

**November 28, 2016**

**TO: Lacamas Shores Board of Directors**

**FROM: 2016 Internal Audit Committee**

**SUBJECT: Final Report**

We have reviewed the attached financial statements for the year ended December 31, 2015, which were prepared by the Association's accountant, Lorrie Conway. We believe they present fairly, in all material respects, the financial position of the Association as of December 31, 2015, and the revenue and expenses for the year.

Comments and recommendations

1. Billing of dues. Fox and Company recommended, as part of their 2014 audit report, that Homeowner dues not be billed until the beginning of the year to which they apply. This recommendation was based on a potential accounting interpretation. As a practical matter, we found during our audit of the dues revenue for 2015 to be quite clear which year a given billing applies to, and the accounting for payments received in the previous year is straight-forward and requires only a modest accounting effort. **Therefore, if it is more convenient for homeowners to receive their dues billing in November or December of the prior year, we recommend the Board mail the dues statements then to accommodate the homeowners.**
2. The Association has an "extra" bank account with a balance of \$5.02 and no apparent purpose. **We recommend that the Treasurer close that account.**
3. Approval of Expenditures. Fox and Company, as part of their recommendations regarding Internal Controls, pointed out that the approval of invoices for payment was not done in a consistent manner. Our review of 2015 disbursements revealed that this inconsistency continued in 2015, including some disbursements which were made with no clear approval in the file. A document provided by our HOA accountant entitled "LaCamas Shores HOA Accounting Procedures" dated November 2015, states that "Payments for budgeted, routine items will be automatically authorized and paid by online banking." This implies that most expenditures are to be made by the HOA accountant without review/approval by the Treasurer or other board member. It is unclear whether this is the intent of the Board. Although there is no reason to believe inappropriate payments have been made, according to our internal audit, **we recommend the Board develop a formal approval procedure, with a standard approval document, which is consistently filed with the invoice and other related documentation.**
4. Appreciation gifts. Fox and Company pointed out, as part of their 2014 audit report, that the Association's Articles of Incorporation prohibit distribution of funds to Directors and other members, except as compensation for services rendered. They noted that appreciation gifts were approved for departing board members in 2014, but the board had, at the same meeting, agreed that such gifts would not be made in the future. Despite this agreement, \$100 gifts were approved for five members in March 2015. Four of the five members declined to accept these gifts, so the cost to the association was only \$100. **However, we recommend the board establish practices consistent with the By-laws.** At the same time, the board should also take a look at whether the "welcome gifts" given to new members are in compliance with the By-laws.

In general, the Association's accounting records are well maintained by our accountant and the fees paid for this service seem reasonable.

Respectfully submitted,

Gary Henderson

Kathleen Cantrell Price