



OHA Procedure

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Financial Controls

THIS PROCEDURE REVIEWED AND APPROVED BY THE OHA BOARD OF DIRECTORS

1. **Purpose:** To delineate the processes and financial controls that will be utilized to manage the financial aspects of the Oakwood Homeowners Association (OHA).
2. **Responsibility:**
 - 2.1. The OHA President and all OHA Board Members are ultimately responsible for ensuring that the OHA is operated per the below processes and procedures.
 - 2.2. The OHA Treasurer is responsible for maintaining the OHA financial records and financial controls, supervising all financial processes and collecting OHA dues and paying OHA expenses.
 - 2.3. The Treasurer, with the approval of the Board, may hire a bookkeeper to assist in the duties or procedures. The Treasurer is, however, responsible for the duties of the Office.
3. **Definitions:**
 - 3.1. 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 ensure that the dues are paid prior to their advancing funds for a home mortgage.
 - 3.2. Audit: A review at year end of the OHA financials by an independent Certified Public Accountant to ensure that all funds have been spent per the OHA rules and that funds in the OHA bank accounts agree with the OHA financial reports.
 - 3.3. OHA Insurance: Consists of liability insurance on OHA common property and liability insurance for OHA Directors.
4. **Financial Processes:**
 - 4.1. **Purchase and payment of materials:**
 - 4.1.1. OHA Members shall:
 - 4.1.1.1. Purchase materials for use by the OHA only if those materials are included in an approved OHA budget.
 - 4.1.1.2. 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.
 - 4.1.1.3. Be reimbursed for material only if the material is for use by the OHA and meets criteria in 4.1.1.1. and 4.1.1.2. above.
 - 4.1.1.4. 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.
 - 4.1.1.5. 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.
 - 4.1.1.6. Forward all requests for reimbursements either to the OHA US mail address or to the Treasurer's e-mail. If email is used, a scanned copy of the receipt is required to be attached to the email.

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- 4.1.2. Treasurer shall:
 - 4.1.2.1. Pick up OHA US mail, including request for reimbursements, at the OHA mailbox.
 - 4.1.2.2. Process payments and generate reimbursement checks at least twice a month.
 - 4.1.2.3. Verify documentation for expense payments per Paragraphs 4.1.1.1 – 4.1.1.4. above.
 - 4.1.2.4. Record transactions in QuickBooks or other computer software as specified by the OHA Treasurer.
 - 4.1.2.5. Cut and distribute checks for payment.
 - 4.1.2.6. Retain records of all requests for reimbursements, receipts and payments.
 - 4.1.2.7. If the Treasurer is not available and an OHA check has to be issued, then either the President or the Secretary can sign such a check.
 - 4.1.2.8. Report monthly to the OHA Board and to all Committees on the status of OHA expenses as compared to the OHA Budget.

- 4.2. Purchase and payment of contract labor:**
 - 4.2.1. The OHA Board of Directors shall:
 - 4.2.1.1. Ensure 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.
 - 4.2.1.2. Ensure that all contracted work is by competitive bid, with at least two or more bidders, unless either of the following are met:
 - 4.2.1.2.1. A majority of the board votes to give the work to a single vendor.
 - 4.2.1.2.2. The total billed amount of the contract will be equal to or less than \$500.
 - 4.2.1.3. Ensure 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.
 - 4.2.1.4. Ensure all work is assigned 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.
 - 4.2.2. OHA President shall:
 - 4.2.2.1. 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.
 - 4.2.2.2. Distribute copies of signed contracts per OHAP 1.0.
 - 4.2.2.3. Ensure 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

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work submitted on each invoice and a waiver of lien from each for billed work prior to any payment being made.

4.2.3. Member responsible for the work shall:

- 4.2.3.1. 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.
- 4.2.3.2. Obtain a written contract for all labor unless a written contract is specifically waived by the OHA Board.
- 4.2.3.3. This contract shall:
 - 4.2.3.3.1. Include the provisions of 4.2.2.3. above.
 - 4.2.3.3.2. Include the requirement for workman's compensation insurance for all work performed on OHA property.
 - 4.2.3.3.3. Include a detailed description of the work to be performed and the time frame it is to be performed.
 - 4.2.3.3.4. Include a detailed breakdown of the cost and timing of required payments.
 - 4.2.3.3.5. Include directions that the invoice for the contracted labor shall be mailed directly to the OHA US mail box or emailed to the Treasurer
- 4.2.3.4. Place a copy of the contract into the OHA Document Control System per OHAP 1.0.

4.3. Processing of Dues:

- 4.3.1. OHA Board shall:
 - 4.3.1.1. Set yearly dues per OHAP #3- Planning and Budgeting
 - 4.3.1.2. Publish the level of dues for the upcoming year in the January Oak Leaf
- 4.3.2. Treasurer shall:
 - 4.3.2.1. Present the financial status of the OHA including the level of dues at the Annual Meeting.
 - 4.3.2.2. Prepare a yearly dues invoice for each OHA home, reflecting the dues for the upcoming year.
 - 4.3.2.3. 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.
 - 4.3.2.4. Deliver the invoices & statements via US Mail or e-mail no later than the date set by the OHA Board.
 - 4.3.2.5. Pick up dues payments made with physical checks at the OHA US mailbox.
 - 4.3.2.6. Record dues received in OHA financial software.
 - 4.3.2.7. Deposit dues received in the OHA checking account.
 - 4.3.2.8. A late fee will be assessed for all lots for which dues have not been paid for the current year not before fifteen (15) days after the due date and no later than thirty (30) days after the due date.

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The late fee shall be the amount stipulated in the OHA Bi-Laws, Article XIII.

- 4.3.2.9. Prepare a statement for each home with unpaid late fees and mail to that home by August 30.
- 4.3.2.10. The OHA Board will set the requirements for filing a lien on a property within its jurisdiction. When the amount due on the property reaches the amount set by the Board, the Treasurer will notify the property owner by mail stating that a lien will be filed if the amount is not paid. If unpaid, the Treasurer or the OHA attorney will be authorized to file a lien with the DuPage County Recorder's Office for the amount of assessments past due on the property as well as the costs association with filing said lien. After the property owner pays this amount as well as any further unpaid assessments, the Treasurer or the OHA attorney will file a release of lien with the DuPage County Recorder's Office.

4.4. Conducting the annual OHA Financial Audit.

- 4.4.1. Treasurer shall:
 - 4.4.1.1. Obtain a contract for an audit of the OHA financial books for the current year by November of the current year.
 - 4.4.1.2. Deliver all applicable financial reports, receipts, payments, etc to the auditor by January 15 of the year following the year to be audited.
 - 4.4.1.3. Ensure the audit is preformed in accordance with Federal Accounting Standards Advisory Board rules and regulations.
 - 4.4.1.4. Present to the OHA Board the results of the financial audit.
 - 4.4.1.5. Ensure that the Financial Audit is published in the OHA Oak Leaf no later than May of the year following the audit year.
 - 4.4.1.6. Present the OHA Financial Audit to the membership of the OHA during the Annual Members Meeting in March/April of the year following the audit.
 - 4.4.1.7. Place a copy of the Audit in the OHA Document Control System.

4.5. Reporting of Financial Status:

- 4.5.1. Treasurer shall forward to the OHA Board the following reports prior to the monthly meeting of the Board of Directors.
 - 4.5.1.1. Collections Report: List of all accounts receivables by name and address of the home or business that owe the funds.
 - 4.5.1.2. 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.
 - 4.5.1.3. Balance Sheet: Report that shows the amount of funds/assets the OHA has by bank account.
 - 4.5.1.4. 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.

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- 4.5.2. The Treasurer shall present at each OHA Board meeting
 - 4.5.2.1. A summary of the financial status of the OHA.
 - 4.5.2.2. A recommendation on future action on all Accounts Receivables.
- 4.5.3. The Treasurer shall present an overall financial status of the OHA at each annual OHA members meeting.

4.6. Maintenance of OHA Bank Accounts and deposits:

- 4.6.1. The Treasurer shall:
 - 4.6.1.1. Maintain a checking account, money market account and/or certificate of deposit in a local bank.
 - 4.6.1.2. Shall ensure that the deposits in any one bank do not exceed the amount insured by the FDIC.
 - 4.6.1.3. Ensure that signature cards allowing signing of checks are maintained for each of these accounts for the following only:
 - 4.6.1.3.1. Treasurer (Primary signer)
 - 4.6.1.3.2. President (Back up Signer)
 - 4.6.1.3.3. Secretary (Back up Signer)
 - 4.6.1.4. Consider maintaining funds in CDs to maximize the return on OHA investment, including rolling over or moving funds when a CD expires.
 - 4.6.1.5. Transfer funds between the OHA's checking and money market accounts in order:
 - 4.6.1.5.1. To have sufficient funds in checking to pay current bills.
 - 4.6.1.5.2. To maximize interest on the Money Market account.
 - 4.6.1.6. Reconcile each bank account with OHA books as soon as each bank statement is available.
 - 4.6.1.7. Record all transfers of funds.
 - 4.6.1.8. Record interest earned and/or fees incurred by OHA bank accounts to the OHA records.

4.7. Preparation and Submittal of Income Taxes

- 4.7.1. The Treasurer shall:
 - 4.7.1.1. Cause a qualified individual to prepare income tax returns for both federal and state.
 - 4.7.1.2. Sign all income tax forms.
 - 4.7.1.3. Submit income tax forms on or prior to the due date set by the state and federal governments.
 - 4.7.1.4. Distribute 1099 Misc. forms, which are prepared by the tax accountant / auditor, for:
 - 4.7.1.4.1. Individuals who have performed independent contracted work for the OHA and whose total payment equals to or exceeds \$600.
 - 4.7.1.4.2. Non- incorporated independent contractors whose total labor equals to or exceeds \$600.
 - 4.7.1.4.3. Payments to an Attorney which equals or exceeds \$600.

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- 4.7.1.5. 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.
- 4.7.1.6. Ensure that copies of all income tax forms are retained for at least 10 years.
- 4.7.2. The President shall verify that the income taxes have been prepared and submitted.

4.8. Issuance of a Paid Assessment Letter:

- 4.8.1. The Treasurer shall:
 - 4.8.1.1. Upon request of an Oakwood homeowner or a representative of that homeowner, prepare a paid assessment letter for the specified home.
 - 4.8.1.1.1. 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.
 - 4.8.1.1.2. Sign the request and mail, email or fax the letter to the applicable representative.
 - 4.8.1.1.3. File a copy of the letter. Note: This may be an electronic copy or a manual copy.
 - 4.8.1.2. Do a monthly follow-up to ensure any unpaid balance had been paid.

4.9. Backing up of Financial Data:

- 4.9.1. The Treasurer shall ensure a system is in place to back up the financial software to an off-site location.

4.10. Renewal of the OHA Corporate Charter

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

4.11. Insurance

- 4.11.1. The Treasurer shall:
 - 4.11.1.1. Review current OHA Insurance coverage with the OHA Board of Directors prior to renewal of that insurance to ensure that coverage meets the OHA Boards needs and the coverage required by the OHA By-laws.
 - 4.11.1.2. The Treasurer shall ensure that the OHA Insurance is renewed prior to expiration each year.