

Establish Good Financial Procedures

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One of the duties of the board of directors is to ensure the safety and stability of the association's finances. To do so the association should use generally accepted accounting principles with established procedures and checks and balances.

Set forth below are some examples of financial checks and balances your association should consider using:

- Use multiple parties to handle all cash with a tracking system.
- Two signatures should be required on all checks over a stated amount, all reserve transactions and all investments.
- People approving invoices should not be allowed to write checks.
- People recording receipts should not be allowed to make deposits.
- Minimize cash transactions -use checks.
- Write all checks to the payee - not to "cash."
- Pay all employees and vendors with a check.
- All payments, assessment fees and fines should be made out to the association - not the management company, a board member or manager.
- Checks should be deposited on a daily basis or stored overnight only in a fireproof safe.
- Bank statements should be reconciled monthly.
- Conduct an annual audit, review or compilation in accordance with the association's governing documents.
- Obtain an engagement letter from the association's accountant that defines work and fees.
- Review all insurance policies annually and adjust as necessary.
- Consult an accountant and review the association's tax status.
- Have a reserve study prepared every three to five years and review for changes annually. Fund the account on a monthly basis.

CAI's pamphlet, *Protecting Your Association Finances*, was the source for this article.