

TO: Cedar Highlands HOA Board of Directors
FROM: Patti Palanza - Treasurer
DATE: June 13, 2024
RE: Summary of Cedar Highlands HOA Forensic Audit of Financial Records
2019 - 2024.

AUDIT PROCESS

1. Changed our HOA online bookkeeping software account from a personal account held under the name of our past HOA President to an account under the name of Cedar Highlands Homeowners Association.
2. Discontinued accounting services being provided by an employee of former HOA President's private business.
3. Secured our own independent accounting services under an agreement with the Cedar Highlands HOA.
4. Gathered all available financial records (hard copies and digital) from multiple locations and secured in one single location and filing system.
5. Sorted financial records by year and established annual files for 2019 to present.
6. Assessed completeness of all financial records filed by year.
7. Sorted each annual file by bank statements, past budget records, income sources, expenses, invoices, checks deposited, reimbursements, refunds, receipts, etc.
8. Identified and tried to locate/recover any and all missing financial records by yearly file.
9. Conducted a line-by-line review of all revenues and expenses for each year to arrive at the most accurate beginning balance possible to prepare a 2024 Budget.
10. Documented notations for all missing files/statements/records, identified accounting errors and either corrected them or noted errors for posterity.

FINDINGS

1. Inconsistencies in accounting practices, likely due to changes in volunteers over time with various levels of financial experience.
2. Incomplete files and financial records, i.e. missing invoices, missing checks, missing annual audits, missing annual tax filings, missing/no written agreements for payment of services, may have overpaid for some services.
3. Errors in standard accounting procedures, i.e. checks never deposited, incorrect bookkeeping entries, refunding "non-refundable" impact fees, blending restricted and unrestricted funds, etc.
4. Selective enforcement of delinquent fines.
5. No evidence of money still owed to homeowners for construction impact fees and/or security deposits. Financial records support that all refundable deposits approved for return have been paid.