

Condominium Home Owners' Association

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Bulletin: 300-219

Condo Smarts

Headline: Strata officers not paying their fees

Topic: Strata fees

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Dear Condo Smarts: A month ago, you wrote about a strata management company shutting down and the strata corporations potentially losing their money. We thought we were alone in our mysterious financial reporting until we read your column.

Our strata is a self-managed, 105-unit bare land on Vancouver Island. We have a substantial budget because of our extensive landscaping and a very luxurious club house.

In every respect it's been the ideal life style for retirees and working families, until I was elected to council and became treasurer. Turns out, over the first 10 years about \$150,000 in fees were never accounted for and no one knew why.

After reviewing and investigating the books, we discovered that the president, vice president, secretary and treasurer were not paying strata fees. They believed because they were taking care of the strata they had a right to pay themselves and in exchange not pay their fees. They also decided because they were managing the bookings and overnights of the club house, they would collect the revenues and not report it to the council.

We had an audit and finally came up with the figures. These four owners still live here, so what we want to know is, can we collect this money and recover the revenues that they received without reporting it to the owners? How can we prevent this from ever happening again?

— M.C.

Dear M.C.: In your case, yes, provided your strata corporation had not approved the remuneration of these individuals, your strata can fully recover all of these past strata fees and likely any of the revenues you can prove were received.

At this time, the current council needs to issue demand letters to the four individuals and provide them with an opportunity to remit the amount and failing their cooperation proceed with legal assistance, filing liens and eventually court ordered sales of the strata lots.

The audit was a key instrument in creating the factual information necessary to collect the fees. Alarm bells go off for me when a strata with an operating account over \$100,000 per year is reluctant to conduct an audit.

Smaller strata corporations can simplify their procedures for economics, but pay attention. If the strata or manager are resisting or refusing to provide accurate information these are often indications of a greater problem.

To review: The first rule of money is unless you have absolute transparent reporting, you will have problems. The second rule, is if people have unaccountable control over money, odds are someone will take advantage of it.

Unfortunately fraud is a serious epidemic in strata corporations. Whether you are professionally managed or self managed, the same rules of reporting and transparency need to apply.

Monthly bank statements for all accounts and investments held by the strata must be provided to strata council and be available to the owners on request. Invoices need to be double-checked to verify the companies actually exist and the GST numbers are not fake. The council needs to adopt a system where the treasurer and at least one or two council members review all of the invoices that are paid each month.

A monthly arrears report needs to be given to council for decisions on collections of strata fees and special levies.

Separate accounting must be maintained for the operating account, the contingency reserve account and any special levies.

Investments and accounts need to be closely scrutinized to verify interest is being collected and applied to the strata accounts. Petty cash accounts, corporate credit cards and company accounts are also at significant risk as the strata frequently does not have a receipt to review for payment. No receipt, no payment. Otherwise how can you prove the expenses are valid?

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