



LEWIS, KAUFMAN, REID, STUKEY, GATTIS & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors of
Flintrock at Hurst Creek Property Owners Association, Inc.
Lakeway, Texas

In planning and performing our audit of the financial statements of Flintrock at Hurst Creek Property Owners Association, Inc. as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Flintrock at Hurst Creek Property Owners Association, Inc.'s internal control to be significant deficiencies:



- Regarding deposits from homeowners, we noted that there are several deposits still outstanding as far back as 2014. We would recommend that deposits over one year old be investigated to determine if the deposit needs to be refunded, forfeited, or noted as to the reason that the deposit is still outstanding.
- Regarding dating of transactions. It was noted that a deposit from an insurance claim was recorded in the books dated 12/31/2018. However, the deposit was not actually received until 2019. We understand that the association was attempting to match revenues and expenses with the current reporting year, however this was not the correct accounting for these transactions. We recommend that all cash transactions be recorded on the date the deposit is received or check is issued. Matching of revenues can then be obtained by recording appropriate receivables or payables.
- We recommend that disbursements exceeding a set amount (such as \$2,500) require two authorized signatures for the check to be issued. We understand this was not the case in 2018, but the Association is implementing this control in 2019.
- There is currently no analysis of allowance for uncollectable receivables. We recommend that the Association put in place a method of analyzing the receivables for collectability at least annually, but more preferably quarterly. Based on this analysis, record an allowance for bad debts.
- The description "Book Adjustment" is used frequently when making adjusting journal entries. We recommend that much more descriptive explanations be used on all adjusting journal entries.
- Informational comment: board minutes can be a crucial document in the event of future legal matters and in documenting compliance with regulatory issues. Minutes should be prepared in a matter so that an outsider would be able to understand the actions approved/denied and the discussions held. Minutes should include, but are not limited to, opening and closing of bank accounts, changes to bank signature cards, approval of capital expenditures, discussions with the Organization's insurance agent about the adequacy of insurance coverage, dealings with attorneys, dealings with collection agencies, budget approval, service fees changes, Board elections and resignations, Officer elections and resignations, and contracts approved.

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Lewis, Kaufman, Reid, Stuke, Gattis & Co., PC

Lewis, Kaufman, Reid, Stuke, Gattis & Co., PC
Plainview, Texas
November 19, 2019