Protect Your HOA Funds Protocol

10 Simple Safeguards Every Board Should Have in Place

A practical guide for protecting association funds and strengthening board oversight.

Strong financial controls help ensure association money is handled carefully, clearly, and with appropriate oversight.

Others may handle the bookkeeping or day-to-day financial work, but the board remains responsible for financial oversight.

Use this protocol to review safeguards that help prevent mistakes, misuse, and unauthorized transactions.

1. Know Who Has Access to the Money

The board should know who can access each bank, reserve, and investment account.

- ☐ Keep a current list of everyone who can access or move association funds.
- ☐ Limit access to people who actually need it.
- ☐ Make sure at least one board member can view account activity directly.
- ☐ Review access when board members, employees, or management staff change.

Why it matters The board cannot protect money if it does not know who has access to it.

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2. Do Not Let One Person Control the Entire Payment Process

Whenever possible, one person should not control every step of a payment. The person who prepares or enters a payment should not be the only person who approves it and later checks the bank activity.

- ☐ Separate payment preparation from payment approval when practical.
- ☐ Have someone other than the preparer review bank reconciliations.
- ☐ Avoid giving one person complete control from beginning to end.

Why it matters A second set of eyes can catch mistakes and make misuse harder.

3. Require Support for Every Payment

Every payment should have something that shows what was purchased, why the association owes the money, and who approved it.

- ☐ Require an invoice, receipt, contract, or other supporting document.
- ☐ Check the vendor, amount, and purpose before payment.
- ☐ Make sure approval can be traced to the right person.
- ☐ Give extra attention to large or unusual payments.

Why it matters A payment should never be made simply because someone says it is owed.

4. Set Clear Payment Approval Rules

The board should decide who can approve payments and when another approval is required.

- ☐ Clearly state who may approve payments.
- ☐ Set dollar limits when appropriate.
- ☐ Require extra approval for larger or unusual expenses.
- ☐ Document any exception to the normal process.

Why it matters Clear approval rules reduce confusion and make responsibilities easier to follow.

5. Put Extra Safeguards Around Reserve Funds

Reserve funds may represent years of owner contributions and should receive extra care.

- ☐ Keep reserve accounts clearly identified.
- ☐ Require board approval or another board-approved process before reserve money is transferred.
- ☐ Record why the transfer was made.
- ☐ Make sure the transfer can be followed through both the bank records and the accounting records.

Why it matters Reserve money should not move without a clear reason and a clear record.

6. Verify Changes to Vendor Payment Information

Changes to a vendor's bank account or payment instructions should never rely only on an email or message.

- [ ] Review new vendors before making payment.
- [ ] Confirm changes to payment information using trusted contact information.
- [ ] Do not rely only on the phone number or email address provided in the change request.
- [ ] Keep a record showing that the change was verified.

Why it matters Fake payment-change requests are a common way money can be sent to the wrong account.

7. Give the Board Direct Visibility Into Bank Accounts

At least one board member should be able to view association bank activity directly. The board should not have to rely only on reports prepared by a bookkeeper, manager, or other third party.

- [ ] Make sure a board member can view bank activity directly.
- [ ] Make sure the board can obtain bank statements independently.
- [ ] Compare bank balances with the financial reports.
- [ ] Review unusual transactions when they appear.

Why it matters Independent access lets the board confirm that the money shown in the financial reports is actually there.

8. Review Bank Reconciliations

A bank reconciliation compares the association's accounting records with the bank statement. The board does not need to prepare it, but someone other than the preparer should review it.

- [ ] Make sure every bank account is reconciled regularly.
- [ ] Confirm that the reconciliation agrees with the bank statement and accounting records.
- [ ] Review outstanding checks and deposits.
- [ ] Ask about old or unusual differences.
- [ ] Have someone other than the preparer review the reconciliation.

Why it matters A reconciliation can reveal missing entries, duplicate payments, old checks, or other problems that may otherwise go unnoticed.

9. Watch Credit Cards and Electronic Payments

Electronic payments are convenient, but money can move quickly and may receive less attention than a paper check.

- [ ] Limit who can use association credit cards or payment systems.
- [ ] Set spending limits when appropriate.
- [ ] Require receipts and supporting documents.
- [ ] Review automatic and recurring payments from time to time.
- [ ] Include electronic payments in the board's regular financial review.

Why it matters Convenience should not reduce oversight.

10. Remove Access When Responsibilities Change

Financial access should be removed promptly when someone leaves the board, management company, or another financial role.

- [ ] Remove former board members from bank access.
- [ ] Remove former employees or management staff promptly.
- [ ] Review online banking permissions regularly.
- [ ] Include credit cards, payment platforms, and accounting systems in the review.

Why it matters Old access can remain active long after someone should no longer have it.

A Simple Principle

No important financial transaction should depend entirely on one person's actions or one person's information.

Good safeguards create visibility before money moves, after it moves, and when financial information is reported to the board.

Board Self-Check

Your board should be able to answer yes to these questions:

- ☐ Do we know who can access or move association money?
- ☐ Are payments reviewed or approved by someone other than the person who prepares them?
- ☐ Are reserve transfers approved and documented?
- ☐ Can at least one board member independently view bank statements and balances?
- ☐ Are changes to vendor payment information independently verified?
- ☐ Are large or unusual payments reviewed?
- ☐ Do we regularly review who has access to bank accounts and financial systems?
- ☐ Would an unusual transaction become visible to the board reasonably quickly?

Next step Use the Monthly Financial Review Checklist for your regular review. The companion Review Guide is included with the Smart HOA Finance Board Briefings.

The goal is to make association money visible, verifiable, and difficult to misuse.