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To the Board of Directors
Owners Association of Bradford Park, Inc.
Round Rock, Texas

In planning and performing our audit of the financial statements of Owners Association of Bradford Park, Inc. (hereafter referred to as the "Association") as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis of designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

Material Weakness Matters

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weakness.

Significant Deficiency Matters

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Association's internal control to be significant deficiencies:

Cash Activities

Bank Reconciliations: Monthly and Year-To-Date

During our audit work, we noted that no bank reconciliations were available for review on a monthly basis or at year-end for fiscal year 2021 for the cash accounts. The monthly bank statements were available for review for each account.

Segregation of Duties

It was noted during our audit work that primarily one management team member of the management company, Connect Community Management, LLC, was responsible for many of the cash collection and disbursement tasks in the underlying accounting processes, including opening the Association's mail, preparing and depositing funds received, posting receivables collected, preparing and processing disbursements for review and approval by the Board Members, and periodic financial reporting to the Board Members.

Financial Reporting

The standard accounting reports outlined below weren't available for 2021 in either a monthly or a year-to-date format:

1. General Ledger
2. Accounts Receivable Aging Report
3. Accounts Payable Aging Report
4. Check Register
5. Vendor Disbursements Report.

Vendor Payments:

Invoice Documentation and Approval Process

General Ledger Account Coding:

For the payments outlined below, the supporting invoices, monthly financial statements, and vendor service agreements (where applicable) were reviewed to confirm how each payment was coded in the accounting system. As noted for each payment, it couldn't be determined how a portion or all of the payment was coded. From the analytical review of the financial statements and review of these reports, it appeared that the majority of these payments were expensed when paid.

1. Connect Community Management, LLC:

For each disbursement, we were able to confirm the account coding of the stated amount of that payment as shown and with the management agreement.

	<u>Confirmed</u>	<u>Not Confirmed</u>
• 2/13/21—#100259--\$4,130.44	\$1,117.00	\$3,013.44
• 4/5/21—#100265--\$3,031.75	\$1,117.00	\$1,914.75
• 6/14/21--#100275--\$874.60	\$ 0.00	\$ 874.60
• 7/22/21—#100277--\$3,743.69	\$1,117.00	\$2,626.69
• 8/7/21—#100280--\$2,810.03	\$1,117.00	\$1,693.03
• 9/23/21—#100284--\$2,218.31	\$1,117.00	\$1,101.31
• 10/5/21--#100286--\$4,569.57	\$1,117.00	\$3,452.57

The amounts for \$1,117.00 reflected the monthly management fees. We reviewed the “Management Agreement” effective 1/6/15, noting the total recurring monthly fees to be \$945.00. No amendments or additional documentation were available to recalculate the difference of \$172.00. The last page of the agreement reflected the wording: “Manager reserves the right to adjust these applicable fees from time to time pursuant to market conditions. Price increase greater than 5% requires board approval”. We noted no approvals of an increase in fees during fiscal year 2021 through the audit report date in the Board Meeting minutes that we reviewed.

For the “Not Confirmed” amounts, the other line items in each respective invoice reflecting these totals couldn’t all be matched into “Exhibit A: A la-carte system: Items only charged if needed or applicable: As of January 1, 2014” of the management agreement. For the types of fees reflected in the exhibit, we noted no approvals of an increase in specific fees during fiscal year 2021 through the audit report date in the Board Meeting minutes that we reviewed.

2. 6/14/21—Joseph H. Stoker, CPA, LLC--#100274--\$750.00: The supporting invoice for this payment was dated 6/12/21 for “preparation of the 2020 federal tax return and the 2021 Texas Franchise Return”. It didn’t reflect an approval or account coding. In addition, it didn’t reflect how much of the payment related to 2020 compared to 2021.
3. 11/4/21—Keith Lindsey--#100288--\$34.70: Two supporting receipts for reimbursement were reviewed; neither of these receipts reflected the account code(s) to be used.

Missing Invoices/Vendor Documentation and Proper Period:

The eleven disbursements outlined below reflect transactions for which documentation couldn't be located to complete the steps of the testing analysis. For our disbursements transactional testing, 25 payments were randomly selected for fiscal year 2021. The alternative procedures completed to substantiate these payments included the analytical review of the 2021 financial statements compared to the 2020 financial statements, the completion of the subsequent disbursements testing analysis, the review of additional documentation provided by Keith Lindsey, and review of the Board Meeting Minutes available for review for fiscal year 2021 through January 26, 2023, the date of the audit report.

1. 1/4/21—"Echk Rtrn"—Miscellaneous Debit--\$180.00
2. 3/10/21—AmTrust North America--#100262--\$1,662.00
3. 3/23/21—Yousif Majed & Sarah Yousif Majed Alwan--#100263--\$200.62
4. 5/5/21—RobertsMarkelWeinberg Butler Haley--#100269--\$600
5. 6/3/21—RobertsMarkelWeinberg Butler Haley--#100271--\$2,569.00
6. 6/3/21—Molly Salzwedel--#100272--\$20.69
7. 6/11/21—"External Web API"—Miscellaneous Debit--\$1,000.00
8. 11/11/21—Jamie Lodes--#100289--\$20.00
9. 11/30/21—"External Web API"—Miscellaneous Debit--\$1,000.00
10. 12/5/21—RobertsMarkelWeinberg Butler Haley--#100290--\$442.50
11. 12/10/21—Connect Community Management, LLC--#100293--\$4,486.33

Vendor Agreement—Landsys Inc:

For the three disbursements noted below, we reviewed the "Landscaping Proposal" signed by a representative of the HOA and Troy Evanovich of the vendor and signed early May 2016. The proposal reflected an annual fee for these services of \$7,510.00, or \$625.83 per month. This fee didn't appear to reflect sales taxes. The proposal appeared to be a monthly agreement with no commencement or expiration dates.

In addition, we reviewed a "Lawn Maintenance Job Estimate" dated 11/14/17 that was signed by a representative of the HOA only to accept the monthly billing of a quote of \$194.85 for two visits per month for lawn maintenance services. This quote reflected 8.25% sales tax in addition to the monthly billing.

These two monthly payments would total \$820.68 (\$625.83 plus \$194.85), which is less than each disbursement reviewed below. Note that the proposal was with "Wings Landscaping, LLC", and the quote was with "LandSys, Inc."--related companies.

1. 1/11/21—#100255--\$1,149.21: This payment was for "General Landscaping and Lawncare for January 2021" per review of the invoice and reflected a base fee of \$1,061.63 with sales tax of \$87.58 (8.25%).
2. 4/25/21—#100267--\$2,298.42: This payment appeared to be for "General Landscaping and Lawncare for February and March 2021 per review of two invoices dated 2/26/21 and 3/30/21, each in the total amount of \$1,149.21. Each invoice reflected a base fee of \$1,061.63 with sales tax of \$87.58 (8.25%).

3. 7/22/21--#100278--\$1,463.14: This payment was made for \$1,061.63 for “General Landscaping and Lawncare for June 21”, \$290.00 for other removal and pruning services, and \$111.51 for sales tax (8.25%).

Recommendations:

1. Monthly and year-to-date bank reconciliations should be a best practice of the Association for cash management purposes and short and long-term budgeting and financial planning. Reconciliations should be completed within two weeks after a month-end and should precede the issuance of the respective monthly and year-to-date financial statements.
2. All cash-related collection and disbursements activities of the Association should be delegated to separate staff members to maintain the integrity and safekeeping of the Association’s recordkeeping and assets. These activities should be separate from the reconciliation duties, which should also be kept separate from the financial reporting duties.
3. Monthly and year-to-date standard accounting reports should be generated for financial reporting each month and maintained for recordkeeping purposes as a best practice. These standard reports should include these reports:
 - a. General Ledger
 - b. Check Register
 - c. Vendor Disbursement Report
 - d. Accounts Receivable Aging
 - e. Accounts Payable Aging
 - f. Prepaid Assessments Schedule.
4. All supporting documentation, including copies of vendor invoices, quotes, proposals, and service agreements for a disbursement should be prepared, processed, reviewed, and approved prior to payment. If an automated accounts payable system is used, these steps should be inherent in the system to provide documentation of these steps. The paid documents should then be filed and maintained for recordkeeping purposes, for internal financial reference needs, and for audit purposes.
 - g. The documentation from a vendor serve as source documents that provide substantiation as to the nature and calculation of each disbursement and should accompany each request for payment to then be filed in a secure location.
 - h. Having these documents on file also supports the review of the calculation of sales tax, if applicable, when services are completed (not always shown on an invoice) and for budget review purposes.
 - i. Reviews of invoices or other source documents for payment should include a recalculation of the invoiced amounts to confirm that the billed cost is accurate and is the amount paid.
 - j. Each invoice should be reviewed to determine if the appropriate amount of sales tax is included, if appropriate. This will also support the correct payment of all invoices to vendors and enhance the accounts payable processing and reporting controls.
 - k. All costs should be accrued for in the period in which they are incurred or pledged in order that expenses be matched with similar revenues and disbursements of the Association accounts and financial plans, regardless of the period in which they are paid. This also affects whether a payment

should sometimes be recorded as a prepaid expense at the period end to maintain this best practice.

- l. All payments to vendors should be paid as promptly as possible in order to match the payment of expenses with the proper accounting periods in which they were incurred.
 - m. The payables process should also be reviewed to ensure that all check payment dates are posted in the same month as processed.
5. All vendor quotes, proposals and/or contracts requiring any type of payment should be signed and executed by both parties and kept available for reference and as supporting documentation for the approval of invoices. A signed quote or proposal should precede a contract, if appropriate, with the invoice to follow for payment. Each invoice then processed for payment should match into the supporting agreement or other documents provided.
 6. Implementing these steps in the accounts payable process will enhance the accuracy of the disbursements process and the monthly and year-end financial statements and match the expenses incurred with their respective financial periods. This will improve the documentation obtained, maintained, and filed for obligations incurred and paid on behalf of the Association for more efficient reference and recordkeeping.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss these comments and suggestions in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

We would like to take this opportunity to thank the staff of the Association for their assistance and cooperation in performing this test of transactions. Their work and thoroughness enabled us to complete this report in an efficient and accurate manner.

This information is intended solely for the use of the Association and is not intended to be and should not be used by anyone other than these specified parties.

Austin, Texas
February 9, 2023

