

## Condo Smarts March 30, 2022

### Preventing Fraud in a Strata

**Dear Tony:** We had an unusual situation occur in our strata last month. A tenant, who had been on council for 3 years with the approval of the owners, and who appeared to be a valuable member of our community, abruptly ended their tenancy with a late night move out. The landlord was as bewildered as the rest of us; however, we were to quickly discover the tenant, who was our treasurer as she claimed to be an accountant, also appears to have stolen a fair bit of our reserve funds. We are a 44-unit townhouse complex in the Fraser Valley and planning for roofing replacement in 2 years, so had accumulated almost \$250,000, which we now discover is at \$100,000. As council members we trusted this person and now must explain to the owners, what transpired and if we can ever recover the funds. How should we proceed? Marilyn D.

**Dear Marilyn:** There are several methods of committing fraud in strata corporations and associations. The most common is for a signing officer to create bogus contractors under their ownership. Over time, they will pay for phoney contracts and services and misuse bank and credit cards. This type of theft has occurred with self managed strata corporations and management companies. Immediately contact the police with whatever evidence you can identify and file a complaint for the theft. Obtain copies of all bank statements and cancelled cheques since this person joined council, establish if this person has any remaining cheques or access to your banking, such as through a bank card or credit card for the corporation, and contact your bank to stop any possible transactions. You may also need legal assistance to determine what actions may be taken to recover these losses and if the strata council has any fiduciary liability. Fraud from a strata council member is not covered under your strata insurance policy. While we cannot undo a theft, we can take critical steps to prevention. Council members share a joint responsibility for the financial management and operation of the corporation. Whether your strata corporation is self managed or retains a strata management company, a check list of monthly actions will enable your council to address any errors, check for unusual activities, and be responsive to suspicious transactions. The bank statements are not confidential and should accompany the monthly reconciliations and be available to all council members and owners on request. Review the transactions and verify investments that they are in the name of the strata corporation. Routine, monthly authorized transactions are easily separated from extraordinary expenses. Set bank cards at deposit only. Credit cards will expose your strata corporation to unauthorized access and costs if they are not managed closely. Place low limits on credit cards and demand receipts to accompany all statements. Internal operations such as petty cash and laundry receipts are also a source of potential abuse. Avoid petty cash accounts if possible; however, a low amount may be required for supplies. All expenses must be accompanied by an original receipt, and all laundry collections must be accompanied by a monthly written report and deposit. All cheques require a minimum of 2 authorized signatories and never sign a blank cheque!

Tony Gioventu, Executive Director CHOA

Kindly note CHOA is a member-based, non-profit association. If your strata is not currently a CHOA member please consider joining – membership details are posted on our website at: <https://www.choa.bc.ca/about-choa/join-choa/>

We bring together industry experts to discuss the many issues affecting BC's strata community. Click here for a link to our archived webinars: <https://choa.bc.ca/resources/webinars/>

**COVID-19:** To prevent the spread of COVID-19 CHOA staff may be working remotely. During this time we are online and available by phone and email to assist with your strata questions. Please stay safe and healthy.