

April 22, 2008 2:06 PM--Bob Frank, SCA Director

## **Why An “Investigative Audit”?**

This statement was posted on a Ron Johnson blog area in response to a guy named Charlie, and I have copied it here for the convenience of Anthem Voice readers.

For Charlie:

The key reason why I insist on a truly independent, investigative audit of our community finances is because without it, we will not discover the true nature of the unanswered questions we have about our financial management. Such an investigative audit should clear up most of the mysteries you mention, as well as others.

If the “resident board” had sponsored such an investigative audit at transition time in May of 2005, and continued to do so each year since then, I am convinced the board could have saved this community millions of dollars, and avoided much of the trumpets lease and reserve funds fiascoes. It is just what is usually called “business 101?”

No doubt in your lifetime, you have seen the value of having independent audits, and the costs of not having such, and I encourage you to keep asking the hard questions. This is just as much your money as mine, and you have every right to get clear answers. You also have the right to demand that board members be accountable for their decisions.

Don’t waste your time praising board members for volunteering their time. If board and committee member RESULTS are unacceptable, get rid of them. No one had a gun to anyone’s head to serve, or to continue to serve. You have the right to demand excellence from all volunteers, and there are plenty of other honest, honorable people among our 11,000 residents who will volunteer—if community members will not accept poor management. It is hard to get truly qualified and motivated people to serve if they have to associate with leaders and others who do not share solid business qualifications and a passion for excellence in serving the needs of our homeowners.

Bottom line: Individuals who oppose/resist an independent audit are at risk of creating questions about their own agendas. Why would anyone not want to resolve, once and for all, every financial question/allegation? Only in that way can we face the future of this community with a clean financial baseline and achieve the peace and harmony that most members seek in this wonderful retirement community.

PS. See this link for some info on the difference between a “financial audit” and

an "investigative audit".

<http://lindanoe.blogspot.com/2006/02/february-14-2006-investigative-audit.html>

Here is a short summary of the article by attorney, Linda Noe, Morristown, TN:

*"Audits come in many sizes and varieties.*

*The type of audit that I have been discussing in recent posts is a simple "financial" audit involving a limited examination of a very small number or sampling of financial transactions (such as occurs with the required audits of all Tennessee counties).*

*Another type of audit is an "investigative audit" and one such audit just made big news in Tennessee. As a result of a tipster's report to the state, an investigative audit of the Tennessee School Boards Association (TSBA) was performed.*

*An investigative audit is special. It is far more extensive than a financial audit. The investigative auditor actually searches out information and looks for fraud and illegalities (unlike the routine random examination of a small sampling of transactions that occurs in a financial audit).*

*In a very simplistic way, the two audits can be compared as follows: A financial audit just looks at a few checks to see if everything adds up. An investigative audit goes deeper and attempts to find out if the checks and financial data are correct and whether the checks were ever legally authorized.*

*Obviously, there's a lot of difference in having an auditor come in, look at a few checks, and say everything "adds up" (financial audit) and having an auditor come in, look at several checks in depth, and find that there are checks that shouldn't have been written at all and that illegal payments were made (investigative audit)."*