

DATE: March 11, 2022

TO: PMA BOARD OF TRUSTEES

FROM: PMA RECORDS REVIEW COMMITTEE

RE: INTERNAL RECORDS REVIEW FOR 2017-2021

Thank you to the PMA Board of Trustees for the opportunity to serve on the 2022 PMA Records Review Committee. We appreciate your trust to serve the Park Meadows Association of homeowners.

It should be noted at the outset that the last internal review was completed in March of 2012. There was no audit performed in 2017 (for years 2012 to 2016). This Committee agreed to conduct a five-year review of PMA financial documents from 2017 to 2021 to which the Trustees agreed. Our objective was to perform a review of PMA's general expenses, revenue streams, banking and tax statements and Trustee Minutes for approval of major projects during those years.

As acknowledged early on, none of the members of this Committee claim to be "auditors" or have the requisite expertise to perform a comprehensive examination of PMA accounts or accounting procedures. This was also acknowledged by the previous internal "auditors" in 2012 who suggested the work of the Committee could best be described as an Internal Records Review. It is also understood that it is not our charge to provide advice on either PMA investments or banking. This valuable function must be organized by the Trustees separately from this records review.

To this end, the following section highlights the Committee's findings and concerns along with a set of recommendations. These are grouped under 4 general headings per our charge by the Trustees:

(Attachment #1)

- Expense Reports
- Income Reports
- Bank Statements
- Trustee Minutes

The Committee has also attached corresponding documentation to support our findings.

Note that the following records review is far from comprehensive. However, there are enough data points to suggest there may be problems in the categories we left unexamined.

We welcome the opportunity to discuss the Committee's limited findings and recommendations with the Board of Trustees before this document is shared with the Association of homeowners.

Sincerely,

Mark Carr  
Virginia Caudill  
Paulette Olson

## REPORT REVIEW FINDINGS AND RECOMMENDATIONS

### EXPENSE REPORTS

*Finding #1:*

It appears that PMA overpaid Double-T Roofing in 2018. Total roofing costs for 4 units was actually \$20,925 (and not \$22,320). (Attachments #2; 6 pages)

*Recommendation:*

The Committee highly recommends that the records be reviewed internally each year and that the Treasurer participate in the review.

*Finding #2:*

In the effort to match selected payments from detailed expense reports with vendor invoices, frequently the estimates and/or invoices are missing from the files. For example, 5 payments are listed under "Roofing – Other" on the PMA Transaction Detail by Account (Jan 2017-Dec 2021), but only 2 invoices for \$22,320 and \$2450 were in a file labeled "Roofing Repairs." Later, an Estimate was found in a folder labeled "2017 for digitizing for archives" which explained a deposit of \$1200. The remaining 2 invoices for payments of \$129 and \$85 were never found. (Attachment #3)

*Finding #3:*

In another case, both the estimate and the invoice for AC/Furnace replacement were missing. The replacement was mentioned in the Trustee Minutes and a bill was subsequently paid but there were no supporting materials. (Attachment #4)

*Recommendation:*

To obtain consistency, it is recommended that invoices for major purchases be attached to estimates and placed in an appropriately named file folder-for 5 years in anticipation of the next records review or outside audit.

*Finding #4:*

2019 Federal Taxes: IRS Form 1120-H, *U.S Income Tax Return for Homeowners Associations* for 2019 is missing from the files. According to the transaction report, there was a payment to the IRS on 4/01/20 for \$1,839 that appears to be mislabeled as 2020 Taxes. There is also a notice from the IRS dated 09-09-2020 indicating that payee information may be incorrect. (Attachment #5) There is no record of a follow-up to this notice.

*Finding #5:*

2020 Federal Taxes: Only the first page of the form 1120-H for tax year 2020 is in the file and it is neither signed nor dated. The IRS sent a notice on 11-29-2021 that "You didn't file a Form 1120 Tax Return." On 12-08-2021, Julia sent a handwritten note to the IRS that the Form 1120 was faxed on 09-05-2020. The financial transaction report shows a payment to the IRS on 08-27-2021 for \$1559, which matches the amount on the first page of the unsigned Form 1120-H. There has been no follow-up to determine if it was received. (Attachment #6)

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NOTE: Form 1120-H for 2021 was not yet submitted by the bookkeeper so it was not included in this review

### *Recommendation:*

- a) Locate form 1120-H for 2019 and file it with the previous years. Make sure that the notice from the IRS regarding payee information has been satisfied and make a note for the files that it has.
- b) File the completed for form 1120-H for 2020, including all pages, signatures, and dates. Confirm with IRS to make sure they received the data they requested, make a note, and add it to the file.
- c) Make sure taxes are paid on time. If an extension is requested, be sure it is on-file and noted in the financial section of the Trustee Minutes.

## **INCOME REPORTS**

### *Finding #1:*

Committee was unable to find documentation related to new additions since 2013.

### *Finding #2:*

Committee was unable to find documentation of updated/current PMA roofing and siding Measurements. These measurements are important because they provide the basis for calculating monthly unit fees for PMA homeowners.

### *Finding #3:*

Double-T Roofing Proposal and Contract dated 9/29/21 indicates 4500 square feet for recent roofing job at 105-115PM. This measurement differs from the square footage on the 1999 PMA Measurement spreadsheet (4213 sq ft) and no updated spreadsheet could be found. (Attachment #7)

### *Recommendation:*

It is recommended that the *PMA Policies and Procedures* document be amended to include an explanation of how adjusted unit fees are calculated for roofing and siding additions.

### Recommendation:

It is recommended that the “master” spreadsheet with PMA Measurements be updated to include the new square footage of unit additions in the year they were built.

### *Recommendation:*

It is recommended that all documentation related to unit additions be placed in a file folder labeled “New Additions.” At a minimum, documentation should include a) a copy of the PMA Measurement spreadsheet, revised to include the square footage of new additions and b) a copy of correspondence with homeowners notifying them of a fee increase with an explanation of how the adjusted unit fees were calculated.

### *Finding #4:*

There is an apparent inconsistency in how the fee assessment formula has been applied over time. Three additions were assessed using the same per square footage rates as additions completed in prior years when the future cost per square foot was much lower. For example, in 2013, units 115PM (built in 2007) and 130PM and 185PM (both

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built in 2008) were assessed using \$1.75 per square foot for roofing and \$1.32 per square foot for siding. This is the same fee structure used to calculate future costs in 1999 on the PMA Measurement “master” spreadsheet. In other words, the higher cost of roofing and siding (20 years hence) was not factored into the reassessment of fees for units 115PM, 130PM and 185PM. (Attachment #8; 5 pages)

### *Recommendation:*

It is strongly recommended that going forward, the square footage of all 34 units be reviewed during the current re-roofing process and to create a new “master” spreadsheet with accurate roofing measurements. Another “master” spreadsheet with corrected siding measurements should also be created during that process. Once accurate measurements of roofing and siding are determined, expected future roofing and siding costs can be calculated, providing the basis for an updated fee structure for all 34 units.

### *Finding #5:*

In a review of transaction reports of late payment charges from January 2017 to December 2021, a few units were identified as habitually having to pay late charges. Moreover, many of the amounts were paid in small increments over time, some as low as 23 cents. (Attachment #9; 8 pages)

### *Recommendation:*

The Committee recommends that the Trustees track late payment charges more closely and work with the bookkeeper to find ways to solve this problem.

## **BANK STATEMENTS**

### *Finding #1:*

We reviewed the end of year bank statements from WesBanco and WPCU for 2021, the only year we were provided. The totals matched the year end reports.

### *Finding #2:*

It was noted that in September 2021 the accounts from US Bank were transferred to WesBanco. There was no mention of this transfer in the September or October monthly trustee meeting minutes, nor in the Annual Meeting Minutes.

### *Recommendation:*

To ensure that all residents are properly informed, amend the Annual Meeting Minutes from January 2022 to include a notice regarding the change of banks.

## **TRUSTEE MINUTES**

*Process:* Committee reviewed binders/files of Trustee Minutes from 2017 through 2021.

### *Finding #1:*

There is little consistency in the format or what’s included in Trustee Minutes from month to month and year to year. Sometimes the Agenda is included, sometimes not. Sometimes PM Notes are included, sometimes not. Etc. Etc. Etc.

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### *Recommendation:*

To obtain consistency across Boards, it is recommended that the current Board develop and adopt a template for recording the minutes of Trustee monthly meetings.

(Attachment #10)

### *Finding #2:*

It's often unclear from the 2017-2021 Trustee Minutes, a) who is currently serving on the Board and/or b) what position they fill on the Board.

### *Recommendation:*

The Committee requests that the Trustee Minutes include not only the date of the Board meetings, but the names and positions of Board members at the time of those meetings. Future reviewers or outside auditors could then direct their questions to the appropriate Trustee.

### *Finding #3:*

Correspondence (emails, letters, etc.) and handouts, estimates, invoices, expense reports, etc. are often alluded to in the Trustee Minutes with little or no context. Some Minutes even say, "see attached" but there is no attachment.

### *Recommendation:*

Attach all relevant correspondence, handouts, estimates, etc. cited in the Trustee Minutes for clarification purposes.

### *Finding #4:*

Amendments to previous month's Trustee Minutes are often amended and subsequently approved in monthly Trustee Minutes. But it's not always clear what exactly was changed and approved from the previous month's Minutes.

### *Recommendation:*

When changes to the previous month's Trustee Minutes are proposed and approved, these Amendments must be included in the Minutes when approved.

### *Finding #5:*

It's often unclear in the Trustee Minutes when and/or where a replacement and/or servicing of durable goods (air conditioners, furnaces, water heaters, softeners) occurred, making it difficult to "follow the money" from Trustee approval of a project to the invoice and subsequent payment.

### *Recommendation:*

Trustee Minutes should always include the unit number and vendor when the Trustees vote to approve a major project such as installation of new equipment.

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### *Finding #6:*

Trustee minutes are sometimes vague as to the nature of the maintenance/repairs and/or the unit involved.

### *Recommendation:*

We strongly recommend that the Trustees Minutes be specific about the nature of maintenance/repairs, the unit involved, and the vendor involved in resolving the problem.

### *Finding #7:*

It's unclear from the Trustee Minutes if action items are followed through. For example, in the 8/13/2018 Minutes, there is a bullet that says, "Need for Good Rental Records for Units." Was a rental record set up? If so, where is it?

### *Recommendation:*

Trustees must decide if rentals should be tracked over time. If so, create a separate file folder for documentation related to the rental contracts.

## **SUMMARY CONCLUSIONS**

In conclusion, the Internal Records Review Committee strongly recommends that:

- The next audit be conducted by a professional independent outside auditor to provide a baseline for future internal record reviews.
- An informal year-end records review be done by the Trustees to make sure all documentation and files are complete. Archive at least ONE COPY of the Minutes and any amendments of previous Minutes, agendas, estimates, invoices, proposals, all correspondence, banking statements, insurance papers or other documents that Trustees considered at EACH meeting and at the Annual Meetings.
- Create written guidelines for each position on the Board (President, Vice President, Secretary, and Treasurer), highlighting the responsibilities specific to that position, including responsibilities not included in the Bylaws but learned on-the-job.
- Initiate formalized training of incoming Trustees so they may better perform their jobs as Board members.
- As the units in Park Meadow age, more intensive management will be required for their upkeep. Given the aging population of PMA and the growing reluctance of qualified residents to serve on the Board of Trustees, we highly recommend investigating the cost of hiring an outside management firm or an independent manager.