

HOA Annual Financial Audit Notes: 2025 Review

Date: February 18, 2026

Participants: **Scott Farnsworth:** HOA Treasurer

- **Quinn Roosendaal:** Resident Participant
- **Bevan Alexander:** Resident Participant
- **Steven Eardley:** Resident Participant

1. Areas Reviewed

The group conducted a comprehensive review of the HOA’s financial health, internal controls, and operational processes following the transition away from a third-party management company. Key areas included:

- **Internal Controls:** Fraud prevention and disbursement workflows.
- **Budget & Cash Flow:** Monthly revenue vs. major expense categories.
- **Reserve Management:** Funding, interest-bearing accounts (MMDA/CDs), and periodic transfers.
- **Accounts Receivable:** Delinquency patterns and collection practices.
- **Banking Security:** Digital safety protocols for the UCCU accounts.

2. Questions & Answers

| Topic | Question/Concern | Response/Findings |
|-------------------------|---|--|
| Fraud Prevention | What controls exist to detect or prevent unauthorized use of funds? | Controls include dual signatures on all checks and dual Board approval for all disbursements. Scott monitors accounts regularly. |
| Debit Card Usage | Who manages the debit card for recurring digital payments? | Scott maintains sole possession of the card, used only for specific recurring costs (Water, QuickBooks, etc.) |

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| Reserves | How are the reserve funds structured and used? | Held in MMDA and CDs at UCCU. \$65k was contributed in 2025 with \$10k in approved withdrawals. Insurance is paid via a prepaid/amortization model to the reserve. |
| Collections | Are delinquent payments a significant risk for the HOA? | Minimal risk. Issues are usually "forgetfulness" or outdated Bill Pay amounts. Reminders typically resolve these quickly without the need for late fees. |
| Online Security | How are online transactions protected from hacking? | Multi-factor authentication (MFA) is active. Scott is the primary monitor for all digital activity. |

3. Recommendations

- **Security Audit:** Scott to contact UCCU to confirm if any additional "Best Practices" or commercial security practices are recommended for the HOA accounts.
- **Reporting Enhancements:** To improve transparency for non-financial residents, Quinn suggested adding **visual aids** to the annual report.
 - *Proposed:* A simple bar or line graph showing historical revenue vs. the three largest expense categories (Landscaping, Water, Electricity).
- **Late Fee Policy:** As the transition from the management company is now complete, the Board should formalize when/if late fee enforcement should resume for consistency.

4. Status & Conclusion

- **Overall Health: Strong.** The HOA is operating with a healthy reserve and a clear understanding of its monthly spend rate.
- **Control Environment: Effective.** The dual-signature requirement and Scott's professional oversight provide a high level of confidence in the protection of funds.