

Condominium Home Owners' Association

Serving BC's Strata Property Owners since 1976

Bulletin: 300-260

Condo Smarts

Headline: Catch shenanigans early on

Topic: Fraud

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Dear Condo Smarts: I've just taken over as treasurer in our strata of 101 units. We have 10 rentals and for the past five years, one of our investors has been the treasurer. We had to threaten court action through our lawyer to get the past treasurer to release our financial records, and the cancelled cheques were still missing. I personally paid the bank charges to have the past five years' cancelled cheques reproduced. Two other councillors and I sat down over Christmas and reviewed all of the documents. We are now in a state of shock and horror. We have discovered three companies to whom our strata has been paying money that do not exist. There are cheques for building inspections, accounting services and general maintenance that were never approved by council and no invoices. We contacted the bank on one of the cancelled cheques and were told that only the owner of the company (turns out it is our previous treasurer) could access the information in the accounts. We've tallied up the five years and our strata appear to have paid more than \$40,000 of fraudulent expenses. What do we do? Can we recover the losses?

-- K.C. , Surrey

Dear KC: These are hard lessons to learn for anyone in business, in a non-profit association or a strata corporation. Your council needs to immediately have an audit conducted and seek legal advice on the collection of the fraudulent invoices. If the past council member does not reconstitute the funds, including interest, court action may also be necessary. File a police complaint.

The fraud never stops when someone is allowed to get away with it and they will only make a victim of their next strata corporation or association.

There are a few rules of thumb that everyone can follow to prevent fraud or at least address it quickly when it occurs.

Misuse of bank accounts: Copies of all bank statements of all strata bank accounts must be provided to council members every month and on request of an owner within 14 days. Council, as part of their routine approval of financial statements, must review the bank statements.

Unauthorized payments: No payments are made without an invoice, and at least two council members not involved in transactions must review invoices each month. Invoices that charge GST without a valid GST number should never be paid until the correct information is provided.

Interest fraud: This is surprisingly frequent. All strata funds must be held in trust in the name of the strata corporation and all interest must be deposited to the strata account.

Monthly receivables: Strata council needs to record those owners not paying their strata fees and follow up each month. Not paying your monthly fees is the same as taking \$200 a month from the strata accounts. Watch for the signs and don't delay. Act quickly. Waiting three months before you take action only provides greater opportunities.

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