

**TO: BOARD OF DIRECTORS, SWAN LAKE ESTATES HOMEOWNERS ASSOCIATION**

**FROM: OVERSIGHT COMMITTEE**

**DATE: MAY 7, 2024**

Dear Ms. President, Officers and Board Members,

On behalf of the Oversight Committee, we would like to thank you for supporting the creation of this committee and for your participation in this review process. Our Scope of Work included a review of financial reporting, performance reporting, risk oversight and management, and internal control. We began our committee work in October 2023 and will be concluding our work with this report and the subsequent presentation to the Membership next month.

It was not within the approved Scope of Work Plan for this committee to evaluate or comment upon the Board's Agenda selections or decisions. According, no such evaluations were made. Our report is presented in the following format:

Officers and Directors Discussions

Board and Membership Meeting Minutes

Policies and Procedures Review

Insurance Review

Financial Data Review

Miscellaneous Data

Each section highlights the Committee's conclusions, followed by the Committee's recommendations and concluding with reference citations.

Having established this baseline report, we would suggest that continuing oversight be broken into sections that are reviewed on a two-year cycle. We would further suggest that the next Oversight Cycle include a review of all aspects of the "Contract Process" and a detailed review of the "Banking Transactional Records".

Respectfully submitted,

Swan Lake Estates Homeowners Association

Oversight Committee

#### OFFICERS and DIRECTORS DISCUSSIONS:

##### CONCLUSIONS:

- 1.) Historically, there has been no formal training for Officers and Directors on their Leadership or Fiduciary Roles and Duties.
- 2.) No active encouragement for membership to attend meetings, although there is for events.
- 3.) Entire Board is not actively involved in the annual budgeting process.
- 4.) Reserve analyses have not been performed to determine an optimum level of funding.
- 5.) Board is to be complemented for establishing Oversight Committee and supporting the work of the committee.

##### RECOMMENDATIONS:

- 1.) Engage a facilitator for Officer & Director workshop to better understand Leadership Roles and Duties. Commit to follow up workshops every third year.
- 2.) Establish Spring and Fall Open Forums to facilitate membership communications.
- 3.) Enter into negotiations with University of Southern Mississippi for a student internship.
- 4.) Join HOAleader.com to receive continuous “Best Practices” advice.
- 5.) Contract with an independent company to perform a Reserve Analysis of Swan Lake Estates Homeowners Association real property facilities.

##### REFERENCES:

Internet search: [vinteam.io/hoamanagement/hoa-board](http://vinteam.io/hoamanagement/hoa-board)

Internet search: [HOAleader.com/HOA Leadership Roles and Duties](http://HOAleader.com/HOA%20Leadership%20Roles%20and%20Duties)

Personal interview: Executive Director, Mississippi Gulf Coast Chamber of Commerce

Personal interview: Vice President of Traditions Campus William Carey University

Personal interview: Experiential Learning Coordinator University of Southern Mississippi

#### BOARD and MEMBERSHIP MEETINGS MINUTES:

##### CONCLUSIONS:

- 1.) Historically, homeowner access to Board Meeting Agendas has not been readily accessible.

- 2.) The current Secretary, Juliane Wyatt, is to be complemented for the improvements made in the quality of the information documented in the Board and Membership Meeting minutes.
- 3.) Committee meeting minutes are completely unaddressed.
- 4.) Minutes of both Board meetings and Membership meetings show a lack of consistency in both formatting of the presentations and in the detail of documentation of issues presented and discussed. Clear statements of issue resolution is often not available.

#### RECOMMENDATIONS:

- 1.) The utilization of **Executive sessions** should be immediately adopted.
- 2.) A Guideline to Reporting and Recording Meetings Policy should be immediately adopted. This should include how, when, and where to publish agendas: adoption of Robert's Rules of Order for Meetings: how, when, and where to publish meeting minutes.

#### REFERENCES:

Internet search: [Edcfiresafe.org/board/Roberts\\_rules\\_3\\_2](https://edcfiresafe.org/board/Roberts_rules_3_2)

Internet search: [Woodrufflawyer.com/do-notebook/reviewing-committee-and-board-meeting](https://woodrufflawyer.com/do-notebook/reviewing-committee-and-board-meeting)

Internet search: [Boardsource.com/executive sessions for nonprofit boards](https://boardsource.com/executive-sessions-for-nonprofit-boards)

Internet search: [Doola.com/blog/amend-meeting-minutes](https://doola.com/blog/amend-meeting-minutes)

Internet search: [Jimslaughter.com/community associations-10 meeting myths](https://jimslaughter.com/community-associations-10-meeting-myths)

Internet search: [BoardSource.com/executive sessions for nonprofit boards](https://boardsource.com/executive-sessions-for-nonprofit-boards)

#### POLICIES and PROCEDURES REVIEW:

#### CONCLUSIONS:

- 1.) Historically, homeowners access to the governing policy documents has not been readily accessible.
- 2.) Policy documents (for homeowner's benefit) should be separated from Procedure and Technical documents (for Board of Director's benefit), and all the other miscellaneous papers.
- 3.) The Board is to be complemented for its transparency in the handling of the new December 2023 Collection Letter Policy both in its e-mail/regular mail to the individual homeowners and in its postings to both webpages.
- 4.) Existing policies have not been addressed in a number of years and need to be re-evaluated either by update or elimination.
- 5.) It is important for the Board to add additional policies to improve the quality of life within Swan Lake Estates.

#### RECOMMENDATIONS:

- 1.) A suggested timetable, of not more than 6 months, should be established to implement the following new policies:
  - a. Conflict of Interest/ Code of Conduct Policy
  - b. Document Retention Policy
  - c. Architectural Review Committee Policy
  - d. Guideline to Reporting and Recording Meetings
  - e. Handling of Contracts
  - f. Documentation and Filing of Tax Returns
- 2.) A suggested timetable, of not more than 12 months, should be established to complete the re-evaluations identified in above Conclusion 4. The Board should communicate their progress towards this recommendation at every membership Quarterly Newsletter and Meeting.
- 3.) A suggested timetable, of not more than 18 months, should be established to consider these unaddressed policies:
  - a. Dispute Resolution and Complaint Policy
  - b. HOA E-mail Policy
  - c. HOA Social Media Policy
  - d. Enforcement Due Process Policy and Procedures
  - e. Pet Policy
  - f. Service Animal Policy
  - g. Short-Term Rental Policy

#### REFERENCES:

Internet search: [HOA Management.com/](http://HOAManagement.com/) Community Resources

Internet search: [pdsaz.com/](http://pdsaz.com/) Planned Development Services/ Sample Community Association Code of Conduct

Internet search: [uschabber.com/](http://uschabber.com/) Strategy/ How Long Should You Keep Documents?

Internet search: [fieldstonerp.com/](http://fieldstonerp.com/) Architectural Designs Guidelines

#### INSURANCE REVIEW:

#### CONCLUSIONS:

- 1.) As insurance carriers continuously change the terms and conditions of their policy offerings, the HOA should periodically engage in a Request for Proposal as to its insurance business.
- 2.) In light of rising medical costs, a medical expenses coverage limit of \$5,000 could expose the HOA to unnecessary financial risk.

#### RECOMMENDATIONS:

- 1.) Policy should be established to competitively place a Request for Proposal for insurance coverage at a maximum of every 3 to 5 years.
- 2.) An independent real property appraiser should be engaged to establish documented base line insurance valuations for all Association properties.
- 3.) Independent advice should be obtained as to the adequacy of current medical liability limits.

#### REFERENCES:

Internet search: [Sigbcs.com/what-insurance-coverages-does-your-hoa-need/](http://Sigbcs.com/what-insurance-coverages-does-your-hoa-need/)

Internet search: [Proinsgrp.com/5-essential-insurance-policies/](http://Proinsgrp.com/5-essential-insurance-policies/)

Internet search: [Epsten.com/ Homeowner Association Insurance Checklist](http://Epsten.com/Homeowner%20Association%20Insurance%20Checklist)

#### FINANCIAL DATA REVIEW:

##### *Banking Transactional Records:*

#### CONCLUSIONS:

- 1.) Because of unforeseen delays in obtaining the banking data and in an attempt to facilitate the review process, the Oversight Committee accepted a limited amount of monthly banking records that did not come directly from Popular Bank.
- 2.) After attempting to reconcile the transactions recorded in these monthly banking statements to Swan Lake Estates Homeowners Association Income Statements-Operating, the Committee decided that it was unable to proceed with the limited information it had. Therefore, there is no conclusion to be drawn.

#### RECOMMENDATIONS:

- 1.) As no conclusion was able to be drawn, this facet of the Oversight Committee's Review should be assigned the highest priority in the next oversight review cycle.

##### *Tax Returns:*

#### CONCLUSIONS:

- 1.) Board should review tax return, make appropriate approvals, and document in minutes these activities.

#### RECOMMENDATIONS:

- 1.) A new policy for the “Documentation and Filing of Tax Returns” should be implemented.

#### REFERENCES:

Internet search: [IRS.gov/ Instructions for Form 1120-H-Introductory Material](https://www.irs.gov/InstructionsforForm1120-H-IntroductoryMaterial)

Internet search: [csmhoa.com/ HOA tax returns: can your HOA not file it?](https://www.csmhoa.com/HOA-tax-returns-can-your-HOA-not-file-it/)

Internet search: [thecpa.tax/ Do HOAs Have to File Tax Returns?](https://www.thecpa.tax/Do-HOAs-Have-to-File-Tax-Returns/)

#### *Financial Fiduciary Duties:*

#### CONCLUSIONS:

- 1.) There appears to be no documentation establishing monetary values for any tangible real assets of the Association.
- 2.) Historically, it appears that no Independent Reserve Analysis has ever been performed.
- 3.) Historically, it appears that a lack of transparency has resulted in little to no engagement of the Residents in the budgeting process.
- 4.) The Budgeting Process appears not to be meeting the Fiduciary Standard of Care in the following areas:
  - a. Not addressing the effects of Inflation
  - b. Not funding, or reducing funding for projects in an attempt to “balance the budget”
  - c. Not funding Reserves to a level needed for tangible real asset replacement or enhancement

#### RECOMMENDATIONS:

- 1.) Tangible Real Assets should be immediately appraised by independent valuation firm and then recorded on the Association’s Balance Sheet.
- 2.) Reserve Analysis should be immediately performed with resultant calculations incorporated into the annual operating budget.
- 3.) The newly created Budget Committee should become more transparent, so that Resident’s expectations are aligned with budget proposals.

#### REFERENCES:

Internet search: [HOAmangement.com/ the best reserve studies services](https://www.HOAmangement.com/the-best-reserve-studies-services)

Internet search: [millerdodson.com/](https://www.millerdodson.com/)

Internet search: [bls.gov/data/inflation\\_calculator](https://www.bls.gov/data/inflation_calculator)

Internet search: [clarksimpsonmiller.com/ plan-hoa-annual-budget-guide](https://www.clarksimpsonmiller.com/plan-hoa-annual-budget-guide)

Internet search: [clarksimpsonmiller.com/ budgeting-mistakes-of-self-managed-boards](https://www.clarksimpsonmiller.com/budgeting-mistakes-of-self-managed-boards)

Internet search: [clarksimpsonmiller.com/ present-hoa-budgets-effectively-how-to](https://www.clarksimpsonmiller.com/present-hoa-budgets-effectively-how-to)

#### MISCELLANEOUS REVIEWS:

#### CONCLUSIONS:

- 1.) An opportunity might exist to lower the record keeping fee from Homeland Neighborhood Management by either paying lump sum in advance or by entering into multiyear contract.
- 2.) These same cost savings opportunities might be available within additional contracts.

#### RECOMMENDATIONS:

- 1.) Explore other savings opportunities and, if available, take advantage of them.

#### REFERENCES:

Internet search: [homelandmgt.com](http://homelandmgt.com)

Internet search: [wilkinsonlawms.com](http://wilkinsonlawms.com)