



FirstService
RESIDENTIAL

IS YOUR **HOA**
SUSCEPTIBLE TO
EMBEZZLEMENT
OR **FRAUD?**

Your HOA Fraud Prevention Checklist



You've seen it in the news. California associations are facing fraud and embezzlement to the tune of millions of dollars. Is your association at risk? Start by asking these questions:

- ☐ **ARE WE SEGREGATING FINANCIAL DUTIES?** The individuals who handle your association's money should be **different** than those who record your transactions. For example, FirstService Residential's accounts payable team writes checks to vendors, while its GL accountants reconcile bank statements.
- ☐ **CAN WE READ FINANCIALS AND IDENTIFY RED FLAGS?** Ignorance is **not** bliss. Your manager should be educating you on the basics of financials and how to read a financial statement.
- ☐ **IS OUR MANAGER SUPPORTED BY MULTIPLE RESOURCES AND STAFF?** Having local and national resources is critical when you're dealing with the potential for fraud. Your management company should be able to provide you with support outside of your association's "walls."
- ☐ **DO WE HAVE AUTOMATED FINANCIAL PROCESSES IN PLACE?** Electronic invoices and bank statements ensure that financial records are recorded digitally, protecting you from manual errors. Residents should also be able to pay their assessments electronically, reducing potential for check fraud.
- ☐ **DOES MANAGEMENT PROVIDE VENDOR OVERSIGHT?** Your management company should have hiring controls in place, third-party vendor screenings and employee verification processes. This removes an element of bias and lowers the opportunity to create a false entity.
- ☐ **IS AN AUDITOR REVIEWING OUR FINANCIALS, PROCESSES AND INTERNAL CONTROLS?** At a minimum, an audit should be occurring every 3 years. Your management company should conduct its own audits (in addition to an annual audit by a CPA) to ensure that it is complying with local laws and protecting your HOA's data and assets.



Use this checklist as the first step in assessing your community's risk of fraud and embezzlement. Make sure you are working with a management company that has the expertise and resources to protect your association from serious financial risks. Get more best practices here: <http://bit.ly/HOA-ArticlesCA>

We're here to help. Contact me today:

Heather Peters | 916.527.6153 | heather.peters@fsresidential.com