

**MOUNTAIN SHADOW ASSOCIATION, INC.
REVIEW OF FINANCIAL TRANSACTIONS**

For the Period

July 1, 2017 -June 30, 2018



March 15, 2019

To Charma Daggett-President
Mountain Shadows Association, Inc.
Cleveland, GA

I am pleased to present my report per my engagement letter dated February 1, 2019. I did not audit or review the financial statement and accordingly I do not express an opinion on them. However, I did review the financial transactions and noted certain violations (see schedule of notes attached).

None of the violations discovered suggested any suspicion of fraud but are not consistent with the guideline outlined by management in the "Year-end Review Check List."

I appreciate the opportunity to be of service to your association; if I can assist you in the future please let me know.

Sincerely,

Laura R. Padgett, CPA

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Mountain Shadows Association Inc.
 Checklist for Year-End Review
 Fiscal Year July 1, 2017 to June 30, 2018

General

		Yes	No	N/A	Comments
1	Is a complete and current chart of accounts, listing all accounts and their respective account number maintained	x			
2	Is the accounting system using a double entry bookkeeping method	x			
3	Have 1099's been issued to all vendors/businesses that are required?	x			
4	Have the findings of external financial review been reported to the board	x			

Budget

		Yes	No	N/A	Comments
5	Is the budget approved by the board and members at a scheduled meeting	x			
6	Can any Treasurer's report be requested	x			By a member
7	Is the Treasurer's report presented to the Board in sufficient detail to inform the reader about the nature of various income and expense items compared to the budget monthly.	x			

Cash Receipts and Financial Reports

		Yes	No	N/A	Comments
8	Are there safeguards to protect the receipts from theft and misplacement and protected by a bond.	x			Officer Bond
9	Are the collection of receipts deposited weekly		x		It appears to timely deposited but we cannot verify actual date. See notes for recommendation
10	Are billing for annual assessments made for all lot owners. 384 lots times annual accessment \$730 = \$280,320		x		\$279,590 billed for FY; Lot D101 owned by Mountain Shadows resulting in \$730 not billed
11	Are late fees and other charges assessed in accounts receivables and then shown on P&L when received.		x		They are not included in accounts receivable but there is a manual list maintained with all liens issued and due to the Association. See Note for detailed recommendation
12	Are other receipts from other sales and other charges properly accounted for and shown on P&L	x			
13	Is interest and other credit memo recorded when received	x			
14	Does Balance sheet show all liabilities and assets	x			

Disbursements

		Yes	No	N/A	Comments
15	Are all disbursements made by checks with two signatures	x			
16	Are all checks pre-numbered and used in sequence- List any used out of sequence	x			
17	Is there a clearly defined approval process for all disbursement in the By Laws	x			
18	Are Voided Checks properly cancelled and stapled to check stub	x			
19	Are all checks made payable to specified payees and not to cash or to bearer	x			

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20	Are all disbursements tested - supported by original documentation - list missing documentation		x		Handwritten document with info provided but original documentation missing on a few payments
21	Are all reimbursement forms tested - totaled and verified against original documentation attached		x		Buddy Callis Ck# 4432 overpayment \$10; was corrected in FY ending 06-30-19
22	Were any signing of blank checks tested found		x		
23	Was there any use of prohibited signature stamp or pre-printed signatures found		x		
24	Does all supporting documentation accompany checks presented when checks are presented for signing and stamped paid.	x			Confirmed by inquiry
25	Are all accounts signers authorized by the board	x			
26	Are all disbursements not approved by budget require board approval	x			By email per inquiry
27	Were any use of electronic bank payments found.	x			Bank charges, checks ordered

Bank Account Reconciliation

		Yes	No	N/A	Comments
28	Do all bank accounts statements have reconciliation report attached showing it was reconciled within 10 days of receipt of bank statement.	x			
29	Does someone complete the bank account reconciliations other than the person who participates in the receipt and disbursement.	x			
30	Does the reconciliation procedures provide for:				
	(a) Comparison between the bank statement and cash receipts dates and amounts of deposits.	x			
	(b) Investigation of all bank debit and credit memos	x			
	(c) Review of all checks outstanding more than 90 days and voided after 180 days	x			
	(d) Is the bank immediately notified of all changes of authorized check - signers	x			
	(e) Is the monthly bank reconciliation signed off by an officer ?	x			
31	Are all bank accounts included on financial reports monthly	x			
32	Are CD account balances updated Quarterly on financial reports		x		Interest Income earned/reinvested not recorded in QB for CDs
33	Does the Board review the rates available upon renewal of CD's	x			
34	Is adequate insurance in force	x			
35	Is any borrowing or indebtedness authorized by the board	x			

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NOTES ON REVIEW OF FINANCIAL TRANSACTIONS
FISCAL YEAR ENDING June 30, 2018

NOTE 1 – QuickBooks Review and Updates

Tie-out balances from QuickBooks to the Tax Returns/last audit and update as needed for discrepancies.

Opening Balance Equity should not have a balance. We recommend to review activity to determine where it should go.

Recommend to add account numbers in QuickBooks for the chart of accounts

Recommend for vendor name to be used for ACH payments in QuickBooks.

NOTE 2 - Recommendations

Recommend date stamp for checks rec'd so we can verify checks received were deposited weekly

Review of vendor payments for July 2018 appear to include payments for June 2018 services. June 2018 services should be accrued as of June 30, 2018 or the bill to be entered with a June 2018 or prior date to be reported in the correct fiscal year.

General ledger expense account "Mailboxes" has a negative \$100 balance. This is due to a deposit on 10-17-17 which should be coded to general ledger income account "Mail Box Sales"

Recommendation to create Standard Operating Procedures (SOP) for accounting processes.

Late fee and other charges assessed. Currently, these charges are being recorded in QuickBooks when the monies are received i.e. cash basis. Thus, they are not included in QuickBooks accounts receivable. We recommend to invoice these to provided visibility as well as to align these revenues with how assessments are being accounted for i.e. accrual basis.

Sale of golf cart \$1,000 was recorded in uncategorized income. This was an asset sale and should go to a gain/loss on asset (Other Income) and the asset and accumulated depreciation should be removed from the Machinery and Equipment account.

CD Interest earned is not being recorded quarterly and included in QuickBooks per the checklist. We recommend to record the interest earned/reinvested.

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We recommend online bank access for view only/download for bookkeeper so bank statements can be retrieved on the 1st of each month; if not recommend a received date stamp for bank statements to confirm reconciliations are completed within 10 days per the checklist.

After reviewing current processes, we recommend to continue with the checklist each year as a review of processes and procedures that will confirm segregation of duties/internal controls. We recommend to do an annual review and update of QuickBooks as well as annual compiled financial statements.

Recommend to ensure monthly Mountain Valley bank statements are received and reconciled in QuickBooks even if there is no activity.

Verify date of check # 4561 to Ted Hendry. QuickBooks indicates 10/20/00 but the sequence of this number is after FY 06-30-18. Appears to be a data entry error in QuickBooks.