

March 30, 2021

Advice for a New HOA President Picking Up the Financial Pieces

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An [HOAleader.com reader asks](#): "Hopefully, this forum will help be sort out best practices for a small HOA with a board that has been left in limbo because of the resignation of our treasurer, who I'm finding out has been controlling everything as far as the HOA. I was voted in by the membership to the board at an outside meeting in September. We didn't meet again until December, when I was elected president.

Our treasurer quit in January, and I and the remaining two officers are trying to sort through the mess he left. I'd called for a complete audit to be done at the January meeting in preparation for the current treasurer's term ending on the board. He subsequently quit. Any suggestions will be appreciated."

(You can read and respond to the [original post on the HOAleader.com Discussion Forum](#) here.)

Here, our experts offer their best tips for wading through such a process, particularly for a novice president.

Turn to Your Trusted Advisors

Our experts believe this board needs additional boots on the ground. "This sounds like a time when the association needs to bring in professional help to expeditiously determine the financial condition of the association and examine the books and records," says [Susan Hawks McClintic](#), managing shareholder and the chair of the community association transactional practice group at the law firm of Epsten APC in San Diego.

"I strongly recommend that even small associations have a third party help handle their finances," she says. "I'm not saying that anyone did anything wrong here. But even small associations need checks and balances on their finances. And here in California, the [Davis-Stirling Common Interest Development Act](#) specifically requires the board or a committee of the board to review financial documents every month."

That's where Peter Gray, president of Pyramid Real Estate Group, which manages 4,000 units in Connecticut, and a real estate commissioner for the Connecticut Department of Consumer Protection Effort, would start, too. "They need outside help typically," he says. "Generally, they reach out to their CPA and ask: What do we do? Sometimes it's an auditor or bookkeeper who can review and figure out the state of the association."

"The treasurer is the association's historian," he adds. "An expert needs to look through the association's historical records as they're maintained numerically so that everything has been recorded and categorized correctly."

Don't hesitate to seek expertise you don't have. "I think this board kind of answered their own question," says Greg Smith, CMCA, AMS, PCAM, director of leadership development at Associa®, a community association management company headquartered in Northern California. "They need help from a professional because typically board members aren't accounting professionals."

"I also personally don't think it's reasonable for the membership to expect or want for the board president and directors to unwind the treasurer's work," he adds. "This association might need an audit or it might need more, such as a forensic audit. I'm a big fan of not asking your [manager](#) or board to do things they don't have the skills to do."

Don't worry so much about the cost of figuring this out, advises Smith. "Unfortunately, this is a mess and will cost the association some money to figure it out," he says. "But it's a just and right expense for the association."

Also Work to Fill The Vacancy

At the same time, this board should be seeking a replacement treasurer. "The reader's question doesn't outline whether they currently have a treasurer, so they need to find a way to appoint a subsequent treasurer," says Zuly Maribona, LCAM, the Bonita Springs, Fla.-based senior vice president and partner at KW Property Management who oversees the company's southwest Florida, Jacksonville, Orlando, Tampa, and North Carolina operations.

"They may need to show a potential treasurer that they've taken some steps to help the treasurer step into the role," she adds. "So I'd meet with a CPA firm to start the process of an audit. You don't need the new treasurer in place to initiate that, just the CPA letter to start the process. I'd also set up a meeting to have the management company educate the board on [where the association stands financially](#) and to discuss anything else the board should be concerned with. I'd do the same with the attorney from a [collections perspective](#) to educate the board on the legal side of their receivables."

Gray actually thinks the audit can wait, if only for a short time, if necessary. "I think this board should put the past aside for the moment," he says. "They have to deal with now. This board thinks they have one problem, but they have two. They need a new treasurer, and they need to complete the audit on the past. If they break this into two problems, they can accomplish both events."

There are other questions this board needs to face, but those can also wait. "This board might be thinking that maybe the association should have done a better job of monitoring the treasurer's work over time," says Smith. "That's a question for the future. For now, let's clean this up and make sure we have the right processes in place to ensure officers or managers are following procedures that are important and reporting the right data to the board."

Another move that might help this board work through this process is the [creation of a committee](#) to focus on the challenges while letting the board do other work. "I'd suggest setting up a finance committee that could help create a buffer between the board, the community, and the treasurer," advises Maribona. "That could help the new treasurer establish some stability, and the committee could help the treasurer create an action plan. The new treasurer could be overwhelmed, but with the committee, their actions could be more powerful."

Keep in mind that your [treasurer](#) doesn't have to actually be [the person handling the books daily](#)—and probably shouldn't, unless your association is so small and uncomplicated that it's manageable and safe from a financial controls perspective. "The treasurer in most associations isn't actually doing the books or records," says McClintic. "There's often management or a bookkeeping company. Really, the treasurer's role in at least 95 percent of the associations I see is reviewing what the professional is preparing."

"That's part of what scared me here with this reader's association," notes McClintic. "It doesn't sound like they've had that kind of outside help. A lot of our clients don't have full-service management, but virtually everybody has some kind of bookkeeping or accountant so the board isn't doing the financials or handling money themselves. Doing it all yourself is very rare, and I wouldn't recommend it."