



**DC Ranch Association
Board Report 8-13-18 #2**

Subject Matter: Proposed Policy 203 – Financial Audits

Background: At the May 7, 2018 board meeting, the Policy Committee and Budget and Finance Committee proposed the adoption of a Financial Audit Policy, which was conditionally approved by the Board.

Key provisions of the policy are as follows:

- Establishes that the Board serves as a fiduciary to the Corporation.
- Validates the Board's authority to delegate responsibility to the Executive Director.
- Requires that an audit of the financial statements shall be performed by an independent Certified Public Accountant after the end of each fiscal year.
- A request for proposal for auditing services shall be prepared by the Director of Financial Operations and shall be distributed to a minimum of three qualified auditing firms at least every three years.
- All proposals shall be reviewed by the Executive Director, Director of Financial Operations, Treasurer of the Board of Directors, and Budget and Finance Committee.
- The Director of Financial Operations and Executive Director shall recommend to the Board of Directors which auditor to hire for a three-year period.
- The Board of Directors shall vote at a regularly scheduled board meeting to award a three-year contract.
- The audit report will be presented to, and reviewed by, the Budget and Finance Committee at the first meeting following the audit's completion. Pursuant to ARS §33-1810, the audit must be completed no later than 180 days after the end of the fiscal year.
- The audit report will be presented to the Board at the first regularly scheduled board meeting following the presentation of the audit to the Budget and Finance Committee. The Board shall vote to accept or dispute the audit.

- Within 30 days of the date of the audit report, the Director of Financial Operations will provide a written response addressing any recommendations from the auditor regarding material weaknesses or significant deficiencies of internal controls as delineated in the management letter. The management letter and response will be presented to the Budget and Finance Committee and Board of Directors.
- The audit will be provided to the Board of Directors. It will also be made available within 30 days after its completion to Association members upon request (ARS §33-1810) and by posting it on the DC Ranch web-site within fourteen days of the audit being accepted by the Board.

Pursuant to Section 102.4c of the policy for the management and development of policies, the following applies should the Board wish to move the through the formal approval process. *When the Policy Committee recommends a new policy or a change to a policy and prior to the Board's formal vote, community members shall be provided with a 30-day comment period, where they are afforded an opportunity to provide input and comment on the proposed policy. The proposed policy or policies will be posted on the community's website and notice regarding the posting will reflect in the weekly This Week on the Ranch e-mail to DC Ranch residents.*

The proposed revisions were posted in accordance with the foregoing requirements. No comments were received.

Recommendation: Formally approve the policy revisions as proposed.



Darren Shaw, Executive Director



**DC Ranch Association
Policy 203
Policy on Financial Audits**

Policy 203

Effective Date:

Revised:

Policy on Financial Audits

203.1 Purpose: The purpose of this policy is to establish financial audit guidelines for DC Ranch Association.

203.2 Scope: This policy applies to the financial audits of DC Ranch Association.

203.3 Responsibility/Authority: The DC Ranch Association Board of Directors.

203.3a Delegation of Authority: The DC Ranch Association Board of Directors delegates some of its responsibilities to the Executive Director, such as the management of its financial operations. The Executive Director authorizes the Director of Financial Operations to send out request for proposals and provide the auditor with requested information to audit DC Ranch Association's financial statements, accounting systems and controls in place.

203.4 Introduction: The Association's mission statement is as follows: To serve all DC Ranch Stakeholders through the professional management and protection of the community's fiscal and environmental assets. DC Ranch Association delivers high quality and consistent operations, landscape, maintenance and security services with an emphasis on customer care and open communication that result in sustained property values and exceptional quality of life.

The Board's Directors serve as fiduciaries to the corporation. As a fiduciary, the Association Board is responsible for ensuring that financial records are accurate and complete, as well as properly representing the financial position of the Association. The objective of a financial audit is to receive an outside opinion on whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.

203.5 Frequency: An audit of the financial statements shall be performed by an independent Certified Public Accountant after the end of each fiscal year.

203.6 Selection of Auditor:

203.6a Request for Proposal: A request for proposal for auditing services shall be prepared by the Director of Financial Operations and shall be distributed to a minimum of three qualified auditing firms at least every three years.

203.6b Review of Proposals: All proposals shall be reviewed by the Executive Director, Director of Financial Operations, Treasurer of the Board of Directors, and Budget and Finance Committee.

203.6c Recommendation for Auditor for Upcoming Three Years: The Director of Financial Operations and Executive Director shall recommend to the Board of Directors which auditor to hire for a three-year period.

203.6d Approval of Auditor: The Board of Directors shall vote at a regularly scheduled board meeting to award a three-year contract.

203.7 Audit Results:

203.7a Presentation:

203.7a(i): Budget and Finance Committee: The audit report will be presented to, and reviewed by, the Budget and Finance Committee at the first meeting following the audit's completion. Pursuant to ARS §33-1810, the audit must be completed no later than 180 days after the end of the fiscal year.

203.7a(ii): Board: The audit report will be presented to the Board at the first regularly scheduled board meeting following the presentation of the audit to the Budget and Finance Committee. The Board shall vote to accept or dispute the audit.

203.7b Management Letter: Within 30 days of the date of the audit report, the Director of Financial Operations will provide a written response addressing any recommendations from the auditor regarding material weaknesses or significant deficiencies of internal controls as delineated in the management letter. The management letter and response will be presented to the Budget and Finance Committee and Board of Directors.

203.7c Distribution and Distribution Means: The audit will be provided to the Board of Directors. It will also be made available within 30 days after its completion to Association members upon request (ARS §33-1810) and by posting it on the DC Ranch web-site within fourteen days of the audit being accepted by the Board.

Approved By: _____ Date _____
Board President or Secretary

Effective Date: _____