



WESTERN MANAGEMENT ASSOCIATES

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Financial Audit Summary

Towards the end of 2017 when some records were turned over to the association it was noticed that there were some check stubs and invoices for other association bills in the Stone Creek Canyon bank files. These check stubs and invoices were stored in the folders and files that we received from the prior management company. Upon their discovery, the association engaged Haynie & Company CPAs to perform a forensic engagement to determine if the prior management company had used Stone Creek Canyon's funds to pay the bills of the other associations that it managed.

Haynie looked through Stone Creek's books and identified all the invoices over \$500 from January 1, 2015 through December 20, 2017. Their job was to make sure that everything that was in the books and that was paid from Stone Creek's bank account was for Stone Creek Canyon expenses only. To do so they reviewed invoice copies and copies of cleared checks. They also reviewed how these expenses were recorded. After going through around half of the expenses over \$500 from January 1, 2015 to December 20, 2017, Haynie noticed that everything they looked at was for Stone Creek Canyon only.

However, to be sure that Stone Creek Canyon's bank account wasn't used to pay expenses for another owner associations by mistake, we decided to have Haynie change how they tested the expenses. We figured that whatever was recorded in the books was appropriate and okay, but there was still the possibility that Stone Creek's bank account was used and that these expenses were not recorded. That would enable the old management company to use the associations money without having a solid paper trail.

Haynie looked through Stone Creek Canyon's bank statements to see if any expenses were used for another association. They looked through each transaction to see if it was recorded on the books. If it was, we felt that it was a Stone Creek expense since Haynie's first round of testing showed that expenses recorded on Stone Creek's books were for Stone Creek expenses only. If a transaction wasn't recorded on the books, they investigated it further. They tied expenses to supporting invoices and cleared checks to determine if these omitted expenses were related to Stone Creek Canyon or another association.

After performing this second set of testing, Haynie found 3 transactions that did not have enough support to definitively say that they were Stone Creek expenses.

*Check #1055 issued 9/27/2017 for \$200 in the new operating account. Payee was not identified.

*EFT on 8/24/16 for \$4,680 in the old operating account. The account it was transferred to was 153795163457.

*EFT on 1/11/16 for \$4,680 in the old operating account. The account it was transferred to was 153795163465.

These totaled \$9,560.

This doesn't prove that cash was used for another association's expenses, but also doesn't provide solid evidence that these were related to a Stone Creek expense. Given the previous findings, although the accounting was sloppy, it could be considered that these payments were also legitimate expenses of Stone Creek Canyon and everything financially is in order.