

CIRA AUDIT & REVIEW CHECKLIST

A checklist to see how your product measures up to standards

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FOREWORD: The following checklist relates to CIRA issues encountered in audits and reviews of homeowners associations. *This checklist focuses on CIRA issues only, and not broad fundamentals of accounting and auditing.* It is therefore not comprehensive, and is not intended to be. It covers industry-specific disclosures only.

Use at your own risk. It is my belief, however, that the use of this checklist may aid you in successfully passing your next peer or quality review.

NAME OF ASSOCIATION: _____

YEAR ENDING: _____

No.	Disclosure Questions	Yes	No	N/A
A	AUDITOR'S REPORTS			
A-1	Does the audit report disclaim an opinion on the required supplementary information on future major repairs and replacements? CIRA, Ch 7, par 38			
A-2	Does the audit report include an explanatory paragraph if the required supplementary information on future major repairs and replacements is missing or inadequate? CIRA, Ch 7, par 39			
A-3	If the required supplementary information in 2 above is missing or inadequate, have we considered modifying our report?			
A-4	Does the audit report disclaim an opinion on expired budget information that may be included in supplementary information? CIRA, Ch 7, par 22.			
A-5	If supplementary information contains prospective budget information (unexpired budget information about future periods) does the report conform to the requirements described by Statement on Standards <i>Financial Forecasts and Projections</i> ? CIRA, Ch 7, Par 22			
B	FINANCIAL STATEMENTS			
B-1	<p>Do the financial statements include all of the following:</p> <ul style="list-style-type: none"> --Balance sheet --Statement of revenues and expenses --Statement of changes in fund balances or member's equity (may be combined with statement of revenues and expenses) --Statement of cash flows --Required supplementary information on future major repairs and replacements? 			

No.	Disclosure Questions	Yes	No	N/A
C	FOOTNOTES			
C-1	Is the CIRA's legal form and entity disclosed (Condos, PUDs, coops, unincorporated association, etc) CIRA, Ch 7, Par 22			
C-2	Are the number of units disclosed, including any still owned by the developer? CIRA, Ch 4, Par 22			
C-3	Is the CIRA's tax filing status disclosed and its liability for income taxes? CIRA, Ch 4, Par 22, Ch 6, Ch 9, Par 18-24			
D	REVENUES			
D-1	Have we tested assessments to see if they are consistent with the budget? CIRA, Ch 7, Par 24			
D-2	Is the amount of assessments used to fund the replacement program disclosed? (This is generally not a problem with fund-based financial statements) CIRA, Ch 4, Par 13			
D-3	Have interfund transfers been shown as "other changes in fund balances" and not as revenue? (Per CIRA guide, unbudgeted transfers of unspent operating funds to the replacement program should not be shown as revenues) - CIRA, Ch 7, Par 17			
D-4	Is the purpose and use of special assessments disclosed in notes to the financial statements? CIRA, Ch 4, Par 22			
D-5	When any one source of revenue accounts for 10% or more of total revenue, has that source and the amount from that source been disclosed? (Note: you just can't lump it all as "other revenue.") CIRA, Ch 7, Par 24			

No.	Disclosure Questions	Yes	No	N/A
E	INVESTMENTS			
E-1	Does the CIRAs investments conform to legal requirements and governing documents? (Note: if investments seem risky or unusual, e.g., pork belly futures, this question become especially pertinent.) CIRA, Ch 7, Par 26			
E-2	Are investments certificates of deposit and treasury bills with a maturity greater than three months at time of purchase classified as investments and NOT as cash equivalents? (NOTE: this is a common deficiency noted in peer reviews). FASB 95			
E-3	Has the nature and fair value, where appropriate, of investments been disclosed in notes to financial statements (held-to-maturity, available-for-sale, trading)? FASB 115, 107			
F	INSURANCE			
F-1	Have we determined that the CIRA's insurance coverage conforms to the requirements of California law and governing documents? CIRA, Ch 7, Par 28			
G	COMMON PROPERTY CIRA, Ch 2, Par 13			
G-1	Has the CIRA's policy for capitalizing common property been disclosed? (NOTE: most CIRAs do not capitalize common property directly related to the units, but do capitalize common property not directly related to the units, e.g., property used to provide services to outsiders or selectively to owners for use fees).			
G-2	Has capitalized common property been described in the financial statements or notes thereto?			
G-3	Do the footnotes describe the CIRA's responsibility to preserve and maintain the common area? (Note: for use restrictions on common property, land leases and other weird stuff, see the CIRA guide -- this checklist deals with what is typical in California).			

No.	Disclosure Questions	Yes	No	N/A
H	FUTURE MAJOR REPAIRS AND REPLACEMENTS CIRA, Ch 4, Par 26			
H-1	Has the CIRA's requirements for funding for future major repairs and replacements disclosed?			
H-2	Has the CIRA's funding policy and compliance with that policy been disclosed?			
H-3	Do the footnotes state that replacement funds are being accumulated based on estimated current or future replacement costs, that actual expenditures may vary from these estimates, and that these variances may be material?			
H-4	Do the footnotes state whether or not a study was conducted to estimate the remaining useful lives of common area components and the costs of future major repairs and replacements?			
H-5	If the CIRA intends to fund future major repairs and replacements by special assessment or by borrowing, do the footnotes disclose that policy?			
H-6	<p>Do the financial statements include required unaudited supplementary information on future major repairs and replacements, including:</p> <p>(1) a list of common area components that the association is required to maintain, with replacement cost, total estimated life for each and total remaining life for each;</p> <p>(2) assumptions used, including interest earned on savings, inflation rate assumed, number of years in the window for cash flow models, etc;</p> <p>(3) who performed the funding study, and if the board, how they determined replacement costs and lives of the components.</p>			
I	RELATED PARTY TRANSACTIONS			
I-1	Are services provided by board members, officers or developers disclosed? CIRA, Ch 4, Par 23			