

Subject: Request for Forensic Audit Agenda Item

From: Sandra Williams <sandrakwms@gmail.com>

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CC: Woodside Manager <manager@woodsidehoa.com>

BCC:

Dear Board of Directors and Concerned Homeowners (via bcc):

As requested in open forum of the December 5 board meeting, please put Forensic Audit on the agenda for the next open board meeting.

It's important to clear up any confusion about the financial status of the organization and the role each board member has played. An independent, impartial forensic audit is needed immediately. It will show your commitment to transparency and accountability, and ensure you fulfill your fiduciary duty.

Temporary workers

There appears to be a belief that the former president acted improperly regarding the hiring of temporary employees and that the temporary employees were a financial drain on the association. This last claim is inconsistent with the treasurer's report of December 5 when it was stated there is actually more money in the operating fund than expected and that the reserve fund also is adequate.

Board members do not have the expertise needed to hire full-time permanent employees in a manner to reduce our liability in case those employees aren't able to perform their duties to our satisfaction. The community manager was on extended leave. In the litigious climate of California, we must have and enforce strong personnel policies that conform with California law to protect ourselves. Employment law is a complex field, and we are not upholding our fiduciary responsibility if we assume we have knowledge we don't. It is important to consider the cost of employment agency fees versus the cost of a lawsuit for wrongful termination or for a hostile work environment. A forensic audit should clear up any issues about whether the cost of temporary employees was excessive under these conditions.

Legal advice

I believe it was also suggested that the former president consulted attorneys excessively. In my experience, legal advice is routinely requested for the reasons suggested above: the complexities of law and the litigious climate. To give an example, the director of the federal agency managing water in this region was himself an attorney with many years' experience in water issues. Yet every legal document he signed, even something as simple as a letter extending the duration of an agreement, had to pass independent legal

review before he would sign it.

It is unreasonable to expect a volunteer board member to know the complexities of California law, and we need to understand that obtaining legal guidance is part of the cost of doing business. A forensic audit will help determine whether the association has been receiving legal advice at an appropriate level for an HOA of this size.

Hiring of construction companies

A forensic audit should also clear up whether the hiring of an outside firm by the contracted property manager was within the amount budgeted for maintenance in the pro forma budget approved May 22, 2023, and whether the contracted property manager exceeded their authority. It should be noted that outside contractors were brought in to address immediate needs. In one instance a balcony collapsed. Fortunately for the Association, no one was injured. Other units had internal water damage and other issues caused by the Association's lack of maintenance prior to and after the January rains.

It has been implied that board members were unaware of this work and that the president was meeting secretly with homeowners. First of all, it can be considered part of the president's duty to meet with the people they serve. Second, board members were invited to these informal meetings. Unfortunately, no more than three members of a seven-person board may attend a meeting without the meeting being publicly noticed and an agenda provided several days in advance. For a meeting that is informational in nature and where no action will be taken, these requirements are burdensome. Board members Bill Sessa and I attended one of these meetings, and at the time he was shocked at the material presented and verbally supportive of maintenance efforts.

It has been implied that there was a personal connection between the contracted property manager and the maintenance company that was brought in. There were complaints that no contracts were presented to the board for approval. That maintenance company is now gone and has been replaced by another one that had been proposed by one of the board members for a specific project. It now appears this second company is performing other maintenance as well. I have observed no discussions or contract approvals at open board meetings about this company performing additional work, and no discussion about whether this company is qualified to perform the additional work.

Because there was a situation where a company whose expertise was in building carports was selected to replace siding and then defaulted, leaving buildings exposed to the elements, it's concerning to hear that a company with expertise in siding is now performing concrete work.

A forensic audit should determine whether there is indeed a contract with this second company for additional repairs, whether this company is qualified to perform these repairs, whether the required permits and inspections have been obtained, whether the two companies (the one hired by the contracted property manager and the one

recommended by the board member) charge similar rates, and whether these rates are in line with current construction costs.

A forensic audit should also clear up any questions about certain units receiving preferential treatment for maintenance.

Deferred maintenance

It is the board's duty to keep the common areas in good repair and safe condition. The annual Reserve Study projects the life expectancy and replacement cost of these various components, and lists any maintenance that has been deferred along with a justification for its deferral. A forensic audit should settle any doubts about whether any maintenance listed in the Reserve Study has been deferred without notice to homeowners.

Gas logs

The cost of gas logs and reluctance to allow homeowners to disconnect their gas logs has been a contentious issue. Gas prices have increased considerably in the years since the fee structure was implemented. A forensic audit should be able to determine whether homeowners are being charged fairly for their use, and clear up any misconceptions that the association is using gas log fees as a funding source.

Internal controls for Association property and personal information

We also need a forensic audit to address issues with internal controls put in place to control Association assets and personal information of homeowners, vendors, and staff.

As far as I know, no regular inventory of Association property is conducted. It's unclear whether there is even a property list. It's my understanding that equipment and materials worth thousands of dollars may have been missing from the maintenance building after the recent departure of an employee. Without proper documentation, we have no recourse in seeking the recovery of this missing property.

There is also the issue of whether personal information of homeowners, vendors, and employees is protected in accordance with California and federal laws.

Association property inventories and access to sensitive documents are just two of the issues with internal controls that were discovered. There are many other issues, and it is the board's fiduciary responsibility to address these issues.

For these and other reasons, I request that the immediate need for a forensic audit be addressed at the next open board meeting, and that an independent auditor be selected and a contract for their services approved at that meeting.

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