Condo Smarts

Dear Tony: Our property manager asks us to approve the financial statements each month and last month our treasurer noticed there was a duplication for a bill from the 3 previous months. The error was tracked down to a simple accounting duplication that was resolved, but it did raise a topic at our council meeting over the role of our treasurer and the secretary of our strata corporation. How would our strata corporation know if there was an incorrect invoice for our property unless we closely reviewed all of the invoices and payments every month? It would seem this is a potential problem and opens strata corporations to the possibility of fraud or at the very least misallocation of funds between multiple strata corporations managed by the same property manager. The property manager tells us not to worry as they review all the accounts and are audited every year, yet we don’t receive a copy of that audit report so how would we know whether there are outstanding adjustments or errors?

Judy McClelland

Dear Judy: When your strata corporation engages a strata management company, for accounting and operational services, the strata council must understand you have engaged a contractor in an agency agreement. The management company are granted the authority to act on your behalf, known as the agency relationship, to manage your accounting, your property and assets and supervise employees and contractors. The scope of authority you give your strata management company is set out in the strata management agency agreement and through resolutions passed by the strata council at council meetings.

While your strata corporation has contracted these services, your responsibilities and liabilities as a council member do not diminish. It is still the responsibility of the strata council and the elected treasurer to review all monthly transactions, including payables, deposits, investments and receivables. The strata management company must provide the strata corporation with reconciled monthly reports that include the financial statement and the bank statements.

As a routine practice at your March meeting you would be receiving the January financial statement. There is no requirement under the Strata Property Act to approve the financial statements at either a council meeting or at your annual general meeting. They are simply a report the strata council receives. If your strata corporation has a significant number of transactions and substantial amount of operational budgeting and investments, a routine audit is also recommended. Every month review your standard accounts and compare those to your service agreements and invoices that are paid through your general ledger.

Strata management companies manage multiple strata corporations and produce thousands of transactions every month. It is common to find a misallocated invoice; however, it is crucial for you to review all of the transactions to confirm your strata corporation’s invoice allocations are correct.

To understand how easy it is for fraud to be committed, look at the recent Calgary strata manager accused of stealing approximately $2,000,000 in funds from her clients. There have been similar situations in BC where false companies have been created and appear to be legitimate transactions on strata accounts or where a treasurer in sole control of the finances has taken a permanent vacation on strata funds. Be vigilant.

Whether you are self-managed with only the treasurer in control of your transactions or operating through a...
strata management company, review all monthly invoices and payables and compare those transactions to the bank statements. If there is a transaction that looks duplicated, suspicious or in error, request copies of the invoices and verify the transaction is for your strata corporation. If there is doubt about the credibility of a transaction, verify the recipient contractor is legitimate.

It is essential for the public interest that if you discover a transaction suspected to be fraudulent, immediately contact the broker of the management company and the Real Estate Council of BC. All too often strata corporations that have encountered problems have simply been content with cancelling their contracts without any further action. If you are on your strata council, take your role seriously as the board of directors of a corporation.