

Summary of Recordkeeping Review

As part of a review of the HOA's financial recordkeeping and accounting systems, the following actions have been completed and findings identified – May 2021-Current

Work Completed / Current Status

- All Citizens Bank accounts are now connected to FreshBooks, allowing current transactions to import automatically.
- Historical bank activity for all available accounts was downloaded and imported into FreshBooks. (Bank of the West/Citizen Bank)
- Citizens Bank transactions from March 2024 to present (approximately 150 transactions) were matched and coded to the appropriate general ledger accounts.
- Bank of the West transactions from May 2021 through January 2025 (approximately 374 transactions) were matched and coded to the appropriate general ledger accounts.
- Bank transfers that were previously coded incorrectly have been identified and corrected.
- Both savings accounts are fully reconciled.
- The lake account has been reconciled to the available bank data.

Outstanding Issues Identified

- Approximately \$13,000 in expenses could not be posted due to missing receipts and/or PayPal statements.
- Seventeen (17) deposits lack sufficient payment detail these amounts have been zeroed out as they cannot be accurately matched or posted in the accounting system.

Areas of Concern

The following issues represent **material weaknesses** in financial controls, documentation, and compliance:

1. Lake expenses paid from the general operating account

- There is no documentation or evidence of reimbursement from the lake account to the general account.

2. Lack of documentation for inter-account transfers

- Transfers to and from the lake account lack a consistent paper trail, making it difficult to determine purpose, approval, or proper allocation.

3. Incomplete homeowner payment history

- There are missing payments in the system and no continuous historical record of homeowner dues and payments.

4. Insufficient historical records

- Financial records prior to 2022 are unavailable, which may violate federal and state record retention requirements that generally require a minimum of seven (7) years of financial records.

5. Inability to retrieve PayPal transaction history

- The HOA currently cannot pull detailed payment data from PayPal, limiting transparency and auditability.

6. Lake dues funding structure

- 2026 lake dues are being used to cover future expenses, with no reserve funding in place, creating potential cash flow and fiduciary risk.