

Condo Smarts December 1, 2020

Fraud Prevention

Dear Tony: I am the acting treasurer for our strata corporation in the Fraser Valley, and took over a year ago. In the process and setting up a series of maintenance contracts that we use to approve monthly expenses, I discovered a payable over the previous 5 years from 2013-2018 for a company that does not exist. The amounts appear to be routine and nominal; however, when totalled over the 5 years, the amount is over \$100,000. The previous treasurer sold her unit and left BC in 2019, but it appears from the records and cancelled cheques, she had set up a phoney company under her husband's name to pay these services amounts. There is no GST number, no PST was ever collected or charged, and no one else in the strata corporation was aware of this company or any services they provided. The annual budgets did not identify this company as it was simply applied to routine maintenance and repairs. I am writing to warn every strata council whether you are managed or self managed to closely scrutinize and compare all your monthly expenses and payables. Everyone in our strata corporation was content to leave 3 council members manage our affairs without questioning any actions or expenses and we have dearly paid the price for this. CRJ

Dear CRJ: A strata corporation is responsible for managing and maintaining the common property and common assets of the strata corporation for the benefit of the owners. The powers and duties of the strata corporation must be exercised and performed by a council, unless the Act, the regulations or the bylaws provide otherwise. In exercising the powers and performing the duties of the strata corporation, each council member must (a) act honestly and in good faith with a view to the best interests of the strata corporation, and (b) exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances.

Strata councils have duty to manage the business of the strata corporation, act in a prudent fiduciary manner and approve and provide financial reports for a fiscal year. This includes a review of the monthly financial statements, payments, collections, and reporting. Fraud occurs in most situations when there is little or no oversight or review of the financial operations. Whether your strata corporation is self managed or contracts management through a strata management company, the responsibility falls on the strata council to review the financial transactions, reconciliations and bank statements to verify expenses approved have been authorized and they relate to your strata corporation. While operations in smaller, self managed strata corporations may be less formal, council members are advised to jointly review the monthly bank statements and transactions. Here are 10 principles to reduce the risk of fraud. 1) The treasurer who is producing cheques/payments/financial statements is not a signing officer 2) at least two other council members must always sign for transactions and cheques 3) recipients of payments never sign their own cheque 4) invoices are never paid unless they are accompanied with the original invoice approved by signing officers 5) cash transactions are prohibited 6) bank cards for strata accounts are deposit only 7) the strata council receives and reviews a copy of the monthly reconciliation from the treasurer/strata manager 8) all investments and accounts of the strata corporation must be in the name of the strata corporation in trust and cannot be pooled with any other corporation or interests 9) no credit card accounts 10) approve a list of authorized service providers and contracts for easy reference of payment cycles.

When a fraud is suspected, do not cover it up. Contact the authorities and file a complaint. If it is an entry error, it should be simple to correct the problem. If there is evidence of fraud, address the problem. Unfortunately, many organizations believe their reputations will be harmed if they pursue actions and the perpetrators are off the hook.

Tony Gioventu, Executive Director CHOA

Covid-19 Notice: As a precautionary measure to prevent the spread of COVID-19 CHOA staff are working remotely and our offices are temporarily closed. We understand these are challenging times for strata corporations and we are here to help. Even though CHOA advisors are working remotely we are only a phone call or email away and able to assist you with hosting meetings and notice preparation.

Tuesday Lunch & Learn Live with CHOA: CHOA is hosting a series of webinars once a week, for the next few months. Join us each Tuesday as we bring together industry experts to discuss the many issues affecting BC's strata community. For more information visit our website at: <https://www.choa.bc.ca/seminars/>