



Community Association Q&A

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Question – In January of 2006, our 203 unit condominium year-end budget was properly prepared and distributed as per the 718 Condominium Law. The audit was prepared by the condominium accountant without any financial problems; in other words, the audit showed no mismanagement of the condominium’s funds. Suddenly, in June of 2006, a unit owner claimed that \$210,000.00 is unaccounted for under “her” accounting methods and is presently obtaining unit owner signatures to have a “forensic line by line” audit performed by an independent accounting firm at a cost of \$8,000.00. No one knows where this \$8,000.00 figure comes from, since an audit that requires a line by line review costs about \$20,000.00. My questions are as follows:

1. Can unit owners request to have a second audit of the condominium books?
 - (a) If yes, under what circumstances?
 - (b) Is proof of financial mismanagement required to be provided to the board by the unit owners?
2. If the owners can request a second audit, how many signatures are needed to perform this second audit?
3. What is the board’s position regarding this matter? Should the board become involved?
 - (a) If yes, why?
 - (b) If no, why not?
4. If the board must become involved, what are the procedures?
 - (a) Should a “Special” letter to all the residents requesting their vote on this matter be mailed out?
 - (b) Does the board accept the signatures collected by the unit owner in question and move forward with the forensic audit?
5. If the board accepts the signatures obtained, does the board call a special meeting, and then does the board vote on this matter?
6. Should the board become involved in this matter at all?
7. If the unit owners want a second audit, should they pay for this audit out of their own pockets?
8. What is the law regarding this matter and what is your legal advice?

Our bylaws do not address this matter. C.O., Fort Lauderdale

Answer – The Condominium Act establishes the parameters for the nature and type of financial reports required to be prepared by an association and delivered to the unit owners. For associations with total annual revenues of \$100,000, but less than \$200,000, a “compiled” financial statement is required. For associations with annual revenues of at least \$200,000, but less than \$400,000, a “reviewed” financial statement is required. And, for associations with total annual revenues of \$400,000 or more, an “audited” financial statement is required. For associations with total annual revenues of less than \$100,000 and for associations which operate less than 50 units, regardless of the annual revenues, a report of cash receipts and expenditures, in lieu of financial statements, is required. That said and not to

confuse the issue, the board, acting alone without unit owner approval, can require financial reporting at a level greater than what is required by the Act. Also, the unit owners, by a majority vote at a meeting of the unit owners, can reduce the level of accounting required, annually. Within 90 days after the end of the fiscal year, the financial reports must be made available to the unit owners. The fact that a unit owner expresses an opinion concerning the accuracy or inaccuracy of the annual report does not compel the board or the unit owners to take any action. Any unit owner who has a question concerning the financial records can submit the inquiry to the board in writing, and the board must respond within ten (10) days to the inquiry. In addition, every unit owner or their authorized representative is allowed to inspect the official records of the association, including all financial records.

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