

that the bills be reviewed quarterly, or even monthly, by the accounting firm. This regular review may enable you to catch cost overruns or other irregularities and to execute course corrections in your budget or your policies as necessary.

4. **A definite policy of budget and line item review** is a means of assuring management that the board is vigilant. Board members should regularly take on the task of selecting one cost item to review in depth, reporting their findings at the next meeting. Tracing the purchase history of a single budget area (such as building maintenance supplies, phone costs, messenger fees, etc.) and then coming up with a recommendation for economizing could prove to be a valuable and cost-saving measure.
5. **Vendor Analysis.** Monthly cost reports by vendor will help you ensure that management is not changing vendors without authorization, that a single vendor is not accumulating excessive charges, and that costs are consistent and reasonable.
6. **Reserves** (separate from operating accounts). Your annual operating budget should be planned to provide ample funds to operate the building. Your management firm should keep these funds in a separate account that is not commingled with the funds of other clients. A small cushion should be calculated to ensure that normal operating expenses can be met throughout the year. There should be a separate capital budget and a separate capital account.
 - a. Your reserve fund(s) should be under the direct control of the board. Reserves should NOT be held by the management firm, nor should management be able to access reserves on its own. Maintaining a separate account for reserves preserves your control over these funds.
7. **A Well-Supervised Bidding Process with Independent Bidders.** On large projects, sealed bids are recommended. You will want a clear set of job specifications, generally prepared by your architect or engineer. Invite contractors to submit their proposals as sealed bids sent to a specific board member by a specified date. Seek bidders through the engineer, the managing agent and independent sources to try to ensure that there is no opportunity for a rigged bid.

**ASSOCIATION OF RIVERDALE
COOPERATIVES & CONDOMINIUMS**

ESTABLISHMENT OF SOUND FISCAL POLICIES

Each month, the treasurer should receive from management, at a minimum:

- a summary of income and disbursements for the previous month, including the beginning balance and end balance in the agent's account;
- a list of disbursements accompanied by invoices, check numbers, and dollar amounts paid, and authorizations for all expenditure which include an explanation of work done;
- lists of all payables and all receivables including a breakdown of shareholder arrears.

Controlling Funds

1. **A Strict Policy for Overseeing Disbursements.** A clear policy on disbursements should be established and strictly observed. While you will probably authorize management to meet recurring obligations automatically each month – the mortgage, the phone bill, the electric bill – clear policies are necessary for extraordinary expenditures. You may require double signatures on checks exceeding a certain amount, or a system of approval by the treasurer before a payment is made.
2. **Compare Cost Data to Relevant Benchmarks.** The treasurer should carefully review the monthly bills, checking them against invoices and comparing disbursements against the budget and against data from prior years. When questions arise, they should be asked promptly and management should provide a clear response in a timely manner.
3. **Enhanced Presence of your Accountant.** Far too many buildings underutilize the valuable resource represented by their accounting firm. Rather than seeking input from your independent accountant only through the annual audited financial statement, you can request