

October 24, 2012

Ruby Ranch HOA Board of Directors,

Per an informal request of the Ruby Ranch HOA (“HOA”) Board in August, 2012, a temporary audit subcommittee (“Subcommittee”) was formed to conduct an internal financial review (audit) of the corporation’s accounts and books. The members of this Subcommittee were: Thomas Doebner, a board member with 33 years of financial experience with the Texas Department of Transportation; and Dale Olmstead, an association member with many years of electrical engineering and business experience at Motorola. While these individuals were deemed to be financially literate by the HOA Board of Directors, this review/report is not a formal audit and it does not legally assess whether HOA has achieved any legal or regulatory compliance. Rather, the opinions provided herein should be considered those of laypersons.

On October 8th and 9th, the Subcommittee held two meetings, with Scott Christians, a board member and Treasurer of HOA, during which the review was conducted. The Subcommittee’s methodology was to examine expenditures and the processes leading to expenditures during the meeting on the eighth and to review aspects of the corporation’s income during the second meeting on the ninth.

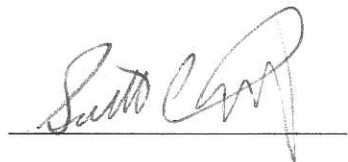
For reviewing expenditures, two months were randomly selected – March and June of 2012 – and one major contract, the recent repaving of selected streets, was selected to study in detail. On the revenue side the Subcommittee reviewed documentation for the 2011 fiscal year via bank statements and various book keeping reports via Quicken and membership status via Excel spreadsheets.

As an overview, the Subcommittee’s opinion is that HOA’s financial processes and execution in practice are maintained well, organized simply and consistently and are in good order, and no major anomalies were identified. All expenditures are manually done, with no automatic payments, and they are made through the check register, and the register was in order and accurate for the two months examined. A total of 26 records plus Broadway bank statements and the calendar year 2011 financial summary were examined. The register’s approved signature list was stated to include three people but only the Treasurer’s signature was noted on all of the expenditures examined. Relative to the street repaving by Ramming Paving Company it would have been beneficial to examine the quotation/proposal as accepted to determine if it matched the invoice. On the revenue side only one discrepancy was identified; a \$40.20 difference between March 2011’s bank statements and Quicken’s income reports; this “negative revenue” (it was a refund) was misinterpreted by Quicken and it was resolved on the spot. As a particular, positive practice we noted the Treasurer retains a photocopy of all members’ checks received for dues, fees and miscellaneous charges.

The following paragraphs summarize the Subcommittee's findings in the form of opportunities for improvement or recommendations. We intend that a recommendation carry more weight than an opportunity for improvement.

1. Opportunity for Improvement – for expenditures the Treasurer should include documentation showing the Board's approval, already noted in meeting minutes, for making the payment in addition to the respective invoice. (Board may wish to define a specific threshold size in this regard.)
2. Opportunity for Improvement – for payments made without an invoice (for example Hays Hills Baptist Church and its personnel where annual meetings are held) insure there is documentation validating or approving the expenditure.
3. Opportunity for Improvement – include a current Board approved signature list for expenditure payments made with check register in Treasurer's documentation.
4. Recommendation – resolve the apparent conflict between the approved signature list and Article VI, section 8, paragraph (a) of the Bylaws which indicates the "President will cosign all checks".
5. Recommendation – On major expenditures (for example the repaving contract) the Treasurer should include in his records the following support documentation – quote/proposal, signed contract if it exists, and Board's formal approval – in addition to the invoice.
6. Recommendation – Article VI, section 8, paragraph (d) of the Bylaws – states that the Treasurer "will cause an annual audit at the completion of each fiscal year in a manner as shall be directed by the BOD". Since no evidence of annual audits was identified the directive has not been met. The acceptability of this finding should be formally addressed.
7. Opportunity for Improvement – in the Treasurer's Excel spread sheet include a separate column computing interest charges for delinquent accounts. This will simplify meeting statutory requirements for resolving or computing the amount required to reconcile account when it changes hands.
8. Opportunity for Improvement – to simplify accounting, reporting and understanding financial summaries we suggest billing members for dues on January 1st with payment due by February 1st instead of the present practice of billing on December 1st with payment due by January 1st.

Respectively submitted,



Scott Christians



Thomas Doebner



Dale Olmstead