



COMMUNITY ASSOCIATION

Finance Committee Meeting – Tuesday, August 18, 2020

945 W. Vistoso Highlands Drive

Committee members present: Gayle Lopez, Treasurer/Chairperson, Members: Susann Ventzke, Rob Quiri, David Light and Matt Wood

Board members present: President, Sarah Nelson and Director, Tracy Phillips

Absent: Norm Bogen

Committee member attending via conference call: All members meeting via Zoom due to Covid 19 Pandemic

FirstService Residential staff present: Colleen Holland, General Manager

ONGOING REFERENCE NOTE: For clarification purposes when looking at the financials: **347** in the heading indicates just VCA activity, **347A** is Sienna and **347Z** is the consolidation of the two.

The meeting was called to order at approximately 3:05pm.

Meeting Minutes – July 2020

Motion made by Gayle Lopez to approve the July 21, 2020 (one revision) and August 4, 2020 minutes, seconded by Susann Ventzke, motion carried unanimously.

Review of Financials – July 2020

Treasurer Lopez and Veronica reviewed the July financials and addressed questions.

Motion made by Matt Wood to accept the July 2020 Financials, seconded by Susann Ventzke, motion carried unanimously.

Old Business

Insurance Review – Tracy

Data Defender Policy – VCA pays \$187/year for policy. What does it cover? Neither the VCA nor FSR store the information required to perpetrate identity theft. Unclear under what circumstances the policy would pay out a claim, if at all. Appears to have many loopholes and need to work with legal to better understand if we have the right coverage.

Negligence Claim against Associa – Can the VCA make an insurance claim that Associa was neglect when they did not invoice developers the correct assessment amount? Will insurance reimburse the VCA less a deductible? Will review with legal.

FSR Management Meeting (7/22/20) – Due to Tracy’s auditing diligence, she identified 3 areas of concern with FSR systems/processes that were added to the FC Action Plan. On July 20 Sarah Nelson, Tracy Phillips, and Gayle Lopez had a Zoom meeting with ~15 FSR accounting, IT, and management personnel.

Internal Financial Controls/Permissions - FSR does not have proper software permission controls to prevent embezzlement. FSR to work on and respond. STATUS: Follow-up with FSR on 10/21/20 to ensure resolved.

All Invoices do not go thru Treasurer for Approval – It is the Treasurer’s responsibility to approve all payments. FSR’s documented process flowchart states this as the process, when in fact there are many invoices that are paid by FSR bypassing the Treasurer. FSR has many HOA customers who use the same suppliers. The FSR system can only have one supplier ID and one workflow approval process. Therefore, many invoices are not routed thru Treasurer even though the defined FSR process requires it. FSR knowingly allows for work-arounds – against documents and subject to fraud. FSR will investigate and propose how to fix. STATUS: In the meantime, Colleen will forward copy to Treasurer, so they are aware it has been paid. Follow-up with FSR on 10/21/20 to ensure resolved.

Review Cyber Security - VCA & FSR do not store SSN, Driver License Number, Birthdate, or bank account info - no data for identity theft to occur. Does VCA need insurance to protect against data breach of FSR system? FSR stores all member data, nothing confidential, but some data may be considered sensitive. If there was a data breach of FSR’s system, it could create havoc until corrected. The VCA may need to notify members of breach and corrective action. The VCA has no control over FSR systems. Seems logical that FSR should pay the VCA for any damages caused by a data breach of their system. STATUS: FSR President, John Kemper, responded 8/3/20 detailing FSR insurance coverage. It is clear that FSR has insurance to protect against a breach, but not clear that their insurance will cover/reimburse the VCA. Follow-up with BOD on insurance needed 8/27/20

Possible Payment/Reporting Errors – The Treasurer has access to FSR’s 3rd party software called AvidXchange. It allows Treasurer to approve invoices on-line as well as query all past invoices. Gayle did a query and found invoices for a different HOA that were approved for payment by the VCA. FSR was able to demonstrate that the error was caught when it was submitted to another 3rd party system, Jenark, prior to payment. FSR updated data so the invoices in question will no longer show up in queries.

Update FSR Contract – The FSR contract requires a 60-day notice to cancel. It automatically renews for one-year periods effective February 1. Would be good to review and update FSR contract to reflect how we are currently doing business and to ensure it is fair and balanced.

New Business

Three Finance Projects for BOD approval for GM Pipeline

Review Assessment Processing & Recover Billing Errors - Work with FSR to review processes in place. Develop projected cash flow model for budgeting purposes. Develop strategy to recover mis-invoiced assessments to developers and others. STATUS: FSR reviewed process delinquencies policy 6/16/20. FC to get copies of documents and letters. 7/21/20 FC meeting - John Boggs tracks all developers to make sure invoiced properly. Will provide projected cash flow to FC for budget. Gayle add to 7/30 or 8/27 BOD agenda: objective to invoice difference of what they should have paid vs what was paid. Let them prove they don’t owe it. Negotiate as necessary to maximize payment, consider resending voting rights if refuse to pay.

Review Existing Contracts and Standardize Where Appropriate - Many vendors are small local companies. Existing contracts vary widely in their content and form. VCA would benefit from using a consistent template for contracts with vendors. Set expiration dates so that current contract costs can

be used in the budgeting process, ensure contract expiration dates/years are staggered to avoid work flow overload. Most importantly ensure licensing and insurance requirements are on the VCA's commercial paper. STATUS: FSR supplied VIVE supplier packet. To be a VCA supplier, they must first meet the VIVE requirements of FSR (e.g. insurances, etc.) Will VIVE requirements as basis to develop VCA contract template.

Consistent treatment of Gated Communities & Determine Total Cost of Managing Siena – The VCA is inconsistent in how it treats gated communities. The VCA pays for maintenance of components in common areas for some gated communities and not for others. In addition, Siena is the only gated community that does not have a sub-HOA and relies on the VCA/FSR to manage compliance and amenity maintenance. The 61 homes pay \$144/quarter. Need to verify this amount covers accounting and invoicing, compliance audits, staff time to manage maintenance of common areas, monument and entrance expenses (e.g. landscaping and water), maintenance expenses, and capital expenditures. STATUS: Working with David Asparis of FSR. Identified that Siena not paying for water or landscaping of entrance/monument. Tracy working with Hanna and Oro Valley to develop plan to rectify as Siena does not have dedicated water meter. Hanna to come back with proposal. Need map from Hanna. Tracy to check with water company after she gets map.

Homeowner Form - None

Meeting ended at 4:47pm - The next Financial Committee is scheduled for Tuesday, September 15, 2020.

Respectfully Submitted,
Colleen Holland, General Manager
For Vistoso Community Association Board of Directors

Accepted by: _____

Date: _____