



Woodland Pond Lakefront Association

Report on Agreed-Upon Procedures Engagement

May 25, 2021



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**REPORT OF INDEPENDENT ACCOUNTANTS
ON APPLYING AGREED-UPON PROCEDURES**

Woodland Pond Lakefront Association
Chesterfield, Virginia

We have performed the procedures detailed on the following pages, which were agreed to by the Woodland Pond Lakefront Association (the “Association”), solely to perform an analysis of the accounting processes and records of the Association as of and for the year ended December 31, 2020. This Engagement is solely to assist you in overseeing your fiduciary duty for the Association. The Association’s management is responsible for the Association’s accounting records and its internal controls. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Association’s processes and procedures around certain internal controls related to the Association. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Woodland Pond Lakefront Association and is not intended to be and should not be used by anyone other than this specified party.



May 25, 2021
Glen Allen, Virginia

WOODLAND POND LAKEFRONT ASSOCIATION

Procedures, Results and Recommendations

Procedures:

We will perform the procedures enumerated below, as outlined in our engagement letter.

Agreed-Upon Procedures:

1. Obtain copies of all financial reports for 2020, and perform the following:
 - a. Test the mathematical accuracy of each report to the Board of Directors.
 - b. Agree historical information presented in reports to amounts reported in previous months.
2. Obtain a copy of the 2020 general ledger (or other similar system generated report) and agree year-end balances to amounts reported in the 12/31/2020 annual report.
3. Obtain a copy of the Rules and Guidelines of the Association pertaining to the implementation of cash-based accounting. Read and determine whether these guidelines appear appropriate based on the Association's general size and complexity.
4. Obtain each month's bank statement and reconciliation and perform the following:
 - a. Test the mathematical accuracy of the reconciliation.
 - b. For any outstanding item greater than \$1,000, agree the amount to amount clearing in a subsequent statement.
 - c. Agree the reconciled balance to the amounts reported monthly in the financial reports to the Board of Directors.
5. Interview the Treasurer on the general procedures utilized on a monthly basis in performing his duties. Identify and report any improvements that should be considered to the financial process and reports.
6. Test a sample of 25 disbursement transactions greater than \$1,000 for the following attributes:
 - a. Agree disbursement amount and payee back to invoice or other original supporting document.
 - b. Review invoice for reasonableness of expense and classification used in financial reporting.
 - c. Perform a dues reasonableness test by extrapolating dues expected to be collected through a product of annual dues per member and total members in the Association.

Results: The following contains the results and recommendations of the procedures noted above.

WOODLAND POND LAKEFRONT ASSOCIATION

Procedures, Results and Recommendations, Continued

Agreed-Upon Procedures:

1. Financial Reports Accuracy:

In response to Agreed-Upon Procedure #1 noted above, we obtained copies of all quarterly Financial Status Reports for 2020 and performed the following:

- a. We tested the mathematical accuracy of each report to the Board of Directors.
- b. We agreed the historical information presented in the reports to the information reported in the previous quarter.
- c. We agreed the available cash balance presented in the reports to the respective Cash Management Reports.
- d. We agreed the total quarterly revenue and expense amounts to the amounts presented in the year-end Financial Status Report for 2020.

Results: We noted that the Association's financial reports are mathematically accurate and historical amounts agree. No findings noted.

2. General Ledger Accuracy:

We obtained a copy of the December 2020 Cash Management Report and performed the following:

- a. We vouched the ending available cash balance to the fourth quarter 2020 Financial Status Report.

Results: We noted that the available cash balance agrees between the two reports. No findings noted.

Recommendations: We noted that the Association does not maintain a general ledger or similar recordkeeping system. This appears reasonable given the size and simplicity of the Association. However, we recommend that the Association regularly monitors its data maintenance and reporting requirements and considers the need for implementing a general ledger system if transaction volume or complexity increases.

3. Appropriateness of the Association's Rules and Guidelines

We obtained a copy of the WPLA Cash Accounting Rules, WPLA Financial Accounts Overview, and WPLA Payment, Reimbursement, and Refund Rules. We read the rules to determine whether the guidelines appear appropriate based on the Association's general size and complexity as they pertain to the implementation of cash-based accounting.

Results: We noted that the Association is following the above rules and guidelines. The guidelines as they relate to cash-based accounting appear reasonable. No findings noted. See the Results and Recommendations section on Agreed Upon Procedure #2 and #5 for recommendations related to general processes and controls.

WOODLAND POND LAKEFRONT ASSOCIATION

Procedures, Results and Recommendations, Continued

Agreed-Upon Procedures, Continued:

4. Bank Reconciliation Accuracy:

We obtained a copy of each month's bank reconciliations included within the Cash Management Reports and bank statements for 2020 and performed the following:

- a. We tested the mathematical accuracy of the bank reconciliations.
- b. We agreed the bank balances from the bank reconciliations to the bank statements.
- c. We agreed the total available cash balance per the March 2020, June 2020, September 2020, and December 2020 Cash Management Reports to the quarterly Financial Status Reports.
- d. We vouched any outstanding checks greater than \$1,000 included on the bank reconciliations to clearing on the subsequent month's bank statement.

Results: We noted that the Association's bank reconciliations are accurate and the bank reconciliation process appears reasonable. No findings noted.

5. Treasurer Interview:

We interviewed the Treasurer on the general procedures utilized on a monthly basis in performing his duties.

Results: We noted that the Association is following the rules and guidelines enumerated in Agreed Upon Procedure #3. No findings noted.

Recommendations: Based on our review of the accounting processes and records around certain procedures noted for 2020, we offer the following advice regarding the (1) sufficiency of the control procedures and (2) best practices being applied in the industry.

Segregation of Duties

It was noted that there is a limited segregation of duties within the Association. The Treasurer collects and deposits receipts, has check signing authority, and maintains all books and records. This limitation is mitigated by monitoring controls in place. Monthly, the Treasurer prepares and sends a financial reporting package to the Board of Directors, including the Cash Management Report, Financial Status Report, and bank statements. The President and the Board of Directors review these reports and ask questions as needed. In addition, the year-end Financial Status Report is posted on the Association's website.

WOODLAND POND LAKEFRONT ASSOCIATION

Procedures, Results and Recommendations, Continued

Agreed-Upon Procedures, Continued:

5. Treasurer Interview, Continued:

Recommendations, Continued: In a perfect system of segregation of duties, the person responsible for signing the checks and collecting and depositing the receipts would not be the same person maintaining the books. A possible enhancement of controls would be for the Membership Manager to deposit membership receipts to the bank and to provide a copy of the deposit slip and membership receipt listing to the Treasurer for record keeping. Additionally, it would improve controls if the Treasurer delivered all checks to the President for signing and mailing. These added procedures would enhance the segregation of duties to protect against any possible alteration or misappropriation of cash disbursements.

However, we understand that these added controls may not make sense for an organization of your size. Given the small size of the Association, as well as the monitoring controls in place and the Agreed Upon Procedures engagement engaged to detect any irregularities, the limited segregation of duties and procedures appear reasonable. While there are always improvements that can be made, we believe that processes are suitable as is when appropriately monitored.

Record Retention and Designated Back-up

It was noted that the Treasurer maintains all books and records. Monthly, all records are provided to the Board. However, there is no written system in place for daily recordkeeping duties and no person designated as the back-up for the Treasurer's responsibilities. We recommend that the Association decides on a systematic manner of maintaining daily records and trains a designated back-up on these activities in the event that the Treasurer is unavailable to perform his tasks. Similarly, we recommend that the Treasurer's daily notes and records are maintained in a location that is accessible to the back-up.

6. Cash Disbursement Testing:

We selected a sample of 25 disbursement transactions for testing. As there were only 11 disbursements over \$1,000 during 2020, we selected the 25 largest disbursements during the year and performed the following:

- a. We agreed the disbursement amount and payee back to the invoice or other original supporting document.
- b. We reviewed the invoices for reasonableness of expense and classification used in financial reporting.

In addition, we performed a dues reasonableness test by extrapolating dues expected to be collected through a product of annual dues per member and total members in the Association.

Results: We noted that the all cash disbursements selected appear reasonable and properly recorded. Dues reported appear reasonable. No findings noted.