

President's Report July 23, 2009
Leighton Cumming

“Two Very Different Animals”

This past Tuesday's Daily Progress reported an unfortunate situation at Glenmore, the nearby community off Route 250 west of Lake Monticello. Robinson, Farmer, and Cox Associates, an auditing firm, was called for the first-ever audit of the Glenmore homeowners association's books which revealed \$666,446 in missing funds. I posed two questions to Randy Jones Tuesday. Mr. Jones was in charge of the Glenmore audit and has also performed LMOA's audits the last few years. First, what is different about the way LMOA manages its accounting compared to Glenmore, and second, are there additional safeguards we need to put in place to prevent a problem like Glenmore's. He answered that the two associations are very different animals and he doesn't see the need for additional safeguards here. Our finances are managed by the association, not the developer, internal controls are in place and information is open.

Differences

Glenmore

The Glenmore homeowners association is composed of 700 plus owners. The developer has never turned over to the HOA ownership of the country club or golf course. Glenmore's board was made up of the developer's family members. Mr. Comer, married to the developer's daughter, was secretary and treasurer of the homeowners association. He was also president of the country club.

Robinson, Farmer & Cox was called in to audit the Glenmore homeowner association books three months or so ago. This was the first independent, external audit. Problems surfaced when the auditor couldn't get access to bank statements for the last 4 or 5 months of 2008. A meeting between the auditor and the treasurer was scheduled the day before the treasurer disappeared.

Prior to this week, there were not a lot of internal controls at Glenmore. The treasurer was assisted by one clerical staff person. The treasurer could both generate and sign checks.

Tuesday's article noted that the board of the Glenmore Homeowners Association has appointed a new secretary and a new treasurer, as well as a resident CPA to act as bookkeeper. They closed all bank accounts and postponed major capital expenditures.

LMOA

LMOA is a large association with 4635 lots. By the mid 1970's, LMOA was for the most part autonomous from the developer. It took perseverance by a number of lake residents to make that happen, but it was a good thing. Over the years there have been some very wise members who put in place policies which protect us all. LMOA has good internal controls for managing the association's money.

1. LMOA's financial books are open to the treasurer. A treasurer's report is made monthly to the community.

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2. Elected board members can serve a maximum of two consecutive full terms. This prevents some one serving on the board indefinitely.
3. If a director receives any compensation from the Association or any of its subsidiaries as an employee or as a contractor for supplies or services during his/her term of office on the Board of Directors, he/she shall be disqualified from serving the remainder of his/her term.
4. No Director shall participate in any decision or action for which he has an actual or apparent conflict of interest that would tend to impair independence of judgement or action.
5. Board meetings are open to the public and reported in the Friday Flyer and on Channel 10. Minutes are available on the website.
6. LMOA has competent professional accounting staff.
7. Signature authority is separate from those generating checks, so that accounting staff generate checks to pay an invoice. The general manager and officer check the invoice and sign the check. All individuals with signature rights must be so listed in the Association's minutes annually.
8. The Investment Committee manages our large accounts and they report regularly to the board and the community.
9. The Audit Committee regularly audits elements within the association. The LMOA Audit Committee shall meet with the auditor at least once each year to assess the overall accounting and internal control performance of the Association during the year. The LMOA Audit Committee provides a written report to the LMOA Board of Directors independent of the one provided by the Auditor.
10. LMOA has an external audit every year by an independent auditor. The team of auditors looks at every facet of the accounting system and reports back to the board on their audit. Those audits are publicly available on our website.
11. LMOA has some very active members who quickly bring up publicly any activity they find questionable. Good governance depends on active participation by members.

Thus, the differences between Glenmore's organization and internal controls and those of LMOA make them truly "two very different animals", as our auditor Randy Jones commented. Those differences should reassure our members that their investments in this community are safeguarded.