

Audit Report 2022

Regarding your questions, thank you for asking them as you are the first non-financial person to ask these questions. All of this has been presented in previous Board Meetings throughout the years. Although these are simple questions the answers are complicated. I will try to explain this as clearly as possible:

- **When the audit started and why it was needed specifically and who asked for it. (Roy said something that it will help if FEMA asks for an audit)?**

The request for the Audit started back in 2016 and has been dealt with every year with a similar declaration provided each year. (See attached email from DHSEM) We were exempt from the audit through FY2019 but in FY 2020 we exceeded the \$750,000 and it was determined that a Single Audit was required. So, this is different from the FEMA Audit which would be performed by the Office of Inspector General if there is any suspect of fraud and mishandling of funds. If findings rise out of a Special Audit, it could trigger the Federal Audit.



Big Elk Meadows
Association Mail - F

- **What type of audit? I know it is not forensic, one Meadows could not afford one, secondly it must be designated what is being audited, such as payouts or receivables.**

This a Single Audit which is different from a traditional financial audit. (The attached article explains the difference between the two) The special audit is full financial audit plus a review of the process and control of the Federal Funds received. All bank accounts, receivables, payables, liabilities, assets along with revenue/expenses will be reviewed for proper processing and accuracy. Beyond the normal transactions of the two associations will be the processing of federal funds regarding the expenditures and reimbursements of the reconstruction project which was over ten million dollars beyond the average \$500,000 per year of association expenses. We need to also remember that during this time we were dealing with four different entities. All this important to understand as we address your last question.



What is a single
audit and do you ne



Single Audit_
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- **Has it been more than one audit (I remember Scott saying there was an audit that was done and completed)? If true, who, when, reason and outcome.**

It is important to realize that BEMA has never had an audit in its over 50 years of existence as they are quite expensive and little results especially with the association the size of ours. The requests for an audit from community members has only come in the past five years when we started dealing with these large sums of money, especially the special assessment. It was in late 2017 when I left the Board, that Jim Lazzeri, the current treasurer, and I meet with Clausen and Associates in Longmont to discuss doing our taxes and a Special Audit. They were the only accounting firm we could find is that had experience in dealing with association accounting and special audits. They helped in us determining what we need to finalize what was needed to prepare for a special audit. Also, in 2017 as we were going to capitalize from the reconstruction efforts, we determined that are asset inventory there were huge gaps in are inventory value that were missing. Over the next three years there were multiple attempts to do a proper inventory and it was not complete until late 2019 when Glenn Christensen finally completed, and we could assign proper values.

In 2018 Melissa Bilobran was hired by the association to reconcile the Grant Information between the government agencies and QuickBooks to make sure all these transactions were synchronized between the over half dozen government agencies. In 2019 once Melissa completed her work, we went back to Clausen to perform a preaudit of QuickBooks to determine if we were ready for an audit. They identified over one hundred reconciliation discrepancies that needed to be cleaned up from previous efforts. Also, at that time as we were going to capitalize the reconstruction efforts, we determined that are asset values were not accurate. Also, at the same time Melissa attempted to do an independent audit/reconciliation of QuickBooks but did not complete the work because she did not fully understand all the accounting. There were a lot of journal entries made that were not accurately reflect what occurred in the reconstruction effort. From 2017 to 2019 I was only used as an advisor regarding certain items. In 2020 when Bobby Clevenger came on a treasurer that he asked me to come back on as Co-Chair of the finance committee we started to examine what had been done in the past three years and started to find some anomalies in how transactions were handled. Also, it was until 2021 that it became evident, we need to perform a single audit for FY20 which we worked on through Bobby's tenure. We met with Clausen and associates several to clarify these issues and complete the asset capitalization and valuation. If there are additional questions, I will be happy to sit down with anyone interested to review the issues that existed and still exist.

- **Who was brought in on the audit and their purpose and cost?**

Bookkeepers since 2014 \$15,000/year (Routine Budget), Clausen and Associates 2017-2019 -\$7500 (Advisory) Mountain View Accounting (Melissa B) - \$113,000 (Reconstruction). Paro Associates - 2021 - \$8000 (Cleanup)

- **Why is the 'moving things' and is it legally being done?**

Since I came back on the Board in June, we have found numerous transactions that have the wrong accounts assigned to them or transactions that were not completed. Since most of them are simple mistakes, it is a mere expense account change, but it is a misrepresentation of our financials. Roy and I are constantly finding where things have need correction. In some cases, these are in thousands of dollars. In many cases we are carrying liabilities that should have been changed to expenses. Regarding assets in many cases, we only had a value, and we did not have proper documentation but some these were posted as expenses that need to be moved to be to an assets inventory. In the case of reconstruction, expenses needed to distinguish between what as reimbursed and was aid from other sources. Regarding cash we just completed an extensive reconciliation of bank accounts to ensure that all dollars brought in, and all disbursements are accounted for. Regarding equity the value of the association we are in the final stage of justifying that value.

Regarding all this cleanup we are documenting every transaction that is in question. We have found numerous mistakes and a part of the audit we will have to put in "Notes" to provide an explanation and documentation explaining the situation. As long as we have proper documentation and a reasonable explanation it is satisfactory and "legal" for the audit. If you want to see these transactions, we can share the details with you from our current documentation. Also, if would like to talk our current accountants to discuss the process and things we are finding and our current state of documentation. If you are looking for people to blame then no one is guilty, and I will not be involved in throwing in anyone under the bus. People made mistakes but nothing will be gained by playing the blame game

Also, as I previously written for October Minutes and have said on numerous occasions what occurred for the during the past eight years. Since the flood there have been four treasurers, four bookkeepers and a grant specialist who managed the books and made numerous transactions. We went from a \$350,000 association budget to over \$650,000 annual budget during that time. We also dealt with an over ten-million-dollar reconstruction project in those years which produced an increased level of complexity and complications. Each person tried their best to manage their responsibilities in the best interest of the association while trying to save the association money in the process. There is no evidence of fraud or misappropriation of funds as all dollars have been accounted for and reconciled. There has been no audit in these past years because there has been no need as the people have been honest and prudent in fulfilling their obligations. The reason the audit has not been performed is because many me of the transactions were incomplete or misclassified. If an audit had

been performed, we would have failed the audit for incomplete or inaccurate transactions. The reason for the recent accounting project was to validate all transactions and complete the transactions to pass an audit. The audit is intended to validate how the association handled the funds with the best intentions. The current project was intended to clean up the accounting to reduce audit fees and potential embarrassment to the association.

- **The finished date has been changed quite a few times. What is the hold up?**

The holdup is producing an accurate set of financials that are accurate and can be properly supported. As a recap here is what is remaining activities. We need to complete our internal cleanup of expenses by May 31 so that we can produce a reliable and accurate set of yearly financials. We had attempted to do an audit before that would cause findings that may jeopardize the retention of funds. We do not want any actions that would cause any additional audits. The only date for the audit was February 2022 ninth months after the end of FY 2020 (May 2021). I will ask for an extension to the completion of this fiscal year to August of this year when are financials need to be completed. We will conduct the audit in conjunction with the year-end closeout.

Regarding the cleanup we need to make the transactions are in the right place all the account balances are final. Regarding the receivables we need to reconcile bad debts. Regarding liabilities we need to make sure these are correct or converted to expenses or assets. We need to finish loading the assets based on final reconstruction values. We need to finalize the final revenue based on the final reimbursements.

I think getting this done ahead of the annual meeting and answering the big question is the audit, the reason for the hold up of a FEMA payment.

Just to clarify the hold up of the FEMA payment is because that Project 316 is not closed out with FEMA. The final payment is not dependent on the audit.

As part of year-end closeout, we will be forming an audit committee that will review the final results to have a full review and understanding of the association financials. We encourage anyone from the community to participate.