

McGowan Insurance Agent Resource Newsletter

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In a 268 unit homeowners association in California, their Property manager stole over \$1.5M during a 7 year period. An association in Nevada had their President of the board and Property Manager embezzle over \$300,000 causing the association members to have to pay thousands of dollars extra a year to keep the association afloat. We have all heard horror stories about the fraud, scams and corruption that goes on within community associations around us. It's nice to think that none of that would happen in an association we live in. Unfortunately, that is not the reality anymore.

There are several steps an association can take to avoid having these nightmares hit home. We are providing you with a Fraud Prevention Checklist that all boards should be given. This Checklist will help determine whether or not the association is taking necessary precautions in regards to qualified professionals, financial analysis, checks and balance and their insurance. Fraud can happen anywhere but following this checklist can help keep you and your associations' safe.

We highly suggest providing this Checklist to all of your clients. This single page can help an association prevent a horror story from happening to them. As always, do not hesitate to contact us with any questions or concerns. We look forward to continue working alongside you!!

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FRAUD PREVENTION CHECKLIST



Qualified Professionals

- D Are background checks performed on all employees, board members, volunteers and independent managers who handle association funds?
- D Is an accounting professional retained to set up or confirm that proper checks and balances as well as financial protocols are in place?
- D Are employees adequately supervised?
- D Are all vendors and contractors vetted by the board?

Financial Analysis

- D Is an audit, compilation or review of the association's financials conducted annually?
- D Does the association have and regularly update a reserve study??
- D Are financial reports reviewed monthly
- D Are bank statements reconciled monthly, or at least quarterly?

Checks & Balances

- D Is the same individual making deposits and reconciling the accounts?
- D Is more than one signature required on each check, or is a rubber stamp used for check payment?
- D Are original invoices required and marked "paid" with every check request?
- D Are all PIN numbers, access code and bank signature cards secure and updated regularly?
- D Are blank and unused checks kept in a secure location?
- D Are duplicate statements sent directly to two separate board members?
- D Are checks issued in numerical order?

Insurance

- D Does the Association have fidelity (employee dishonesty) coverage with the directors and officers included in the definition of "employee" or added as a "designated agent"?
- D Does the Association have third party crime coverage that parallels the fidelity coverages?
- D Does the Association require that any retained independent management company have sufficient employee dishonesty and crime coverage?



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