

***WALKER LAKESHORES LANDOWNERS ASSOCIATION***

**MANAGEMENT ADVISORY LETTER**

**DECEMBER 31, 2016**

Board of Directors  
Walker Lakeshores Landowners Association  
Shohola, PA

Members of the Board:

We have audited the financial statements of Walker Lakeshores Landowners Association for the year ended December 31, 2016 and have issued our report thereon dated December 20, 2017.

We noted the following:

**Irregularities**

In a letter to the Board dated November 16, 2017, we had indicated that there were various irregularities noted that extended beyond the audit period of 2016 for which we were engaged. These irregularities included unrecorded/unauthorized ATM cash withdrawals, checks payable to cash, and various payments to vendors that appear to be of a personal nature.

Our procedures were extended beyond 2016 and we have noted the following:

- ATM withdrawals began in 2012 and are summarized as follows:

2012	\$ 3,420.00
2013	32,775.00
2014	44,679.50
2015	20,617.00
2016	<u>22,001.00</u>
	<u>\$ 123,492.50</u>

Our procedures have not yet extended to 2017.

- In addition to the ATM withdrawals, we noted numerous instances of checks payable to Cash, a dental practice, a finance company, a tire company, medical equipment company and utility/cable companies that appear to be personal in nature. These payments for the period 2012 through 2016 totaled \$36,614.37.
- We have recently obtained documentation for transactions charged to Association's Lowe's and Staples Credit Cards. There appears to be questionable purchases charged to both cards. Most notably, the following:

A gazebo was purchased May 13, 2014 for \$4,339.65. The gazebo was returned on June 4, 2014 for a cash refund of \$4,339.65.

Three \$500.00 gift cards were purchased in June, 2014.

Two bathtubs totaling \$1,352.93 were purchased in 2015.

This information was recently obtained and is still being reviewed.

We have notified outside counsel of the situation as well, and will provide detailed information to them when requested. Counsel is determining if insurance coverage exists for these items.

We have further noted that the former President/Treasurer Art Politano and Vice President Frances Orth appeared to have not been billed for assessments and fees since 2013. It has also been disclosed to us that members were given "discounts" for paying their assessments in cash. We do not, however, have documentation of cash payments at a discount. It also appears other board members have been given inappropriate discounts or write-offs.

### **Procedural Matters**

During fieldwork, we noted the following procedural matters that should be corrected immediately.

- Checks payable to Cash. Checks should never be made payable to Cash – only vendors whose invoices were approved by the Board. As noted above, in many instances, there was no documentation accompanying the check voucher.
- Presigned checks. On our first day of fieldwork, we noted several operating account blank checks already had two signatures. This is a dangerous practice and should never be done.
- Bank reconciliations. There were no apparent bank reconciliations performed during 2016.

We understand the Board has engaged an outside accounting firm to assist in updating the accounting records.

### **Social Income and Expenses**

We noted that in 2016, income collected and deposited for social events totaled \$20,835, whereas expenditures paid for social events totaled \$43,323. For most of the other Community Associations we audit, social income and expenses normally approximate breakeven. With a disparity as large as the \$22,488 deficit between collections for social events and the related expenses, the membership is effectively subsidizing the events. Policies and procedures surrounding these activities should be reviewed and modified accordingly.

### **Cash Basis Audit Report**

Because of the situations noted above, it was not practical to audit accounts receivable or accounts payable, so the audit for 2016 was conducted on a cash basis. Once the outside accounting firm has reconstructed balances, accounts receivable should be updated and reconciled.

We would be glad to answer any additional questions or assist in any other items that might arise in the future.

**This communication is intended solely for the information and use of management, Board of Directors, and others within the Association, and is not intended to be and should not be used by anyone other than these specified parties.**

**Forty Fort, Pennsylvania  
December 20, 2017**