

TREASURER'S REPORT
BOARD MEETING NOVEMBER 18, 2017
TO BE ADDED TO AND MADE PART OF BOARD MINUTES

First, a quick update on items from the last Board Meeting in September:

- I misspoke at the last meeting in September – apparently entries were being entered into WLLA's Quick Books since Art's passing. Fran has been keeping things running by booking the payment of bills, recording payments, booking invoices and making deposits
- I am not having much luck with preparing a Budget for WLLA since I am still having difficulty determining exactly how assessments have been recorded in our version of Quickbooks and, as such, I don't feel comfortable with the income calculations
- The WLLA Tax Return that was due by Oct 15, 2017, will be filed late, most likely with no tax due, so, no penalty should be assessed. In light of the audit being conducted by the independent third party CPA firm (Zavada and Associates), WLLA's accountants (Myer and Myer) have opted to let Zavada prepare WLLA's 2016 tax return upon completion of the audit
- It has been confirmed that WLLA has a lake reserve account at Wells Fargo Bank in the amount of \$97,000. It is not a CD as is identified on our financial statements, but a business savings account. Both Fran and I are signatories on the account. We should move this account as soon as possible in order to obtain a higher rate of interest.

Now, for new business:

- The audit of WLLA's books by Zavada and Associates has now been in progress since early September
- The auditor has sent 2 memos to the Board advising them of his findings to date
- Upon Zavada's review of the WLLA Bank Statements, it appears that there has been numerous unauthorized cash withdrawals from the WLLA checking account totaling at least \$22,000 in 2016, over \$21,000 in 2015, and over \$44,000 in 2014, for a total of at least \$87,000 for the years 2014 to 2016
- In addition, it appears that Zavada's review of the bank statements indicates that WLLA has also been paying for charges of a personal nature that is not related to Association business, such as cable and electric expenses for a personal residence, dental and medical expenses, and others – the amounts have yet to be quantified, but are expected to be in the thousands of dollars. Also, it appears that "discounts" were given to members who paid their assessments in cash
- Zavada had indicated to Fran and I in a meeting held on Nov 10, 2017, that this matter would probably have to go to the District Attorney's Office
- We, as members of this Board, should not only feel obligated to all WLLA members to try and get restitution of all unauthorized expenses, but we also have a fiduciary responsibility to all WLLA members to do our best to get restitution of any and all unauthorized expenses
- Zavada had also indicated to Fran and I that he could recommend attorneys that are well experienced in this type of matter, and I would strongly suggest that we pursue this course of action in order to get restitution for our WLLA members, especially since this matter will most likely result in a lawsuit
- WLLA's insurance policies are currently being reviewed by the auditor to see if we have coverage for just such a situation, and what options we have to get full restitution for our WLLA members
- In addition to all this, I feel obligated to tell you that our expenses are way out of control, and we can't keep going down the same path
- We have loans in the amount of almost \$150,000, and our checking account as of 11/15/17 is only \$104,000
- Currently, it appears as though we are operating in the RED
- We have paid over \$15,000 in interest expense over the past 2 years alone on our 2 outstanding loans
- From 2015 to 2016, our financials show that social expenses exceed social income by over \$56,000
- Our system of checks and balances is insufficient
- It is apparent that our audit trails are severely lacking
- We don't have a good handle on Road vs Lake assessments / expenses

- We don't have an up to date list of email addresses
- But I am an optimist, and I believe that we can turn things around. Toward that goal, and as given permission by the Board at the last meeting, I am in the process of forming a Finance Committee to assist me with tackling my fiscal responsibilities for WLLA
- With the Board's continued support and cooperation and with their permission, it is apparent that we have to change our ways of doing business here at WLLA if we are sincere about turning things around
- With that in mind, I would like to offer the following Recommendations / Suggestions and Requests to this Board:
 - First and foremost, I would like the Board's approval to entrust me to work with Zavada to pursue retaining an attorney so that we can get full restitution for our WLLA members of amounts that we know already exceed \$100,000, especially since it appears as though it is imminent that this matter will most likely result in a lawsuit
 - With the Board's permission, we have to initiate a policy to **NEVER ACCEPT CASH** in the office under any circumstances (excluding petty cash). I would propose that we should put a sign in the office stating this policy – "WE DON'T ACCEPT CASH". In this way, we announce to anyone coming into the office to make a payment that any worker in the office is not to be held responsible for this new policy and be intimidated
 - With the Board's permission, I would like to open a new checking account with new checks, thereby putting separation between WLLA's past and future activities, and in the process, making matters easier to track on a go forward basis by having a clean start
 - For your own protection, **NEVER PRE-SIGN CHECKS, OR SIGN BLANK CHECKS**
 - We need to ensure that we will always have a paper trail of all transactions. To reiterate what I said at the last meeting, this would help to ensure that all transactions are being recorded appropriately, thereby avoiding opening ourselves up to undue scrutiny and hopefully preventing a repeat of any improprieties that are presently coming to light. Also, this in turn would help ensure that more than one person will be able to trace, understand and explain any transaction, which in turn would help ease any transition in the event of the loss of the primary bookkeeper
 - I would ask the Board's permission to recruit someone ASAP to update and retain a list of all WLLA email addresses
 - I would like to utilize the Finance Committee to promptly formulate a method of segregating Road vs Lake assessments / expenses
 - I would also like to utilize the Finance Committee to promptly formulate a method of segregating Road vs Lake assessments and allocating expenses
 - Also, with the Board's permission, I would like to solicit resumes and begin interviewing candidates for part time work in the office, preferably someone with Quickbooks experience
 - I would also like the Board to grant me permission to initiate a system whereas every request for a payment is presented before the Board for approval before payment, and to furthermore then require every check to be approved by the Board and properly signed by 2 executive Board members having signatory permission for that checking account. With few exceptions, it seems likely that most checks do not have to be paid immediately upon receipt
 - I would also recommend that a list of deposits should also be submitted to the Board at each meeting in order to verify that all monies received are properly recorded in the correct accounts in Quickbooks, and then confirmed against our bank statements
 - For the Board's protection, as well as the protection of individual WLLA members, especially in light of what is being discovered during our ongoing audit, we need to immediately make some tough changes to our spending habits and avoid scrutiny:
 - I would strongly recommend to the Board, and request that they approve, that any debit and / or credit cards be handed in and locked up, only for use when approved by the Board
 - cease using all on line accounts for purchases, only to be used when approved by the Board in advance
 - keeping in mind that, as reflected on the WLLA financials, it appears as though WLLA has subsidized WLLA social activities for 2015 to 2016 in an amount exceeding \$56,000, and until the auditor can properly verify the total income and expenses associated with individual social events, we would be remiss as a Board to continue spending any more money on social events. As such, I believe that the Board should immediately curtail all social events until further notice. Any further spending for social events should be well documented and recorded, and should require the Board's approval in advance.