



## **OHA Financial Controls**

### **OHA 2.0, Rev. 4.0**

#### **1) Purpose:**

To delineate the processes and financial controls that will be utilized to manage the financial aspects of the Oakwood Homeowners Association.

#### **2) Responsibility:**

- a) The OHA President and all OHA Board Members are ultimately responsible for insuring that the OHA is operated per the below processes and procedures.
- b) The OHA Treasurer is directly responsible for maintaining the OHA financial records and financial controls, supervising all financial processes and collecting OHA dues and paying OHA expenses.
- c) The OHA Bookkeeper shall maintain the OHA financial books under the direction and supervision of the OHA Treasurer.

#### **3) Definitions:**

- a) **Paid Assessment Letter:** A letter that states the amount owed by any one homeowner at a given point in time. This letter is normally required by mortgage lenders prior to financing a home so the mortgage lenders can insure that the dues are paid prior to their advancing funds for a home mortgage.
- b) **Audit:** A review at year end of the OHA financials by an independent Certified Public Accountant to insure that all funds have been spent per the OHA rules and that funds in the OHA bank accounts agree with the OHA financial reports.
- c) **OHA Insurance:** Consists of liability insurance on OHA common property and liability insurance for OHA Directors.

## 4) Financial Processes:

### a) Purchase and payment of materials.

- (1) OHA Members shall:
  - (a) Purchase materials for use by the OHA only if those materials are included in an approved OHA budget.
  - (b) If said materials are not included in a specific OHA budget line item, then members shall obtain approval by the OHA Board of Directors prior to purchase.
  - (c) Be reimbursed for material only if the material is for use by the OHA and meets criteria in 4.a.1. (a) and (b) above.
  - (d) When requesting reimbursement, obtain and submit a physical receipt for the material expense from the business providing the materials. Expense request not backed up by a receipt must be approved by the OHA board prior to reimbursement.
  - (e) Include with all request for reimbursements a description of what the material was used for and under which line item in the current OHA budget it is budgeted under.
  - (f) Forward all requests for reimbursements either to the OHA US mail address, to the OHA email or deliver directly to the bookkeeper. If email is used, a scanned copy of the receipt is required to be attached to the email.
- ii) Bookkeeper shall:
  - (1) Pick up OHA US mail, including request for reimbursements, at the OHA mailbox.
  - (2) Process payments and generate reimbursement checks at least twice a month.
  - (3) Verify documentation for expense payments per Paragraph 4.a. (1). (a)-(d) Above.
  - (4) Verify that the payment request is for materials only and does not included reimbursement for paid labor.
  - (5) Forward all request for payments not meeting the above criteria to the Treasurer for resolution.
  - (6) Record transactions in QuickBooks or other computer software as specified by the OHA Treasurer.
  - (7) Print checks for payment.
  - (8) Obtain the Treasurer's signature on all checks.
  - (9) Distribute checks via the US mail.
  - (10) Retain records of all requests for reimbursements, receipts and payments.
- iii) Treasurer shall:
  - (1) Obtain resolution when these OHA Payment criteria is not met, including obtaining OHA Board approval for payment when a valid receipt is not available.
  - (2) Sign OHA Checks. If the Treasurer is not available for a short amount of time and an OHA check has to be issued, then either the President or the Secretary can sign such a check.

- (3) Return signed checks to the bookkeeper for distribution.
- (4) Report monthly to the OHA Board and to all Committees on the status of OHA expenses as compared to the OHA Budget.
- (5) Provide guidance to the OHA Bookkeeper on questions related to bill payment.

**b) Purchase and payment of contract labor:**

- i) The OHA Board of Directors shall:
  - (1) Insure that all paid labor used by the OHA is contracted. A written contract shall be in place before work is initiated unless a verbal contract is specifically authorized by the OHA Board of Directors.
  - (2) Insure that all contracted work is by competitive bid, with at least two or more bidders, unless either of the following are met:
    - (a) A majority of the board votes to give the work to a single vendor.
    - (b) The total billed amount of the contract will be equal to or less than \$250.
  - (3) Insure that approval of all non-bid contracts is being listed in the appropriate minutes of the meeting where the OHA Board approved the non-bid work.
  - (4) *Insure all work is assigned is to the lowest bidder unless there is an overriding reason for picking other than the lowest bidder.* Approval of the OHA Board is required before issuing a contract to other than the lowest bidder.
- ii) OHA President:
  - (1) Shall sign all contracts. In the event that the President is absent, then the Vice President shall sign in place of the President. The entire OHA Board shall be notified immediately when this is applied.
  - (2) Distribute copies of signed contracts per OHAP 1.0.
  - (3) Insure that all contracts greater or equal to \$5000 shall include a clause that requires the vendor to provide a certified list of all subcontractors and material suppliers associated with the OHA work submitted on each invoice and a waiver of lien from each for billed work prior to any payment being made.
- iii) OHA Member responsible for labor performed in behalf of the OHA shall:
  - (1) Obtain at least two or more competitive bids for like work, unless either of the following are met:
    - (a) A majority of the board votes to give the work to a single vendor.
    - (b) The total billed amount of the contract will be equal to or less than \$250.
  - (2)
  - (3) Obtain a Federal Tax I.D. number for companies or individuals performing labor, written or verbal contracted, for the OHA. *Note: A Social Security Number can be substituted for the Federal Tax I.D. number if the work is to be performed by an individual and that individual does not have a Federal Tax I.D. number.*
  - (4) Obtain a written contract for all labor unless a written contract is specifically waived by the OHA Board.
  - (5) This contract shall:

- (a) Include the provisions of 4.b.ii. (3) Above.
  - (b) Includes the requirement for workman's compensation insurance for all work performed on OHA property.
  - (c) Include a detailed description of the work to be performed and the time frame it is to be performed.
  - (d) Include a detailed breakdown of the cost and timing of required payments.
  - (e) Include directions that the invoice for the contracted labor shall be mailed directly to the OHA US mail box.
  - (6) Provide a copy of the signed contract to the OHA Bookkeeper.
  - (7) Place a copy of the contract into the OHA Document Control System per OHAP 01.
  - (8) When requested by the Bookkeeper, provide written documentation that the work has been performed and performed in accordance to the contract.
- iv) Bookkeeper shall:
- (1) Obtain documentation for expense payments per Paragraph 4.a. (1). (a)-(d) Above.
  - (2) Verify with the appropriate board member or committee chairman that the work has been performed in accordance with the contract and document on the invoice that verified the work and authorized the payment.
  - (3) Verify that the invoice is in accordance with the financial terms of the contract.
  - (4) Verify that a Tax ID number/SSN is available for the applicable contractor and that the Tax ID number is recorded in the OHA financial software.
  - (5) Forward all request for payments not meeting the above criteria to the Treasurer for resolution.
  - (6) Record transactions in QuickBooks or other computer software as specified by the OHA Treasurer.
  - (7) Print checks for payment.
  - (8) Obtain the Treasurer's signature on all checks.
  - (9) Distribute checks via the US mail.
  - (10) Retain records of all requests for reimbursements, receipts and payments.
- v) Treasurer shall:
- (1) Obtain resolution when OHA contracting criteria is not met.
  - (2) Sign OHA checks. If the Treasurer is not available for a short amount of time and an OHA check has to be issued, then both the President and the Secretary can sign the document.
  - (3) Return signed checks to the bookkeeper for distribution.
  - (4) Report monthly to the OHA Board and to all Committees on the status of OHA expenses as compared to the OHA Budget.
  - (5) Provide guidance to the OHA Bookkeeper or questions related to contracted labor bill payment.

**c) Processing of Dues:**

- i) OHA Board shall:
  - (1) Set yearly dues per OHAP #3- Planning and Budgeting
  - (2) Publish the level of dues for the upcoming year in the January Oak Leaf
- ii) Treasurer shall:
  - (1) Present the financial status of the OHA including the level of dues at the Annual Meeting.
  - (2) Notify the bookkeeper of the level of dues for the upcoming year.
- iii) Bookkeeper shall:
  - (1) Prepare a yearly dues invoice for each OHA home, reflecting the dues for the upcoming year.
  - (2) Prepare a statement for all homes with dues, fees or credits outstanding on May 1. Attach this statement with the dues invoice for the upcoming year.
  - (3) Deliver the invoices & statements via US Mail no later than the date set by the OHA Board.
  - (4) Pick up dues payments at OHA US mailbox.
  - (5) Record dues received in OHA financial software.
  - (6) Deposit dues received in the OHA checking account.
  - (7) On or after July 15 record a late fee for all lots for which dues have not been paid for the current year. The late fee shall be the amount stipulated in the OHA Bi-Laws, Article XIII.
  - (8) Monthly, at the end of each month, prepare a statement for each home with unpaid dues and mail to that home by the 5<sup>th</sup> of each month.
  - (9) Prepare a statement for each home with unpaid late fees and mail to that home by August 30. *Note: Monthly statements shall not be sent to homes with only late fees. Monthly record interest at 5% annually for all dues and fees outstanding. Interest for the current year's dues shall not be recorded until August 30.*

**d) Conducting the annual OHA Financial Audit.**

- i) Treasurer shall:
  - (1) Obtain a contract for an audit of the OHA financial books for the current year by November of the current year.
  - (2) Deliver all applicable financial reports, receipts, payments, etc to the auditor by January 15 of the year following the year to be audited.
  - (3) Insure the audit is preformed in accordance with Federal Accounting Standards Advisory Board rules and regulations.
  - (4) Present to the OHA Board the results of the financial audit.
  - (5) Insure that the Financial Audit is published in the OHA Oak Leaf no later than May of the year following the audit year.
  - (6) Present the OHA Financial Audit to the membership of the OHA during the Annual Members Meeting in April of the year following the audit.
  - (7) Place a copy of the Audit in the OHA Document Control System.
- ii) Bookkeeper shall:
  - (1) Provide financial reports, as requested by the Treasurer, to support the financial audit.

**e) Reporting of Financial Status:**

- i) The Bookkeeper shall prepare and forward to the OHA Board the following reports within three days following the end of each month.
  - (1) Collections Report: List of all accounts receivables by name and address of the home or business that owe the funds.
  - (2) Budget Report: Report that shows for the month, year to date and total year the actual amount spent per budget line item vs. the budgeted amount.
  - (3) Balance Sheet: Report that shows the amount of funds/assets the OHA has by bank account.
  - (4) Bank Statement: A copy of the latest bank statement for all active accounts that receive bank statements. Note: CDs normally do not receive bank statements.
- ii) The Bookkeeper shall prepare and forward to each committee chairperson a budget report for their specific committee.
- iii) The Treasurer shall,
  - (1) Review all reports in detail and verify that the reports reasonably reflect the amounts on the bank statements.
  - (2) Present at each OHA Board meeting
    - (a) A summary of the financial status of the OHA.
    - (b) A recommendation on future action on all Accounts Receivables.
  - (3) Present an overall financial status of the OHA at each annual OHA members meeting.

**f) Maintenance of OHA Bank Accounts and deposits:**

- i) The Treasurer shall:
  - (1) Maintain a checking account, money market account and certificate of deposit in a local bank.
  - (2) Shall insure that the deposits in any one bank do not exceed the amount insured by the FDIC.
  - (3) Insure that signature cards allowing signing of checks are maintained for each of these accounts for the following only:
    - (a) Treasurer (Primary signer)
    - (b) President (Back up Signer)
    - (c) Secretary (Back up Signer)
  - (4) Maintain funds in CDs to maximize the return on OHA investment, including rolling over or moving funds when a CD expires.
  - (5) Transfer funds between the OHA's checking and money market accounts in order:
    - (a) To have sufficient funds in checking to pay current bills.
    - (b) To maximize interest on the Money Market account.
  - (6) Inform the Bookkeeper of all fund transfers.
- ii) The Bookkeeper shall:
  - (1) Set up an account in QuickBooks for each bank account.

- (2) Reconcile each bank account with OHA books as soon as each bank statement is available.
- (3) Record all transfers of funds, reported by the Treasurer, in QuickBooks.
- (4) Recommend to the Treasurer when funds need to be transferred between accounts.
- (5) Record interest earned and/or fees incurred by OHA bank accounts to the OHA records.
- (6) Forward a copy of the last available OHA bank statements to OHA Board Members at the beginning of each month.

**g) Preparation and Submittal of Income Taxes**

- i) The Treasurer shall:
  - (1) Cause a qualified individual to prepare income tax returns for both federal and state.
  - (2) Sign all income tax forms.
  - (3) Submit income tax forms on or prior to the due date set by the state and federal governments.
  - (4) Distribute 1099 Misc. forms, which are prepared by the tax accountant / auditor, for:
    - (a) Individuals who have performed independent contracted work for the OHA and whose total payment equals to or exceeds \$600.
    - (b) Non- incorporated independent contractors whose total labor equals to or exceeds \$600.
    - (c) Payments to an Attorney which equals or exceeds \$600.
  - (5) Provide copies of the 1099 Misc. to both the IRS and the individual or company by the due date stipulated by the IRS. Normally this will be February 15.
  - (6) Insure that copies of all income tax forms are retained for at least 10 years.
- ii) The President shall verify that the income taxes have been prepared and submitted.

**h) Issuance of a Paid Assessment Letter:**

- i) The Treasurer shall:
  - (1) Upon request of an Oakwood homeowner or a representative of that homeowner, prepare a paid assessment letter for the specified home.
    - (a) The letter, on OHA Letterhead stationery, shall show the address, name of the current homeowner, balance due at the time of the request and the date and amount for the next dues that will be due in the future. *Note: Any balance due should be collected by the Title Company and forwarded to the OHA during the closing of the home during a sale or refinancing.*
    - (b) Sign the request and mail, email or fax the letter to the applicable representative.
    - (c) File a copy of the letter. *Note: This may be an electronic copy or a manual copy.*
  - (2) Do a monthly follow-up to insure any unpaid balance had been paid.
- ii) The Bookkeeper shall:
  - (1) Provided, when requested by the Treasurer, the status of a specific home's accounts receivables.

**i) Backing up of Financial Data:**

- i) The Treasurer shall insure a system is in place to back up Quick Books to a location physically independent of the location of the Bookkeeper's computer.
- ii) The Bookkeeper shall back up Quick Books whenever changes have been made to the OHA financial books.
- iii)

**j) Renewal of the OHA Corporate Charter**

- i) The OHA Attorney shall renew the OHA Corporate Charter at the beginning of each calendar year.
- ii) The Treasurer shall verify this has been accomplished.

**k) Insurance**

- i) The Treasurer shall:
- ii) Review current OHA Insurance coverage with the OHA Board of Directors prior to renewal of that insurance to insure that coverage meets the OHA Boards needs and the coverage required by the OHA By-laws.
- iii) The Treasurer shall insure that the OHA Insurance is renewed prior to expiration each year.

Approved by OHA Board: 6/2/2011