

May 10, 2012

Natasha Roit, President
Board of Directors
Sunset Mesa Property Owners Association

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Re: Audit of Sunset Mesa Property Owners Association

Dear Natasha:

You asked me to review the By-Laws of the Sunset Mesa Property Owners Association (the "Association") and particularly address the requirement for an "audit" as stated in Article IV, Section 7 and to opine whether an audit could be performed with the books that you provided to me which consisted primarily of the Treasurer's Report of the Association for 2011.

According to Article IV, Section 7 of the By-Laws of the Association, the duties of the Chief Financial Officer or Treasurer are (1) safe keeping the funds of the association, (2) rendering accounts and reports and (3) disbursing and receiving funds. The Treasurer's duties also include keeping the membership roster and records of dues paid.

Also according to Article IV, Section 7 of the By-Laws of the Association, any member of the Association, as well as any director, is entitled to inspect the books and records of the Association. The section also calls for "an annual audit of the Chief Financial Officer" at the expiration of his/her term in office.

An audit is a set of procedures performed such that a CPA can provide an opinion that the financial statements of an entity (which are prepared by and are the responsibility of management) present fairly, in all material respects, the entity's financial position, results of operations and cash flows in conformity with GAAP.

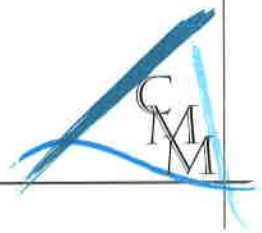
In my opinion, it would not be possible to perform an audit of the books of the Association. I am not aware of any financial statements, which are defined as being composed of a balance sheet and statements of income, retained earnings and cash flow (probably a slightly different but similar configuration for a home owners association), ever having been prepared by the Association. The only financial information I am aware of is what is referred to as the "Treasurer's Report", which is an annual comparison of the actual receipts and disbursements to the budgeted receipts and disbursements.

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As a result of my review of the By-Laws of the Association and the Treasurer's Report, I make the following recommendations to the Association:

Recommendations

1. There should be an annual budget that is prepared by the Treasurer and presented to and approved by the Board.
2. On a periodic basis, which could be monthly, quarterly or annual, a report comparing the actual receipts and disbursements to the budgeted receipts and disbursements should be prepared and submitted to the Board with a narrative identifying the reason for significant variances (if any) between the budgeted and actual amounts.
3. The actual receipts and disbursements should be accounted for using a computer software program such as QuickBooks™. The computer program is capable of producing financial statements and transaction detail which will satisfy the By-Law requirement for member and director access to the "books and records of the Association".
4. There should be a membership roster with an accompanying record of dues paid, as required by the By-Laws. This can be maintained on a computer spreadsheet by the Treasurer.
5. All deposits of the Association should be detailed by source in the QuickBooks™ or similar computer program. A copy of each deposit slip and all checks deposited should be maintained by the Association. In other words, one should be able to identify the source of all receipts of the Association during the year.
6. All disbursements of the Association should be detailed by expense category in the QuickBooks™ or similar computer program. A copy of all checks written by the Association should be attached to a copy of the related invoice and maintained in files by the Association. In other words, one should be able to identify the purpose of all disbursements of the Association during the year.
7. All bank statements, cancelled checks, miscellaneous debit and credit memos and wire transfer advices should be maintained in files by the Association.



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8. On a monthly basis, a report, detailing the actual receipts and their sources and the actual disbursements and their uses, should be prepared and submitted to the Board and transmitted to the members of the Association.
9. Since the term of the Chief Financial Officer or Treasurer is one year, Article IV, Section 7 of the By-Laws should be amended to reflect that the Chief Financial Officer or Treasurer shall prepare and submit to the Board an annual report, each year, which shall consist of:
 - a. the annual financial statements (probably the balance sheet and a statement of receipts and disbursements) of the Association [the Chief Financial Officer or Treasurer is responsible for ensuring that the financial statements reconcile to the supporting documents such as the bank statements, deposit records and cancelled checks; this is your "audit"];
 - b. the annual comparative analysis of the actual receipts and disbursements to the budgeted receipts and disbursements, along with a narrative which discusses the reason for significant variances (if any) between the budgeted and actual amounts;
 - c. the report of invested funds, along with a narrative which discusses the status of the investments [the Association should have a Board approved investment policy that is followed by the Chief Financial Officer or Treasurer]; and
 - d. the proposed annual budget for the next budget year.

Please let me know if you have any questions.

Respectfully submitted,


William Scott Mowrey, Jr.
Certified Public Accountant

