

# INTRODUCTION

Members of the BCI Audit Committee for FY2013-14 have reviewed/compared QuickBooks data, Check registers, and bank statements with invoices/receipts on a monthly basis, in order to determine the actual financial status of BCI. We also reviewed the timesheets, rental contracts & Executive Board minutes.

A deficit of \$20,436.88 for the year was discovered. BCI bank account monies were used the last three months of the fiscal year. However the numbers stayed within the designated published budget for the fiscal year.

Treasurer's revised financial report shows assessments received of \$74,542.53 in May of 2013 which is more than 100% if all homeowners were paid in full for the year. (1339 homes X \$55 = 73,645) Therefore, this report was approximately \$40,000 off to start with. We cannot establish where this figure came from. Even if the Treasurer used Accrual methods, the current assessment income would be \$73,645. Other than this major discrepancy with the first month of the fiscal year, we are at a loss to explain how there is a vast difference in the figures between our findings and the Financials reports given out by BCI. The Treasurer's Financial Reports show refunds of Security Deposits in the income section of the report, instead of showing the checks written to reimburse renters under an expense line item. However, whether the security deposits are one line item or two, this does not change the final total for the month. Yet the Audit Committee found security deposits on the financial reports to be inaccurate.

Accuracy of the Audit Committee totals can be confirmed by looking at the attached reports completed. (Information taken from the original M & T bank statements.)

## Introduction

- (a) Monthly Income & Expenses comparison (Pages A1, A2)
- (b) Line allocation comparison (Pages 1 to 26)
- (c) Detail of expenses and deposits per month (C1 to C12)
- (d) Proof of accuracy (Page D)
- (e) Report outlining Audit Committee findings and concerns (Pages E1 to E6)
- (f) Attachments (Pages F1 to F10)
- (g) Summary of the Audit Report for Publication (Page G)

Please be reminded that the residents are entitled to a full and legal report based on accurate and complete data. The Audit Committee found that monies are being kept off the books, there are missing checks and the cooperation we were promised was not received from the Treasurer, Office Manager and President. A/C was denied access to information requested. Documentation was not provided. This is a concern as there is no validation of what is being purchased with BCI's money. While the dollar amount is documented under misc, the proper allocation was not given. There seemed to be a lack of information with regard to many inquiries.

Members of the Executive Board and the members of the Audit Committee have the same priorities and primary goal to provide for the best interests of Brookside Community, Inc. Therefore, a Summary of the Audit Report is enclosed to be represented to the residents and published in the Brooksider. The current bookkeeping of BCI is not accurate and measures should be initiated to correct this immediately. Attention to detail is lacking. Mismanagement of BCI is evident, and lack of proper supervision of maintenance personnel is obvious.

## FINDINGS AND RECOMMENDATIONS

### I. OFFICE

#### A. MISSING/INCOMPLETE DOCUMENTS

1. Twenty-two (22) missing checks #1429 to #1450. If these checks are being held (i.e. emergency backup), they need to be annotated on the bank register/QuickBooks and placed in the safe. If not, void these checks and keep with the bank statement for that month.

2. Check #1594 is documented in check register as "VOID". The A/C could not verify the status of the check since the office was unable to find it.

3. The A/C found cash not being tracked or deposited. Metal recycle money was used to subsidize Petty Cash and Community Activities, but the amount received was never documented.

4. The recommendation is that all monies received including donations received at events be properly documented and deposited, thus reflected on the financial reports. Fundraising results should be reported and in the minutes.

5. A/C recommendation: Contact with lawyers should always be in writing, including the documentation of the question asked as the response may vary according to the wording of the question. This also ensures BCI interpretation is correct.

6. No original paperwork should be removed from the BCI bldg. by anyone. When contracts are signed, they should go directly to the office, not to an officer's home to be filed later.

7. RECEIPTS/DOCUMENTATION MISSING - or A/C denied access to:

Voided check #1594 Donna wrote in e-mail "March voided check was not located"

Amazon \$13.54 Debit Card

Amazon \$30.00 Debit Card

AVG.Com \$50.87 Debit Card A/C has no information on what this is.

Postage \$293.25 Ck # 1473

Shell Gas \$21.03 Charge Card

Lowes April 2014 Stmt - No receipts

Deluxe Products \$85.91 Debit Card

Deluxe Products \$40.25 Debit Card

Carbonite Bkup \$59.99 Debit Card

PayPal \$30.00 Automatic withdrawal

PayPal breakdown of May 2013 deposits of \$252.25 and \$500.00. Denied breakdown/explanation given to ensure proper line item allocation.

April 2014 Employee Timesheets incomplete.

Timesheets from last quarter of previous fiscal year to calculate state withholding and unemployment taxes.

Louviers business savings account quarterly statement, Jan 1<sup>st</sup> to March 31<sup>st</sup>, 2014. Treasurer wrote "Could not locate them."

Office unable to confirm that payment was received for the s/d on Thakkavarikotil rental. Contract stated, "CC on hold" 2/15/13.

Denied access to E-filing documentation for review of online JPCourt funds, E-flex status of delinquent resident accounts. Treasurer wrote "E-file documentation can only be provided by the form - 50 agent - in this case Vic".

Recordings of the Executive and Civic meetings have been made by the reigning President as part of the official BCI record and should be maintained in the office if a question arises. The request to listen to the recordings was denied to the A/C when a question arose and the Treasurer wrote "Recording of meeting minutes are not available to me, see Vic." Per the Executive minutes; Mr. Vic Enos, the BCI President stated that the recordings are his personal recordings and he may release them after his term is up.

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Note: A/C was directed to submit written requests. This was followed and it should have been sufficient.

8. A/C requested and was never given a breakdown of maintenance personnel hours and material expenses incurred by BCI due to damages of rental on 12/28/13. Our understanding is the deductible is \$500 and insurance paid the rest. Nor did A/C receive any copies of insurance checks and they were not deposited in bank, so amounts are not documented.

9. Petty cash allocation breakdown not done properly. The Office Manager is having trouble determining which budget line item category to enter these expenses in. The A/C would recommend that the Office Manager be involved with the development of the budget and be given details to where the board has decided certain expenditures should go. (i.e. should the heater contract go in the contract maint line or the fuel and heating? Would sand for the cig butt containers or salt for the sidewalks bought at Lowes go in landscaping or building maintenance?)

10. Standard operating procedures should be:

- Receipts turned in ASAP
- Name or initial of purchaser
- What was purchased & why (Documented on Receipt)
- Complete documentation (i.e. copies) if something is purchased/Paid for Online

## **B. PAYROLL**

1. Payroll taxes withheld from employees are not being calculated correctly. Not enough Federal tax was withheld on maintenance men's pays. A problem with "rounding up" occurs when FICA is calculated, while this is not a major error, it does add up to BCI not filing/submitting the proper amount.

## **C. CONTRACTS**

1. Rental Contract for Thakkavarikotil, notation "CC on hold for the S/D on Feb 15, 2013 in the amount of \$250. No Receipt. BCI paid check #1320 for \$250 S/D refund on 5/6/13. See Attached (F3) copy.

2. Rental contract for Moses Mbugua is non-resident. Hours rented written 3 to 11. Charged \$350 for Rental (top of page "10am to 9pm"). Is rental actually for 2 slots? If so, rent should have been \$700. Refer to attached (F4) copy.

3. Rental contract for Melissa Quijada scheduled for 8/16/13 cancelled on 7/29/13. Refunded \$250 on 7/29/13 check #1394. Cancelled within 30 days. Deposit should not have been refunded. Refer to attached (F5) copy.

4. Rental contract for Ortega Oct 5, 2013. Refer to attached (F6) copy. \$360 cash rental fee paid per deposit slip #84 details state that BCI owes renter \$10.00 change. No notation on contract. Yet S/D refund of \$210 given. No notation of what damages at bottom of front of contract as usually done.

5. Rental contract for Daniel Valencia - BCI resident. Nov 30, 2013 Time rented 12 to 12. Fee \$350 received cash \$250 Nov 27, 2013. Short \$100 rental fee annotated on deposit slip #108, but not on contract. Refer to attached (F7) copy.

6. Jacob Mullins cancelled building rental booked for 12/14/13 and was refunded S/D on 12/13/13 for \$250. S/Ds are non-refundable within 30 days of scheduled event. Refer to attached (F8) copy.

7. A/C recommends that the baseball contract be increased to an annual fee for the Hoeflinger field of \$1000 and the T-Ball for \$800. No hall use and building key returned – or hall can be rented for \$50/hr. Non-resident player's fee should be \$5-\$10. No fee for Brookside residents.

8. A long term contract should be drawn up and board approved. ( i.e. Steel workers and if Church groups rent again.)

9. In April 2014 a new procedure was initiated for the Rentals. In addition to the contract, now an additional Invoice is filled out. This seems to be a redundant effort. However, if it is implemented to help log it in the QuickBooks system with the pertinent information these are our suggestions with what the form should include to cover all the entries that you may find necessary to refer to later. As you can see by the attached copies (F2),

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some of this information is now scribbled on various areas of the paper. If this new procedure is an effort to maintain a PC record, hand written information on the form does no good.

| <u>Listed on Invoice</u>                       | <u>Amount</u> |                    |
|--|---------------|--------------------|
| Hall Rental <u>(DATE of party)</u>             | _____         |                    |
| <input type="checkbox"/> Resident              |               |                    |
| <input type="checkbox"/> Non-Resident          |               |                    |
| Hours _____                                    |               |                    |
| Security Guard Fee                             | _____         | <u>(date paid)</u> |
| Security Deposit <u>(DATE contract signed)</u> | _____         | <u>(date paid)</u> |
| Security Deposit Refund check # _____          | _____         | <u>(date paid)</u> |
| If canceled <u>(Date)</u>                      |               |                    |

10. Found that the Rental contract's first page does not always document all the pertinent information. (See documents for the months of May, June, July, Aug, Sep, and Oct.)

11. Contract approved by the County, Board and reviewed by BCI lawyer is not the contract given out to a resident for the A/C. The rental time was extended from 10pm to Midnight without board vote.

#### **D. BILLS & BANKING**

1. BCI bill not paid in a timely manner causing finance charges/late fees.
2. Annual Yellow Page Ad bill was paid twice, a few months apart. Dec of 2013 and April of 2014. The A/C had company refund the duplicate payment of \$278.00.
3. BCI has been maintaining an extremely high balance in the checking account – This amount should not be more than \$25,000, then funded as necessary.
4. BCI should setup automatic/direct pay on any bill that allows this. (i.e. Waste Mgmt will give a \$4 discount per month to BCI if payment is made online.)
5. Deposit #97 on 11/4/13 for assessments was held for two months before the actual deposit was made on 1/6/14.
6. The A/C suggests that at the least a portion of monies be placed in different banks as better investment yields are offered when new money is deposited. While the interest rates are still low, it would behoove BCI to try to invest some money. A committee should be formed if the treasurer is unable to follow up on investment opportunities.

#### **E. COMPUTER/QUICKBOOKS**

1. CRB Carbonite/PC online backup - No receipt or Contract on file. Verification needed to ensure that the system is functioning and maintaining all the resident files in addition to monthly expenses and deposits. (Not just being assured that it is backing up because the green indicator light is on.)
2. QuickBooks has not accurately added all monthly line item amounts.

## **II. MAINTAINENCE**

### **A. WORK HOURS**

1. Both employee timesheets document that BCI paid for doing work on someone's personal property. Two (2) hours of work at a cost of \$60.00 to cut-up and remove a tree at 10 Chaucer Drive. This property does not back up to BCI parkland. No authorization in Minutes or notification to board. Please see attached (F9) copy.
2. Employees take frequent trips to stores for one (1) or two (2) items. A/C checking one month only, found there were visits to Lowes three (3) times in one day, six (6) times in one week, with a total of twelve trips to Lowes for that month. This travel is not always listed on the timesheets.
3. Timesheets are not documented accurately. Some entries state recycling was done. Receipt of monies received for recycling not documented on financial report. Need to specify whether it's yard waste or metal recycling. See details dated 6/20, 6/26, 7/11, 7/15, 7/26. 4/17 on timesheets.

4. Timesheets need to include actual work locations. Current documentation too general (e.g. not just "Little K", but "area behind houses at Rt 72").

5. A/C recommends: Better time management, organization, project planning, supervision and better review of the timesheets prior to handout of paychecks.

## **B. EQUIPMENT**

1. A/C recommends the need to set up an equipment maintenance schedule.

2. The Executive Board should be kept informed of any purchase(s) and damage(s)/repair(s) to equipment (e.g. rear truck window broken, repairing edger, and buying additional truck accessories, multiple saw and mower blades, batteries). Attachment (F10) shows that the chainsaw repair happened a few months after it was purchased as a result of using regular gas instead of a mixture. The repair cost almost as much as the purchase price.

## **C. PAY/BONUS**

1. July 16<sup>th</sup> Executive meeting – Discussion held but no vote taken to have Bob Strohl assume Terry Lovesay's position and get a raise of \$15.50/hr.

2. Sept 17<sup>th</sup> Executive meeting a vote was taken to hire William Scott at \$12/hr with a 60-day probation period. Warning letters sent to both maintenance employees per the November 5<sup>th</sup> Executive Meeting concerning poor work performance. . At the November 19<sup>th</sup> Executive Meeting voted to give them holiday bonuses. It was documented at the December 17<sup>th</sup> meeting that these employees were derelict in duties (i.e. Bldg. employee was talking on phone instead of working).

## **D. SUPERVISION**

1. Gas receipts - write on the back of the receipt

a. Name of user

b. Used for (equipment) i.e. Truck, Kubota, mower, gas can for chainsaw/chipper, etc.

c. If vehicle – miles or hours of use noted

2. A/C recommends that a BCI director be appointed sole supervisor of employees and those employees be instructed to report equipment status on a routine basis. Documentation of equipment usage will aide in an annual Employee evaluation.

3. A/C recommends that the grounds employee responsibilities do not include supervision of bldg. employee. And in the winter season only one maint man is to be on duty. Effectiveness of supervisor was questioned.

## **III. ACTIVITIES**

### **A. PUBLIC SAFETY DAY**

1) Flyers were printed at Staples for \$47.10 instead of using BCI's copier.

2) As you will note on the attached copy (F1), Shop-Rite receipt has a few questionable items on it. It has been documented that Mr. Kenny donated to this event. We can only assume that it was through a gift card given to the President. As this was not documented anywhere, we cannot ascertain the amount. However, the amount of the gift card used on the only receipt in the file was for \$231.32. We only have this one receipt. Therefore we question other purchases made prior to this receipt.

3) The top of the receipt has a hand written note "\$101.32 Total". The total amount of groceries paid for on this receipt was \$332.64. Was this a calculation of the groceries not used and purchased by someone else as has been done in the past with Lions Club but not properly documented as income? Or was this money spirited away for future activities? Or was this the amount of the returned unused items to store for a refund?

### **B. FLEA MARKET**

1. Flea Market fundraiser is not documented. The event facilitator just brings in cash to the BCI office to deposit after event.

2. A/C Recommendation is that there should be a list of names with the number of spaces and fee paid.

## **IV. FINANCIAL REPORTS**

### **A. DOCUMENTS**

1. All audit reports should be maintained with the monthly financial records for all residents' review.
2. In order to get full recovery of BCI expenses from the damages of the New Years' party on Dec 28, 2013; a breakdown of costs related to the maintenance personnel hours and material expenses should be documented. A representative for BCI should accompany Nationwide Ins. in court.
3. Treasurer's financial report shows negative balances in the income section of the monthly financial reports. This indicates that money was returned/paid out by BCI. BCI tracks arrears, but this should never be reflected on the monthly financial reports. Current Annual Assessments, Past Dues and Rental S/Ds should never have a negative balance. BCI maintains a history of all assessments. Payments are reflected in the income section of the financial report. But adjustments to individual homeowner accounts (i.e. credits for interest, foreclosure, sheriff sales, and bankruptcy write-offs) are never subtracted from the income line. These unpaid monies were never documented into our income line items for the year, therefore they cannot be subtracted. You do not note money you never had. You do maintain a list of homeowners that have not paid their assessments, but this owed money has never been added to our financials.
4. S/D Line Item Allocations: A/C strongly suggests that S/Ds be recorded as income upon receipt of monies and expense when refunded. (i.e. 2 line items.) A/C questions the accuracy of the Treasurer's one line allocation as the figures are not the same as what was actually deposited and refunded 10 months of the fiscal year. One line documentation is not an appropriate accounting method.
5. No actual Treasurer's Report given at meetings. A/C recommends an explanation/breakdown be given of how money is spent in vague line items. (i.e. Bldg. maint, Misc. Exp, Equipment, Small tools.)
6. Monthly balance reports of assets, (such as what is checking account balances, savings account balances, or if there is any type of investments being held by BCI should be given to residents.)
7. A/C denied access to second page of April 2014's timesheets, so we were unable to calculate the full costs to BCI for the removal of fencing at the Little K basketball court/Park n' Ride area. Metal recycle and Landfill costs were not documented in the financial reports as it is cash kept on hand. A portion of the recycle money was used for the landfill charge. A/C recommends that all monies be documented and/or deposited. Fence removal was not voted on or approved by board.

## **V. VOTES NOT PROPERLY ACTED ON**

1. The May 21, 2013 Executive meeting, "It was moved and unanimously approved that BCI will not allow hall renter to use water slides or dunk tanks" -- but this is not recorded in rental contract.
2. The Aug 20, 2013 Executive meeting vote to give Janis \$1/hr raise in conjunction with new job description and rescind current contract. A/C denied access to confirmation of contract nullification document.
3. The Sept 17, 2013 Executive meeting a policy was enacted for e-filing. "It was moved (Warne/Smith) that effective in 2014 the BCI policy will be to send a certified collection letter on June 15 (or nearest business day), allowing 15 days from signed receipt date for payment, after which e-filing will proceed. The motion was unanimously approved. For the current year, the certified letter will be sent October 15, allowing 15 days for payment before the e-filing process is implemented." A/C was not able to confirm that Board's directive was followed.
4. The Nov 19, 2013 Executive meeting, "Ms. Metzgar reported that the large Certificate of Deposit at Louviers Credit Union is about to mature. In order to receive the best return on investment with flexibility she recommended that funds be transferred to a variable rate CD at ING (currently paying 4.75% APR) and that the checking account at M&T be changed to an interest-bearing account tied in to the ING CD. It was moved (Metzgar/Glines) to proceed with this change. "This did not occur.

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5. The Jan 31, 2014 Executive meeting, "It was moved (Wheatley/Glines) to cancel all existing rental contracts until a new updated contract is approved by the BCI Board and the County. The building will not be rented until a new contract is approved by all parties. The motion was unanimously approved." However, 2 parties were held in March. Board's vote was not complied with. NCC Police hired as security at \$61/hr for one party totaling \$366.

6. The Jan 31, 2014 Executive meeting, Voted to contract with Gettier Security to handle security for all parties. Board's vote not complied with.

7. No Security Guard fee charged for LeBlanc party held on 4/19/14 from 11 to 5. Per board vote.

8. The Feb 18, 2014 Executive meeting, discussion held in reference to the lawyer's rental contract version, this was followed by "It was moved (Wheatley/Glines) to accept the revisions recommended above and unanimously approved. " Building rental hours have been modified without vote from board.