

Plantation Homeowners Association, Inc.
Regular Board Meeting – Monday, October 9, 2023, 6:30 PM
Activity Center, 600 Plantation Drive, Pharr, Texas 78577

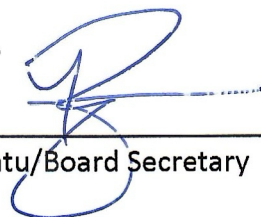
MINUTES

On the 9th day of October 2023, the Plantation Homeowners Association, Inc. Board of Directors met for a Regular Board Meeting.

- 1) Mr. Victor Farias called the meeting to order at 6:31 p.m.
- 2) Mr. Robert Hummell led the Pledge of Allegiance, and Mr. Victor Farias offered the prayer.
- 3) Mr. Victor Farias established a quorum with the following **Board of Directors** present:

Victor Farias, President	Rosy Ayala, Director
Robert Hummell, Vice President	Jesus Marvin Flores, Director
Romeo Cantu, Secretary (Electronically)	Terry Welborn, Director
- 4) Mr. Romeo Cantu moved, and Mr. Robert Hummell seconded the motion to approve the agenda. The motion carried unanimously.
- 5) Mr. Robert Hummell moved, and Mrs. Rosy Ayala seconded the motion to approve the September 11, 2023 Regular Board Meeting minutes. The motion carried unanimously.
- 6) Plantation Board of Directors, Management, and Committee Reports:
 - a) President’s Report: Mr. Victor Farias presented the report.
 - b) Manager’s Report: Mrs. Leticia Cantu Guerra presented the report.
 - c) Finance Committee’s Report: Mr. Robert Hummell presented the report.
 - d) Covenant/Bylaws Committee’s Report: No report was presented.
 - e) Election Committee’s Report: Mr. Robert Hummell presented the report.
 - f) Architectural Committee’s Report: No report was presented.
 - g) Activity Committee’s Report: Mrs. Kimberly Mendoza presented the report.
- 7) Old Business
 - a) None
- 8) New Business
 - a) None
- 9) Mr. Robert Hummell moved, and Mr. Terry Welborn seconded the motion to adjourn. The motion carried unanimously. There being no further business to discuss, the meeting was adjourned at 8:15 p.m.
- 10) Open Forum was held.

ATTESTED BY: _____
Romeo Cantu/Board Secretary



Minutes were approved
at November 13, 2023
Regular Board Meeting

MANAGER REPORT

DATE OF REPORT 10-09-2023

SUBMIT TO

Board of Directors

KEY POINTS:

GATE:

No problems with

POOLS:

I had Blue Creek replace cupping for the motor for the big pool.

VEHICLES:

N/A

CAMERAS:

Building:

I contacted 3 companies to come in and give us a bid.

Cameras at the Gate House:

DEBRIS:

Maintenance have been picking up palm trees etc.,

STREETS:

Unfortunately, we didn't start them because we thought it was going to rain. I will reschedule.

BALLROOMS:

N/A

NEW GYM / OLD GYM

No Change

KITCHEN:

N/A

BUILDINGS:

N/A Having a bird problem on our back patio. I will come up with a solution to fix the problem

LOBBY:

N/A

LANDSCAPING EQUIPMENT:

The riding Tractor I replaced 2 tires.

HOA ACCOUNTS

All properties were confirmed. I need about 3 more to put in the system the apartments on New Orleans circle.

WEBSITE:

N/A

SECURITY:

7	Pharr PD Came In 1- sheriff came in for an investigation 1- police followed a resident inside and issued a ticket
n/a	Criminal Mischief
3	Family Disturbance
n/a	Loud Music
n/a	Child left at the pool unattended
n/a	Gate House Disturbance due to no Identification
n/a	Home Break In
n/a	Home Raid
2	Patrol
n/a	Stolen Property
n/a	Vehicle Break In
n/a	Child Welfare – Child left behind at the pool, Police called out
n/a	911 Alarm

4	Ambulance 2- were picked up and 2- were dropped off
n/a	Fire Department 1- Broken Gas Pipe
n/a	Security for Fireworks
n/a	Damaged Gate

VIOLATIONS: 133 JULY 10TH-AUGUST 8TH 2023

n/a	6.2	Minimum size, Designated Use, Age
24	6.5	Storage
1	6.4	Temporary Structure portable canopy in the alleyway
37	6.7	Off Street Parking
1	6.8	Nuisances
17	6.13	Garbage and Refuse Disposal
93	6.16	Owner's Maintenance of Yard
3	6.17	Owner's Maintenance of Residence and Accessory Buildings
176		TOTAL VIOLATIONS
		CERTIFIED LETTERES RETURNED
		TOTAL VIOLATIONS TO DATE
		RESOLVED
		UNRESOLVED
		RETURNED LETTERS

PRIORITY OF NEXT MONTH

- Potholes filled by maintenance depending on weather.
- Maintenance will start cleaning up the outer fence line during the cooler weather.



Javier Campos, CPA
3108 27th St.
Hidalgo, Texas
(956) 648-5380

October 9, 2023

Board of Directors of the Plantation Homeowners Association, Inc.
600 Plantation Dr,
Pharr, Texas 78577

RE: Forensic Investigation Report

Dear Board Members:

This report documents a summary of our procedures performed under the terms of our agreement on the procedures to be conducted and the resulting findings.

I have performed this engagement in accordance with Statement on Standards for Consulting Services No. 1 as promulgated by the American Institute of CPAs (AICPA). While our work involved analysis of accounting records, our engagement did not constitute an audit in accordance with general accepted accounting standards, an examination of internal controls, or any other attestation or review services in accordance with standards established by the AICPA. Had other procedures been performed, other matters may have come to our attention that may have affected the findings reported herein.

This report is solely for the use of the Board of Directors of the Plantation Homeowners Association, Inc.

Respectfully submitted,

Javier Campos, CPA

Table of Contents

I.	Executive Summary.....	3
II.	Scope of Services.....	3
III.	Detailed Information (Procedures and Findings).....	3
	a. Collections Vs. Deposits Analysis.....	3
	b. Expenditure Analysis.....	5
	c. Payroll Verification.....	9
	d. Credit Memo Verifications.....	12
	e. General Ledger Analysis.....	14

I. Executive Summary

In response to Internal Revenue Service notifications of past due accounts and allegations concerning potential deposit shortages, improper payroll practices, and unauthorized expenses by former management of the Plantation Homeowners Association, Inc. (PHOA), we were retained by the Plantation Homeowners Association, Inc. to investigate these matters.

Our procedures included conducting the following for the period between January 1, 2022, and December 31, 2022:

- **Collections Vs. Deposits Analysis** - Comparison of Cash, Check and Credit Card receipt/collection records against deposits made to the PHOA's bank account and actual cash on hand.
- **Expenditure Analysis** - Verification that all PHOA expenditures have a valid supporting receipt, were properly accounted for within financial system, and have a documented purpose memo.
- **Payroll Verification** - Verify that payroll was accurately performed and related withholding properly reported and paid.
- **Credit Memo Verification** - Verification that all credit memos applied to homeowner accounts were valid and properly approved.
- **General Ledger Analysis** – General analysis of the PHOA's general ledger and transactions in PHOA's bank statements for calendar year 2022.

In addition, we performed a preliminary review of the procedures and internal controls in place during the examination period with regards to these transactions.

II. Scope of Services

I was primarily engaged to perform a review of all deposits and expenditures including payroll and related payroll taxes processed by former PHOA management for the period between January 1, 2022, and December 31, 2022, and provide a summary of the results.

My services also included an analysis of PHOA's procedures and internal controls in place during the examination period with regards to these transactions.

III. Detailed Information

A. Collections vs. Deposit Analysis

i. Procedures Performed

We obtained a general ledger report detailing all money received by the PHOA for calendar year 2022, directly from the PHOA's accounting system QuickBooks. Using the general ledger, we tallied up all money collections for the year and compared these amounts to all deposits made at Lone Star National Bank.

In addition, we reviewed all evidence found of ballroom rental collections for calendar year 2022 and compared these receipts against amounts recorded on the system as collections and amounts actually deposited to the bank.

ii. Summary of Findings

iii. Table 1 – Collections Vs. Deposits

FY 2022 Month	FY 2022 Collections Per Quickbooks	FY2022 Deposits Made to LSNB	Variance	Percent Variance
January	\$ 72,001.38	\$ 62,262.58	\$ (9,738.80)	-14%
February	\$ 59,148.75	\$ 52,236.35	\$ (6,912.40)	-12%
March	\$ 80,610.15	\$ 87,885.28	\$ 7,275.13	9%
April	\$ 55,560.58	\$ 53,424.80	\$ (2,135.78)	-4%
May	\$ 53,493.95	\$ 37,979.55	\$ (15,514.40)	-29%
June	\$ 71,362.31	\$ 72,326.61	\$ 964.30	1%
July	\$ 51,687.15	\$ 58,596.38	\$ 6,909.23	13%
August	\$ 76,744.44	\$ 69,599.44	\$ (7,145.00)	-9%
September	\$ 56,089.70	\$ 50,438.10	\$ (5,651.60)	-10%
October	\$ 44,216.06	\$ 44,898.35	\$ 682.29	2%
November	\$ 42,390.52	\$ 38,311.40	\$ (4,079.12)	-10%
December	\$ 49,549.60	\$ 53,241.30	\$ 3,691.70	7%
Totals	\$ 712,854.59	\$ 681,200.14	\$ (31,654.45)	-4%

There is a shortage of **-\$31,654.45** between amounts collected per accounting records and amounts deposited to the PHOA Lone Star National Bank account for fiscal year 2022.

Table 2 – Ballroom Collections Not Deposited

FY 2022 Month	Ballroom Collections not Deposited
March	\$ 50.00
May	\$ 1,020.00
June	\$ 3,300.00
July	\$ 1,200.00
September	\$ 1,450.00
November	\$ 1,150.00
December	\$ 1,450.00
Totals	\$ 9,620.00

There is an additional shortage of **-\$9,620.00** of ballroom rental collections which were not deposited to the bank, nor recorded on accounting system. All receipts were identified as cash collections by the employee who took the payments.

There is a total of **-\$41,274.45** of collections made for calendar year 2022 which have not been deposited to the bank. After further inquiry, it was determined that there is no cash held by the PHOA or in transit to the bank pertaining to calendar year 2022 collections.

B. Expenditure Analysis

i. Procedures Performed

We conducted a one-to-one match between debits and checks found on the PHOA’s bank account against expenses recorded in QuickBooks and against supporting receipts and other documentation available to substantiate charges. We also verified that expenses were made for known costs and were properly classified within the PHOA’s chart of accounts.

We also conducted an analysis of checks made to cash versus receipts paid in cash, to verify that all amounts withdrawn as petty cash checks from the PHOA’s bank account had a supporting receipt to validate the use of the funds.

ii. Summary of Findings

Table 3 – Debits and Checks vs. QuickBooks & Supporting Receipts

Month	Number Expenses without a Receipt	Amount of Expenses Without a Receipt	Number Expenses not Recorded on System	Amount of Expenses not Recorded on System
January 2022	38	\$ 7,760.77	2	\$ 20.47
February 2022	18	\$ 4,362.95	8	\$ 10,591.25
March 2022	20	\$ 5,109.33	2	\$ 29.93
April 2022	16	\$ 7,642.71	2	\$ 2.17
May 2022	13	\$ 2,469.69	1	\$ 2.77
June 2022	21	\$ 15,830.45	0	\$ -
July 2022	21	\$ 13,991.39	8	\$ 7,863.89
August 2022	12	\$ 5,215.01	2	\$ 1,183.47
September 2022	15	\$ 13,068.14	0	\$ -
October 2022	65	\$ 10,220.15	120	\$ 20,883.09
November 2022	64	\$ 12,301.86	99	\$ 16,178.68
December 2022	30	\$ 8,461.42	61	\$ 8,954.93
Totals	333	\$ 106,433.87	305	\$ 65,710.65

There is a total of **333** unsupported individual transactions totaling **\$106,433.87** for which validating receipts were not found.

In addition, there was a total of **305** individual transactions for **\$65,710.65**, that were not recorded on the accounting system QuickBooks. This amount materially misstates the accounting system’s expenditures for calendar year 2022. Any report generated directly from the unadjusted accounting system for fiscal year 2022 will be misstated and can lead to errors in decision making and fiscal reporting to the Internal Revenue Service.

Table 4 – Unknown Costs

	Number of Transactions for FY 2022	Dollar Value of Transactions for FY 2022
Unknown On-Line Purchases	28	\$ 2,753.33
Questionable Snack and Other Food Purchases	6	\$ 1,376.60
Unknown ATM Withdrawal (No Support)	1	\$ 202.50
Totals	35	\$ 4,332.43

There is a total of **\$4,332.43** of unknown expenses paid using either the PHOA debit card or a PHOA Lone Star National Bank account check. These are expenses not associated with regular and reasonable PHOA business that were found throughout the analysis.

Table 5 – Petty Cash Analysis

Date	Transaction Type	Check Payable to	Amount
01/28/2022	Check	Cash	\$ 577.29
2/10/2022	Check	Cash	\$ 286.76
02/24/2022	Check	Cash	\$ 1,109.40
03/04/2022	Check	Cash	\$ 970.10
03/23/2022	Check	Cash	\$ 1,052.01
04/08/2022	Check	Cash	\$ 988.92
04/21/2022	Check	Cash	\$ 2,170.19
05/18/2022	Check	Cash	\$ 712.54
06/02/2022	Check	Cash	\$ 1,351.23
06/16/2022	Check	Cash	\$ 1,686.27
06/28/2022	Check	Cash	\$ 1,971.38
07/11/2022	Check	Cash	\$ 1,971.38
07/25/2022	Check	Cash	\$ 1,714.99
08/03/2022	Check	Cash	\$ 1,331.76
08/30/2022	Check	Cash	\$ 1,603.97
9/23/2022	Check	Cash	\$ 2,003.37
10/06/2022	Check	Cash	\$ 1,332.37
11/01/2022	Check	Cash	\$ 535.35
12/12/2022	Check	Cash	\$ 539.21

Total Petty Cash Checks Cashed **\$ 23,908.49**
 Total Receipts Paid in Cash **\$ 26,843.66**
 Net Cash on Hand **\$ (2,935.17)**

There is no accurate reconciliation of cash payment receipts against petty cash withdrawals. In consequence, determining which receipt belongs to what petty cash withdrawal was not possible. Overall, there is an excess of **\$2,935.17** of receipts against petty cash checks. This means that we spent more cash than what was withdrawn in petty cash checks.

It is important to note that **49** receipts amounting to **\$3,635.98** were justified by handwritten receipts created by management and not original vendor receipts. These were not included with the total receipts paid in cash on table 5. If board would consider these unvalidated receipts against the total, the excess of receipts against petty cash checks would total **\$6,571.15**. See image 1 below for a sample receipt created by management.

Image 1 – Handwritten Receipt

RECEIPT

DATE 8-19-22 **PNOD** *owed Bag N-g.*

FROM Antonio Rojas \$250.00

Two Hundred Fifty Dls 400/100 DOLLARS

FOR repair of leaks outside by ballroom

CASH
 CHECK
 MONEY ORDER
 CREDIT CARD

Amount of Account _____
 Amount of Paid 250.00
 Balance Due _____

FROM _____ TO _____
 BY N-g.

Asper J. E.

There are an additional number of handwritten notes indicating that money is “owed to bag” or “from bag”. Many of these are accompanied by a corresponding receipt, but not all. Handwritten notes that did not have a supporting receipt attached were not considered in the total receipts paid in cash as they cannot be validated as legitimate expenditures. See Image 2 below for a sample handwritten note.

Image 2 – Handwritten Notes

\$40
Gas for
truck
2.25.2022
From bag

Other Expense Findings

There is a constant pattern supported by check images (cancelled checks) on the Lone Star National Bank account statements that indicates that checks were being generated outside of the accounting system for different amounts and different vendors from the ones entered into QuickBooks. These include a number of handwritten checks which were identified during the expense analysis. See image 2 and 3 below:

Image 2 – Off-System Hand-Written Checks

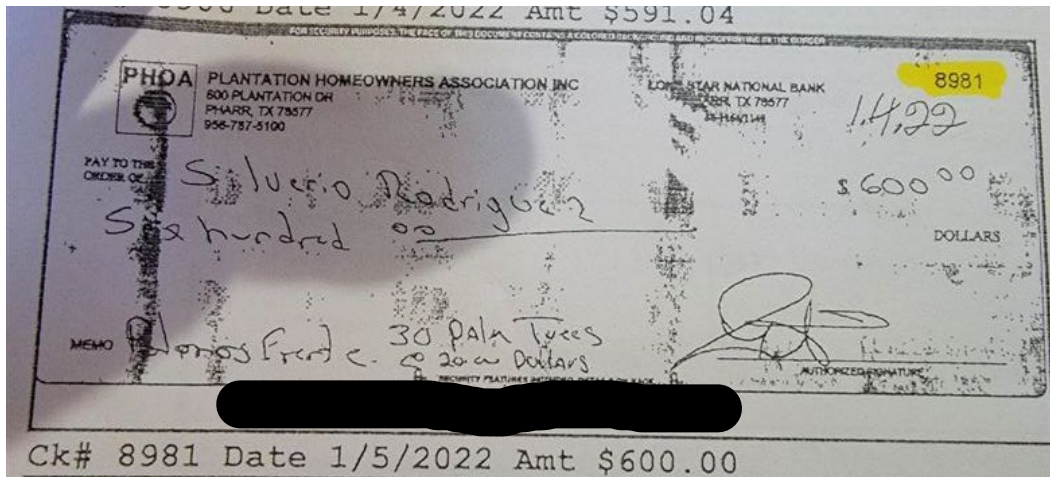
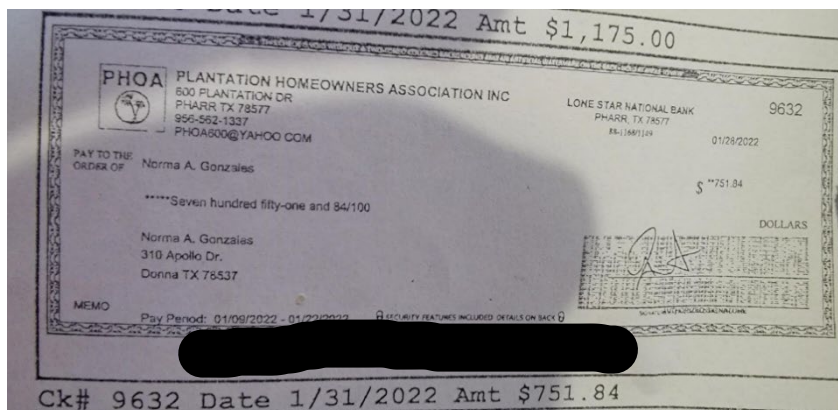
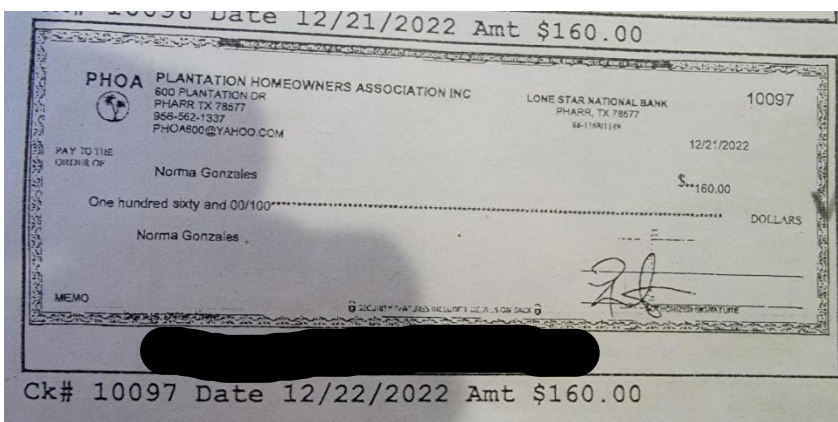


Image 3 – Non-System Checks vs. System Checks



- System generated Check showing payee in the same format as found on QuickBooks. Address and memo are included and visible. Check was traced back to accounting system.



- Non-system generated Check showing the same payee with no address or memo. Check could not be traced back to accounting system.

C. Payroll Verification

i. Procedures Performed

Conducted an analysis of all payroll related expenses for calendar year 2022 and compared these records against available time sheets and other supporting documentation.

Verified that all payroll deductions and withholdings were properly made and paid timely and accurately to the appropriate agency.

ii. Summary of Findings

Table 6 – Employee / Contractor Payment Summary

Name	Number of Checks Paid	Total Paid as Vendor (No Taxes Withheld)	Total Paid as Employee (Taxes Withheld)	Total Compensation
[REDACTED]	22	\$ 14,215.50	\$ -	\$ 14,215.50
[REDACTED]	3	\$ 1,955.00	\$ -	\$ 1,955.00
[REDACTED]	2	\$ 1,360.00	\$ -	\$ 1,360.00
[REDACTED]	18	\$ 8,520.00	\$ -	\$ 8,520.00
[REDACTED]	27	\$ 160.00	\$ 16,702.82	\$ 16,862.82
[REDACTED]	3	\$ 1,720.00	\$ -	\$ 1,720.00
[REDACTED]	27	\$ 304.76	\$ 8,083.95	\$ 8,388.71
[REDACTED]	3	\$ 1,885.00	\$ -	\$ 1,885.00
[REDACTED]	4	\$ 2,765.00	\$ -	\$ 2,765.00
[REDACTED]	20	\$ 7,470.00	\$ -	\$ 7,470.00
[REDACTED]	3	\$ 683.00	\$ -	\$ 683.00
[REDACTED]	3	\$ 1,870.00	\$ -	\$ 1,870.00
[REDACTED]	5	\$ 5,875.00	\$ -	\$ 5,875.00
[REDACTED]	27	\$ 160.00	\$ 19,117.71	\$ 19,277.71
[REDACTED]	5	\$ -	\$ 2,485.23	\$ 2,485.23
[REDACTED]	27	\$ 558.29	\$ 15,013.35	\$ 15,571.64
[REDACTED]	12	\$ 6,535.00	\$ -	\$ 6,535.00
[REDACTED]	26	\$ 2,429.50	\$ 9,281.14	\$ 11,710.64
[REDACTED]	7	\$ 3,365.00	\$ -	\$ 3,365.00
[REDACTED]	5	\$ 3,096.00	\$ -	\$ 3,096.00
[REDACTED]	26	\$ 16,965.00	\$ -	\$ 16,965.00
[REDACTED]	22	\$ 13,290.00	\$ -	\$ 13,290.00
[REDACTED]	29	\$ 1,378.02	\$ 19,833.85	\$ 21,211.87
[REDACTED]	3	\$ 2,376.00	\$ -	\$ 2,376.00
[REDACTED]	7	\$ -	\$ 3,841.76	\$ 3,841.76
[REDACTED]	11	\$ -	\$ 5,895.28	\$ 5,895.28
[REDACTED]	12	\$ 8,595.00	\$ -	\$ 8,595.00
[REDACTED]	2	\$ 1,310.00	\$ -	\$ 1,310.00
[REDACTED]	26	\$ -	\$ 12,307.82	\$ 12,307.82
Totals		\$ 108,841.07	\$ 112,562.91	\$ 221,403.98

* Amounts on Total Paid as Employee column are the checks actually paid to employees, net of payroll deductions.

A total of 31 individuals were identified to have received compensation payments from the PHOA for calendar year 2022. Table 6, details 29 of these individuals who received at least two or more payments throughout the year. Individuals with a one-time payment were excluded from analysis.

Out of the 29 individuals detailed on the table:

- **28** individuals were paid using a payroll account within QuickBooks. This is an indication that individuals were formal employees of the PHOA.
- **26** individuals were completing time sheets to account for their hours worked. This is an indication they had to clock in and out to record their time. This is also an indication management controlled their work routine or schedule.
- **10** individuals were paid as employees and had payroll taxes deducted.
- **19** individuals were exclusively paid as contractors and payroll taxes were not deducted.
 - **3** of these 19 individuals had been previously set up as employees on QuickBooks for prior years.
 - **2** of these 19 individuals had received a W-2 from the PHOA for work performed as an employee.
 - All **19** individuals were paid on a biweekly basis, which aligns with the payroll payment schedule.
 - **16** of these 19 individuals completed time sheets to account for their hours worked.
- **6** individuals received both payments where they got taxes deducted and payments where they had no taxes deducted.

Form 1099-MISC, must be completed for each person who paid at least \$600 in non-employee compensation. All **19** individuals who received non-employee compensation from the PHOA exceeded the \$600 mark and should have received a form 1099-Misc from the PHOA. There is **no** evidence that forms 1099 were completed and filed with the Internal Revenue Service for calendar year 2022.

There is a potential **\$108,841.07** of compensation that was paid to employees and non-employees which is currently not reported to the Internal Revenue Service as either employee compensation (W-2) or non-employee compensation (1099-MISC) for calendar year 2022.

There was a failed attempt to retrieve W-2 reports filed with the Internal Revenue Service, in addition QuickBooks does not have an archive of prior W-2 reports. Nevertheless, at least one employee interviewed indicated that they did receive a W-2 form for calendar year 2022.

We did not determine the accuracy in the classification of the 19 individuals who received non-employee compensation as contractors rather than employees. There is evidence that suggests that several of the individuals who were paid as contractors may have been employees of the PHOA. See below:

Image 4 – Timesheets

PLANTATION HOMEOWNERS ASSOCIATION, INC.

No. [REDACTED]

NAME [REDACTED]

WEEK ENDING [REDACTED]

Day	In	Out	Notes
Monday	8:00 AM	3:49 PM	8 hrs
Tuesday	7:17 AM	4:26 PM	8 1/2 hrs
Wednesday	7:06 AM	3:15 PM	NO WORK
Thursday	7:11 AM	3:35 PM	5 hrs
Friday	7:19 AM	1:07 PM	4 hrs
Saturday			36.5 hrs
Sunday			
Total			75 hrs

Proprietary Paper

9664A

Image 5 – Schedules

June 2022	Sunday 12	Monday 13	Tuesday 14	Wednesday 15	Thursday 16	Friday 17	Saturday 18	Ballroom	Hours
[REDACTED]		Office 8am-4pm	Office 8am-4pm	Office 8am-4:30pm	Office 8am-4pm	Office 8am-4pm			40.3
[REDACTED]	V	A	C	A	T	I	O	N	40
[REDACTED]		Gate 9pm-8am	Gate 9pm-8am	Gate 9pm-6am	Gate 9pm-6am				40
[REDACTED]	Gate 6:30pm-8am					Gate 9pm-8am	Gate 6:30pm-8am		38
[REDACTED]	Patrol 24HRS GATE 11HRS REC 3HRS	Patrol 24HRS GATE 13HRS	Patrol 24HRS GATE 13HRS	Patrol 24HRS GATE 13HRS	Patrol 24HRS GATE 15HRS	Patrol 16HRS GATE 15HRS	Patrol 24HRS GATE 11HRS REC 3HRS	12 HRS FOR EVENTS	269
								Total:	427.3

Week 1

Evidence found includes:

- Time Sheets indicating the hours worked by the individual for the corresponding pay period. (See Image 5)
- Schedules with assignments for individuals where they were going to report or work for the week. (See Image 6)
- All individuals received payments from accounts within the QuickBooks System labeled as “Payroll”.
- Various individuals (3) were set up in the QuickBooks system as employees, but were paid as contractors.
- All payments made to both employees and contractors occurred on a biweekly basis in the same day as pay runs.
- Various individuals (2) received a W-2 as employees of the PHOA in a prior year, but were paid entirely as contractors for 2022.

It is recommended that PHOA analyses their relationship with each of these individuals and makes an accurate classification of them as either employees or independent contractors. Either classification can potentially have reporting and monetary repercussions with the internal revenue service and other state of Texas agencies.

D. Credit Memo Verifications

i. Procedures Performed

We conducted an analysis of all system generated credit memos applied to homeowners of the PHOA for calendar year 2022.

ii. Summary of Findings

Table 7 – Credit Memos

Accounts	Credit Memo Amount	Total Invoices for 2022	Total Payments for 2022	Net Activity for 2022
Property #1	\$ (43,393.76)	\$ 612.00	\$ (408.00)	\$ (43,189.76)
Property #2	\$ (9,133.56)	\$ 864.00	\$ (5,953.44)	\$ (14,223.00)
Property #3	\$ (2,583.89)	\$ 875.00	\$ (6,567.00)	\$ (8,275.89)
Property #4	\$ (2,215.33)	\$ 864.00	\$ (6,086.56)	\$ (7,437.89)
Property #5	\$ (8,567.56)	\$ 960.00	\$ (6,490.44)	\$ (14,098.00)
Property #6	\$ (7,021.00)	\$ 794.00	\$ (2,998.14)	\$ (9,225.14)
Property #7	\$ (7,021.00)	\$ 794.00	\$ (2,998.14)	\$ (9,225.14)
Property #8	\$ (7,021.00)	\$ 794.00	\$ (2,998.14)	\$ (9,225.14)
Property #9	\$ (7,021.00)	\$ 794.00	\$ (2,998.14)	\$ (9,225.14)
Property #10	\$ (400.00)	\$ 502.00	\$ -	\$ 102.00
Property #11	\$ (170.00)	\$ 751.20	\$ (751.20)	\$ (170.00)
Property #12	\$ (40.00)	\$ 400.00	\$ (360.00)	\$ -
Totals	\$ (94,588.10)	\$ 9,004.20	\$ (38,609.20)	\$ (124,193.10)

There was a total of **\$94,588.10** of credit memos created for calendar year 2022. Below is an analysis of the accounts that received major credits.

- **Property #1** – There was a \$19,809.60 balance brought forward with the opening of the account back in 2011 with a journal entry dated November 15, 1996. There was an additional \$23,635.16 billed from 2011 to June of 2022, which raised the total debt to \$43,444.76. On June 1, 2022, a credit memo of **\$43,393.76** was applied to the outstanding balance. Payments appear to be up to date after the memo was applied.
- **Property #2** – There was a total of \$14,507.00 billed from 2011 to June of 2022, with no payments ever recorded on the account. On June 8, 2022, there was a credit memo of **\$9,133.56** applied to the account and a subsequent **\$5,793.44** payment on August 16, 2022, that brought the account to a zero balance as of the payment date.
- **Property #3** – There was a total of \$ 8,570.89 billed from 2011 to June of 2022, with no payments ever recorded on the account. On June 8, 2022, there was a credit memo of **\$2,583.89** applied to the account and a subsequent **\$6,407.00** payment on August 16, 2022, that brought the account to a zero balance as of the payment date.
- **Property #4** - There was a total of \$7,721.89 billed from 2011 to June of 2022, with no payments ever recorded on the account. On June 8, 2022, there was a credit memo of **\$2,215.33** applied to the account and a subsequent **\$5,926.56** payment on August 16, 2022, that brought the account to a zero balance as of the payment date.
- **Property #5** - There was a total of \$14,518.00 billed from 2011 to June of 2022, with no payments ever recorded on the account. On June 8, 2022, there was a credit memo of **\$8,567.56** applied to the account and a subsequent **\$6,330.44** payment on August 16, 2022, that brought the account to a zero balance as of the payment date.
- **Property #6** – There was a \$1,665.24 balance brought forward with the opening of the account back in 2011 with a journal entry dated June 1, 2009. There was an additional \$7,803.90 billed from 2011 to June of 2022, with no payments ever recorded on the account. On May 10, 2022, there was a credit memo of **\$7,021.00** applied to the account and a subsequent **\$2,698.14** payment on June 3, 2022, that brought the account to a zero balance as of the payment date.
- **Property #7** – There was a \$1,565.24 balance brought forward with the opening of the account back in 2011 with a journal entry dated June 1, 2009. There was an additional \$7,903.90 billed from 2011 to June of 2022, with no payments ever recorded on the account. On May 10, 2022, there was a credit memo of **\$7,021.00** applied to the account and a subsequent **\$2,698.14** payment on June 3, 2022, that brought the account to a \$40.00 balance as of the payment date.
- **Property #8** – There was a \$1,665.24 balance brought forward with the opening of the account back in 2011 with a journal entry dated June 1, 2009. There was an additional \$7,803.90 billed

from 2011 to June of 2022, with no payments ever recorded on the account. On May 10, 2022, there was a credit memo of **\$7,021.00** applied to the account and a subsequent **\$2,698.14** payment on June 3, 2022, that brought the account to a \$40.00 balance as of the payment date.

- **Property #9** – There was a \$1,565.24 balance brought forward with the opening of the account back in 2011 with a journal entry dated June 1, 2009. There was an additional \$7,903.90 billed from 2011 to June of 2022, with no payments ever recorded on the account. On May 10, 2022, there was a credit memo of **\$7,021.00** applied to the account and a subsequent **\$2,698.14** payment on June 3, 2022, that brought the account to a \$40.00 balance as of the payment date.
- **Property #10** – There was a zero balance on January 1, 2022, after that the account was assessed \$400.00 of monthly HOA Fees from January to October 2022. Account received a credit for **\$400.00** on September 2, 2022, that brought their balance to zero as of October of 2022. After this credit memo, they made no more payments towards their HOA Fees up to present (September 2023).

There was no documentation found that substantiated the credits granted to these homeowner accounts. There are also no notes or memos on the accounting system QuickBooks that detail why these credits were granted.

E. General Ledger Analysis

i. Procedures Performed

We performed a general analysis of the accounting, billing, payable and payroll functions of the PHOA. In addition, we completed a detailed analysis of the transactions posted to PHOA bank statements for calendar year 2022.

The objective was to determine the overall accuracy of the general ledger and if there are any gaps in internal controls.

ii. Summary of Findings

Bank Reconciliations. The Lone Star National Bank account was not reconciled on a monthly basis throughout all of 2022. All 12 bank reconciliations on record were completed on March 14, 2023. In detailed review of the bank reconciliations we found various discrepancies, amongst these are:

- Checks and payments as well as deposits and other credits per system do not total those on bank statements.
- Various bank statements transactions are grouped in lump sum adjustments to reconcile bank account. These were adjusted to the system without regard to the original date of transaction, recording of the vendor paid, or a memo/note indicating what expense was used for. See Image 6 below.

Image 6 – Multiple Expenses Grouped in One Transaction

Check #10030 Settings ? Help X

Payee: Choose a payee Bank Account: 1000 Lone Star National Bank Balance: \$200,905.62 AMOUNT: **\$5,417.14**

Mailing address: [Empty] Payment date: 12/29/2022 Check no.: 10030 Print later

Tags: [Start typing to add a tag] [Manage tags](#)

▼ Category details

#	CATEGORY	DESCRIPTION	AMOUNT	MEMBER	CLASS
1	50700 Insurance	What did you pay for?	400.00		
2	50001 Common Grounds:Activity Center		326.14		
3	50200 Vehicles/Gasoline/Oil		191.00		
4	50001 Common Grounds:Activity Center		4,500.00		
5					

- Receipts collected in 2022 and deposited in 2023 were cleared against bank deposits made on December 2022, which significantly misstates the bank reconciliation for the month of December 2022.
- Amounts and transactions were consistently forced on the accounting system to match bank activity without tracing transactions to their actual period and amount.
- There are a number of receipts on the QuickBooks system that were cleared with deposits that did not align with actual deposits on the bank statement. In order to balance these were grouped in aggregate and at times adjusted to balance.

Missing, inconsistent or incomplete data. In a detailed analysis of expenses recorded to the accounting system, we came across multiple expenses that do not have an accurate description or purpose of what is being purchased.

In a similar manner there are multiple transactions where the vendor is not identified on the system transaction, nor does the date of the transaction align with receipts or bank statement charge dates.

Account classifications were also often found with multiple inaccuracies. Example, a construction refund classified to a vehicle expense account.

Check numbers per system and check numbers on actual checks clearing the bank are not aligned and often show discrepancies. In addition, vendors, amounts and check dates also vary on system checks and actual checks clearing the bank.

Various deposits were aggregated to a "Payroll Refund" account. These were regular HOA Fees that were entered into this account instead of the Lone Star National Bank. We considered funds posted to this account as undeposited funds.

Billing Errors. QuickBooks operates an automatic billing system where all HOA fees are assessed on a monthly basis and an invoice is created automatically crediting all corresponding revenue accounts. Many of these recurring invoices were incorrectly programmed and generated hundreds of overcharges. Amongst the most common errors we found were:

- Continuously billing Late Fees regardless if payments were late or not.
- Continuously billing for credit card fees regardless of member's payment method.
- Recurringly charging for items such as lawn and Trash, traffic and vehicle violations, ID cards, remote controls, and VIP services.

It is recommended that a detailed review of all member accounts is made to make the necessary adjustments to each individual account in order to credit members for any amounts overbilled. It is also recommended that all recurring bills are reviewed to ensure no accounts are overbilled for unnecessary or unwarranted recurring charges.