

## **Ruby Ranch Homeowner's Association Board of Directors Response to Findings on the Independent Accountant's Agreed-Upon Procedures Report**

The Ruby Ranch Homeowner's Association (RR HOA) Board of Directors engaged Montemayor Hill Britton and Bender, P.C., an independent accounting firm, to perform Agreed Upon Procedures for the year ended December 31, 2014 to assist the homeowners of Ruby Ranch to assess the validity and accuracy of the RR HOA financial records.

The "Independent Accountant's Agreed-Upon Procedures Report" listed some minor findings, to which the Board of Director's reply as follows:

1. As part of addressing the every day maintenance and repair needs in our community, there are times that simple repairs can be performed by a committee member or board member more efficiently and at a significant cost savings than hiring a contractor. In these instances, reimbursement for repair parts may be necessary. The findings noting that two checks outstanding on 7/31/14 and clearing on the September bank statement are for reimbursements to a board member for supplies for gate repairs. Reimbursement checks were issued promptly, but not cashed right away. It is not unreasonable for a homeowner/board member not to cash a reimbursement check immediately upon receipt and for some time to pass before depositing.
2. A .04 cent underpayment on a utility bill was an oversight and an insignificant amount, of which the Board considers immaterial and inconsequential.
3. The Board began enforcing a two signature requirement on all checks in 2014. This procedure was not in place until mid-year. It is reasonable that the sample checks selected would contain checks from the period prior to the establishment of the two-signature requirement.
4. Variances between expected dues revenue to recorded revenue are a result of an analytic test that is not exact. Expected dues revenues were calculated as follows:  $(\text{total \# lots} \times \text{dues rate}) + (\text{receivables at 12/31/13}) - (\text{receivables at 12/31/14})$ . There are a number of additional variables, such as interest and late fees which were likely not accurately accounted for in this equation. Given the approximation method used, the Board considers these variances reasonable and can be explained by the minor variables unaccounted for in the equation.
5. A lack of segregation of duties is common in an HOA or any small company. There are simply not enough volunteers for an optimal segregation of duties. The Board has placed a number of additional controls in place in 2014 to mitigate this issue:
  - a. Bookkeeping functions are now separate from banking authorities and check-signing functions.
  - b. Dual signature requirement now in place (Treasurer and President).
  - c. Treasurer keeps an independent cash disbursement journal and ties these amounts to the monthly financial statements.
  - d. Treasurer reviews banking information online for unexpected activity.

- e. Payments initiated by homeowner's through their online banking is now electronically deposited directly to RR HOA bank account, creating an immediate banking record in our bank account.
- f. Treasurer reviews accounts receivable ageing monthly.
- g. Treasurer reconciles cash balances with deposit and expense activity.
- h. Additional procedures to improve segregation of duties are under discussion.