
Professional Fees - Other	-	-	-	0.0%	-
<b>Total Professional Fees</b>	<u>1,830.41</u>	<u>3,375.00</u>	<u>(1,544.59)</u>	<u>54.23%</u>	<u>8,140.00</u>
<b>Repairs and Maintenance</b>					
Entrance and Common Area	74.88	1,345.00	(1,270.12)	5.57%	1,680.00
Interim Road Maintenance	-	-	-	0.0%	1,800.00
Lawn care	3,486.95	3,780.00	(293.05)	92.25%	4,800.00
<b>Total Repairs and Maintenance</b>	<u>3,561.83</u>	<u>5,125.00</u>	<u>(1,563.17)</u>	<u>69.5%</u>	<u>8,280.00</u>
Taxes	-	-	-	0.0%	200.00
Utilities	5,514.85	6,000.00	(485.15)	91.91%	6,300.00
<b>Total Expense</b>	<u>12,024.99</u>	<u>16,037.50</u>	<u>(4,012.51)</u>	<u>74.98%</u>	<u>24,620.00</u>
<b>Net Ordinary Income</b>	<u>19,932.95</u>	<u>22,662.50</u>	<u>(2,729.55)</u>	<u>87.96%</u>	<u>11,780.00</u>
<b>Other Income/Expense</b>					
<b>Other Expense</b>					
Accrued Road Fund Expense	-	11,375.00	(11,375.00)	0.0%	11,375.00
<b>Total Other Expense</b>	<u>-</u>	<u>11,375.00</u>	<u>(11,375.00)</u>	<u>0.0%</u>	<u>11,375.00</u>
<b>Net Income</b>	<u>\$ 19,932.95</u>	<u>\$ 11,287.50</u>	<u>\$ 8,645.45</u>	<u>176.69%</u>	<u>\$ 405.00</u>

MRTA

Full Deposit for Legal of Road.

Bank Account Balances as of 9/30/18

SunTrust Operating	\$ 28,279.27
Raymond James Road Fund	<u>153,774.96</u>
<b>Total</b>	<b>\$ 182,054.23</b>