FINANCIAL CONTROLS POLICY

[Association Name] Condominium Association, Inc.

A Florida Condominium Association Governed Under Chapter 718, Florida Statutes

Adopted by the Board of Directors on:	
Effective Date:	
Last Revised:	
Policy Number:	

STATEMENT OF AUTHORITY

This Financial Controls Policy is adopted by the Board of Directors of [Association Name] Condominium Association, Inc. (the "Association") pursuant to the authority vested in the Board under the Association's Declaration of Condominium, Articles of Incorporation, Bylaws, and applicable law, including:

- Florida Statutes Chapter 718 (the Florida Condominium Act), specifically §§718.111, 718.112, 718.3026, and 718.3027; and
- Chapter 2024-221, Laws of Florida (House Bill 1021), effective July 1, 2024, amending Chapter 718 to strengthen financial controls, records management obligations, reserve funding requirements, and criminal penalties applicable to condominium directors, officers, and managers.

In the event of any conflict between this Policy and applicable Florida law, Florida law shall govern. This Policy is intended to supplement — not supersede — statutory requirements.

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SECTION 1 — PURPOSE AND SCOPE

1.1 Purpose

This Financial Controls Policy (the "Policy") is established to:

1. Establish robust internal financial controls for the protection of Association assets and funds;
2. Ensure full compliance with Florida Statutes Chapter 718 and the requirements of HB 1021 (Ch. 2024-221, Laws of Florida);
3. Define clear roles, responsibilities, and limitations for all persons who handle, authorize, or oversee Association finances;

4. Prevent fraud, misappropriation, embezzlement, and unauthorized use of Association funds; and
5. Promote transparency and accountability to all unit owners of the Association.

1.2 Scope

This Policy applies to all of the following individuals and entities, without exception:

- All members of the Board of Directors;
- All officers of the Association (President, Vice President, Treasurer, Secretary);
- The licensed Community Association Manager (CAM) and any management company engaged by the Association;
- All employees and agents of the management company who handle Association funds;
- All vendors, contractors, and service providers to the extent they receive Association funds;
- All committee members and volunteers who handle any Association funds or property; and
- Any successor management company or interim manager during a management transition.

1.3 Legal Authority

This Policy is grounded in the following statutory provisions:

- **Florida Statute §718.111** — Powers and duties of association; official records; financial reporting
- **Florida Statute §718.112** — Bylaws; meeting requirements; financial obligations
- **Florida Statute §718.3026** — Contracts for products and services; competitive bidding

- **Florida Statute §718.3027** — Powers and duties of officers, directors, and managers; conflicts of interest
- **HB 1021 (Ch. 2024-221, Laws of Florida)**, effective July 1, 2024 — Comprehensive amendments to Chapter 718 addressing financial controls, records obligations, SIRS reserve funding, criminal penalties, and CAM accountability

SECTION 2 — ROLES AND RESPONSIBILITIES

2.1 Property Manager / Community Association Manager (CAM)

The licensed Community Association Manager (CAM) or management firm engaged by the Association is solely responsible for all day-to-day financial operations and execution, including but not limited to:

- Collecting and posting unit owner assessments and other revenues;
- Reviewing, coding, and processing vendor invoices for payment within approved thresholds;
- Disbursing payments by check or authorized electronic transfer;
- Maintaining the general ledger and all financial records;
- Preparing monthly and annual financial reports;
- Performing bank reconciliations for all Association accounts; and
- Maintaining all official records in accordance with Section 7 of this Policy.

The CAM must hold a valid license under **Florida Statute §468.431**. The management firm and its employees who handle Association funds must be covered by a fidelity/crime insurance policy as required under **§718.111(11)(h)**. Upon termination of the management contract, the CAM must return all official records to the Association within **20 business days** per HB 1021 requirements.

2.2 Board of Directors — Financial Role

The financial role of the Board of Directors is **OVERSIGHT, AUTHORIZATION, AND APPROVAL ONLY** — not execution or administration. The Board sets policy, approves budgets and expenditures above established thresholds, and ensures accountability. The Board does not administer day-to-day financial operations.

Board members **SHALL NOT**, under any circumstances:

- **Have personal access to Association bank accounts with transaction authority;**
- **Possess, carry, or use Association debit cards;**
- **Possess, store, or use the Association's physical or digital checkbook;**
- **Sign checks** (except the President and Treasurer as specifically authorized backup signatories under Section 2.3 and 2.4 below);
- **Initiate, authorize unilaterally, or execute wire transfers;**
- **Handle Association cash receipts** without following the dual-control procedures of Section 3.4; or
- **Instruct or direct the CAM to disburse funds without proper written authorization** as required by Section 4.

Board members **MAY**:

- Review monthly financial packages and reports prepared by the CAM;
- Approve annual budgets, amended budgets, and special assessments by vote at noticed meetings;
- Authorize specific expenditures above the thresholds established in Section 4 by vote or written authorization;
- Access bank statements and account information through **read-only** direct bank portal access for oversight purposes; and
- Appoint an Audit Committee comprised of unit owners to assist with financial oversight.

2.3 Treasurer

The Board Treasurer shall serve as the primary financial oversight officer of the Board and shall:

- Review and sign off on the monthly financial package prepared by the CAM;

- Present a financial summary report to the full Board at each regular Board meeting;
- Maintain **read-only** direct bank portal access for oversight — this access confers no transaction authority;
- Provide co-authorization (countersignature) for check requests or disbursements exceeding $5,000 as specified in Section 4; and
- Co-authorize wire transfers in conjunction with the CAM as specified in Section 5.3.

2.4 President

The Board President shall:

- Serve as an **authorized backup signatory only** — the President may sign checks or co-authorize disbursements solely in documented emergency circumstances when the Treasurer is unavailable and when the expenditure cannot be delayed;
- Provide email or written authorization for expenditures in the $2,501–$5,000 range per Section 4;
- Co-authorize emergency expenditures in conjunction with the CAM per Section 4; and
- Maintain **read-only** direct bank portal access for oversight — this access confers no transaction authority.

Any instance of the President acting as a signatory must be documented in writing with an explanation of the emergency and ratified at the next Board meeting.

2.5 Audit Committee (If Established)

The Board may establish an Audit Committee comprised of:

- A minimum of three (3) unit owners in good standing who are **not** serving members of the Board of Directors;
- Members appointed by a majority vote of the Board at a noticed meeting.

The Audit Committee shall review financial records and disbursements on a quarterly basis and report its findings, observations, and any concerns directly to the full Board. The Audit Committee has no independent authority to direct or instruct the CAM.

SECTION 3 — PROHIBITION ON DEBIT CARDS AND UNRESTRICTED ACCESS

3.1 Debit Card Prohibition

Absolute Prohibition — Debit Cards

Debit cards are STRICTLY PROHIBITED for any Association expense or purpose. Florida Statute §718.111(15) expressly provides that debit cards may not be used for any association expense. Improper use of a debit card for Association expenses may constitute theft under applicable Florida law.

- **No Association debit card shall be issued, held, or used by any board member, officer, employee, CAM, or CAM employee for any Association purpose, under any circumstances.**
- Any person found to have used or possessed a debit card for Association expenses shall be subject to immediate removal from their position and referral for civil and criminal action.
- Any management company that issues or permits the use of a debit card linked to Association accounts shall be in material breach of its management agreement and subject to immediate contract termination.

3.2 Checkbook Controls

- The Association's checkbook — whether physical or maintained in accounting software — shall be maintained exclusively by the CAM or authorized management staff.
- **No board member shall possess, store, transport, or have unsupervised access to the association's checkbook, checks, or check stock at any time.**

- All blank check stock shall be maintained in locked, secured storage by the CAM and inventoried periodically.
- Voided checks must be retained and accounted for in the CAM's records.

3.3 Credit Card Policy

- Association credit cards, if any are issued, may only be held by CAM-authorized management staff for specifically pre-approved categories of expense (e.g., emergency maintenance supplies, utility deposits).
- Credit card use must be pre-authorized in writing for each category of eligible expense by Board resolution.
- Monthly credit card statements must be submitted to the Board in the monthly financial package, accompanied by itemized receipts for every charge.
- **Credit card limits shall not exceed $2,500 per card without specific Board approval by majority vote at a noticed meeting.**
- Board members and officers shall not be issued or hold Association credit cards.

3.4 Cash Handling Procedures

- All cash receipts (including laundry revenues, amenity fees, fines collected in cash, or any other cash income) must be counted and verified by **two persons simultaneously** at the time of collection.
- A cash receipts log must be completed at the time of collection, signed by both counting persons, and maintained as an official record.
- All cash receipts must be deposited into the appropriate Association bank account within **24 hours** of receipt.
- The cash receipts log must be reconciled to bank deposit records monthly by the CAM and reviewed by the Treasurer.

- **No cash receipts shall be used for petty cash disbursements or to offset expenses without being first deposited and subsequently disbursed through normal check or transfer procedures.**

SECTION 4 — EXPENDITURE APPROVAL THRESHOLDS

All disbursements of Association funds must comply with the following approval thresholds. No disbursement shall be made without the required approval. Authorization records must be retained per Section 7.

Expenditure Amount	Approval Required	Additional Requirements
Up to $500	CAM authorization	Receipt required; transaction logged in ledger; reported in next monthly financial package
$501 – $2,500	CAM + written notice to Board	Submitted and documented in next monthly financial report; invoice retained
$2,501 – $5,000	CAM + Board President written/email approval	Email or written authorization retained as official record; reported at next Board meeting
$5,001 – $10,000	CAM + Board President + Treasurer co-authorization	Written authorization from both required **before** disbursement; documented in Board minutes
$10,001 – $25,000	Full Board majority vote at a noticed Board meeting	Resolution recorded in meeting minutes; vote documented; 48-hour notice to owners if required
Over $25,000	Full Board majority vote + competitive bidding required	Per §718.3026 — contracts exceeding 5% of annual budget require competitive bidding (see Section 4.1)
Emergency expenditures (any amount)	CAM + Board President authorization	Written documentation of the nature of the

Expenditure Amount	Approval Required	Additional Requirements
		emergency required; ratified by full Board at next meeting; reported in minutes

4.1 Competitive Bidding Requirements

Pursuant to **Florida Statute §718.3026**, contracts for the purchase of materials, equipment, or services requiring payment by the Association in an amount that exceeds **5% of the total annual budget** of the Association (including reserves) require the Association to obtain competitive bids. The following rules apply:

- At least three (3) bids must be solicited where practicable;
- All bids received must be retained for the period specified in Section 7;
- The Board is not required to accept the lowest bid, but must document the rationale for its selection;
- The following professional service contracts are **exempt** from competitive bidding: attorneys, accountants/CPAs, community association managers, engineers, and architects; and
- Associations with ten (10) or fewer units may opt out of the competitive bidding requirement by a vote of at least two-thirds (2/3) of the total voting interests of the Association.

4.2 Conflict of Interest — HB 1021 Requirements

Pursuant to HB 1021 and Florida Statute §718.3027, the following conflict-of-interest requirements apply:

- Any contract for goods or services in excess of **$2,500** with or through a CAM, CAM firm, or any entity in which the CAM or a board member has a financial interest must be disclosed and must include the solicitation of multiple competitive bids from independent third parties;
- Any conflict-of-interest contract must be specifically listed on the Board meeting agenda and the details of the conflict entered into the meeting minutes;

- Approval of any conflict-of-interest contract requires a **two-thirds (2/3) majority vote of the directors** present at a duly noticed Board meeting; and
- The conflicted party must recuse themselves from the vote and the recusal must be noted in the minutes.

SECTION 5 — SEPARATION OF DUTIES

5.1 Core Principle

No single individual shall have the ability to authorize a transaction, execute the transaction, AND record the transaction. This separation is the foundational internal control against fraud and error. All financial processes must be structured so that at least two independent persons or roles are involved in any complete financial transaction cycle.

5.2 Separation of Duties Matrix

Function	CAM / Management Staff	Board Treasurer	Board President	Board of Directors
Receive / post assessment payments	✓	✗	✗	✗
Approve invoices for payment	✓ (up to threshold)	Review	Approve ($2,501–$5K)	Approve (over threshold)
Issue / sign checks	✓	Countersign (>$5K)	Emergency only	✗
Maintain checkbook / ledger	✓	✗	✗	✗
Bank account access	Read/Write (CAM)	Read-only	Read-only	✗
Prepare financial reports	✓	Review & sign off	✗	Accept / approve
Perform bank reconciliation	✓	✗	✗	✗

Function	CAM / Management Staff	Board Treasurer	Board President	Board of Directors
Review bank reconciliation	✗	✓	✗	✓
Authorize wire transfers	Initiate	Co-authorize	Co-authorize (if Treasurer unavailable)	Approve (>$10K)
Approve vendor contracts	✗	✗	✗	✓

5.3 Wire Transfer Controls

- Wire transfers require **dual authorization**: the CAM initiates the transfer, and the Board Treasurer (or President if the Treasurer is documented as unavailable) provides written or emailed co-authorization before the wire is released.
- **Wire transfers exceeding $10,000 require full Board vote at a noticed meeting or unanimous written consent of the Board** prior to execution.
- Wire transfer co-authorization emails or written approvals must be retained as official records per Section 7.
- The CAM shall confirm receipt of funds at the destination institution and provide confirmation to the Board within 24 hours of transfer.
- Recurring wire transfers (e.g., insurance premiums) must be individually authorized at the time of each transfer unless subject to a standing resolution of the Board specifically authorizing recurring transfers to a named payee.

5.4 Board Direct Bank Access

- At minimum, the Board President and Treasurer shall have **read-only** direct online bank portal access to all Association accounts.
- This access is established for oversight purposes only and confers no authority to initiate transactions, transfer funds, or instruct the bank in any manner.

- The CAM shall assist in establishing this read-only access within 30 days of this Policy's adoption or within 30 days of a new officer assuming their role.

SECTION 6 — MONTHLY RECONCILIATION REQUIREMENTS

6.1 Reconciliation Deadline

The CAM shall complete bank reconciliation for **all** Association accounts — including operating account(s), reserve account(s), and any special assessment account(s) — within **21 calendar days** following the close of each month.

6.2 Required Reconciliation Package Contents

The monthly reconciliation package delivered to the Board shall include all of the following:

6. Bank statements for all Association accounts for the period;
7. Reconciliation worksheet for each account showing: beginning balance, total deposits, total disbursements, and reconciled ending balance;
8. Outstanding checks list (checks issued but not yet cleared);
9. Accounts receivable / delinquent assessment aging report (see Section 6.4);
10. Budget-to-actual variance report for operating and reserve accounts;
11. Copies of all invoices paid during the month;
12. Check register / disbursements log for the period; and
13. Reserve fund balance confirmation and comparison to reserve study schedule.

6.3 Board Review of Reconciliation

- The Treasurer shall review and sign off on the reconciliation package within **7 calendar days** of receipt from the CAM.
- **Any variance, discrepancy, or unexplained item greater than $100.00 must be flagged in writing to the full Board within 48 hours** of the Treasurer's discovery.

- The reconciliation package shall be presented and discussed at each monthly Board meeting as a standing agenda item.
- Board acceptance of the reconciliation package shall be recorded in the meeting minutes.

6.4 Delinquency Management

- The CAM shall provide a delinquent assessment report with the monthly reconciliation package.
- All accounts **30 or more days past due** must be individually identified and reported to the Board.
- All accounts **90 or more days past due** require specific Board direction, which may include authorization of a demand letter, referral to Association counsel for collections proceedings, or lien filing pursuant to Chapter 718.
- The Board shall adopt a Collections Policy as a companion document to this Policy to govern the full collections process.

SECTION 7 — DOCUMENTATION RETENTION (HB 1021 COMPLIANCE)

7.1 Mandatory Record Categories and Retention Schedule

Pursuant to **HB 1021 (effective July 1, 2024)** and **Florida Statute §718.111(12)**, the following official records must be maintained in an organized manner that facilitates inspection by unit owners. All records listed below are official records of the Association.

Record Type	Retention Period	Required Storage Format
Financial statements (compiled, reviewed, or audited)	7 years	Physical + Digital
Bank statements (all accounts)	7 years	Physical + Digital
Invoices and transaction receipts	7 years	Physical + Digital

Record Type	Retention Period	Required Storage Format
Deposit slips	7 years	Physical + Digital
Canceled checks (images)	7 years	Digital
Contracts for goods and services	7 years	Physical + Digital
Bids received (accepted and rejected)	7 years	Physical + Digital
Meeting minutes (all Board and member meetings)	7 years	Physical + Digital
Budget documents (proposed and adopted)	7 years	Physical + Digital
Delinquency and collection records	7 years	Physical + Digital
Building permits and inspection reports	Duration of ownership + 7 years	Physical + Digital
Insurance policies and fidelity bond certificates	Duration of policy + 7 years	Physical + Digital
Vendor agreements and work orders	7 years	Physical + Digital
Wire transfer authorizations (written/email)	7 years	Digital
Check request approvals (written/email)	7 years	Digital
Reserve study and SIRS reports	7 years	Physical + Digital
Special assessment documentation and accounting	7 years	Physical + Digital
Cash receipts logs	7 years	Physical + Digital

7.2 Digital Record Requirements

- Beginning **January 1, 2026**, associations managing **25 or more units** must maintain digital copies of official records that are accessible via the Association's website or mobile application, per HB 1021.
- Digital records must be stored in a secure, regularly backed-up system. Cloud-based storage with redundant backup is strongly preferred.

- Records must be organized and indexed to facilitate prompt inspection upon request by any unit owner.
- Access to digital records must be restricted to authorized personnel; a log of access and modifications should be maintained where technically feasible.

7.3 Unit Owner Records Access Rights

- Unit owners have the right to inspect and copy official records of the Association within **10 business days** of delivery of a written inspection request to the Association.
- The CAM must provide the requesting owner with a checklist of all records made available and identify any records withheld, with the legal basis for withholding.
- Reasonable copying costs may be charged to the owner but the right of inspection may not be denied.
- Failure to provide access to official records within the statutory period may be reported to the **Florida Division of Condominiums, Timeshares, and Mobile Homes** of the Department of Business and Professional Regulation.

7.4 Criminal Penalties Under HB 1021

Statutory Criminal Penalties

- It is a **first-degree misdemeanor** to knowingly, willfully, and repeatedly (two or more times within a 12-month period) fail to provide unit owners with access to official records as required by law.
- It is a **third-degree felony** to knowingly and intentionally deface, destroy, or cause the destruction of official records during the applicable retention period with the intent to obstruct a criminal investigation or proceeding.
- Association directors, officers, and community association managers are personally subject to these criminal penalties under HB 1021.

7.5 Records Recovery Obligation

If official records are lost, destroyed, stolen, or otherwise become unavailable through any cause, the Association has an **affirmative obligation** to make a good faith effort to obtain and recover those records, including by contacting banks, vendors, attorneys, accountants, and prior management companies as appropriate. The Board shall document all recovery efforts in writing.

SECTION 8 — FIDELITY BOND AND INSURANCE

8.1 Mandatory Fidelity Coverage

Pursuant to **Florida Statute §718.111(11)(h)**, the Association must maintain a fidelity bond or blanket crime insurance policy (collectively, "fidelity coverage") that meets the following requirements:

- Coverage must equal or exceed the **maximum amount of funds in custody of the Association or its management agent at any one time**, calculated per Section 8.2 below;
- Coverage must extend to the CAM, the management firm, and all employees and agents of the management firm who handle Association funds;
- Coverage must extend to all officers and directors of the Association who handle funds; and
- The policy must name the Association as the insured or loss payee.

> **Important — Fidelity Waiver Warning**
>
> The fidelity bond requirement may be waived annually by a majority vote of the total voting interests of the Association. **Such a waiver is STRONGLY DISCOURAGED** and should only be considered in extraordinary circumstances with the advice of Association counsel. The Board shall document the specific rationale for any waiver vote in the meeting minutes.

8.2 Minimum Coverage Calculation

The minimum required fidelity coverage amount shall be calculated as the sum of:

14. The maximum projected balance of all operating account(s);
15. The maximum projected balance of all reserve account(s), including SIRS reserves; and
16. The maximum projected balance of any special assessment account(s).

This calculation must be reviewed and updated annually at the time of budget adoption. Coverage must be adjusted promptly if a special assessment or significant reserve event causes Association funds to exceed current coverage limits.

8.3 Annual Insurance Verification

- The CAM must provide the Board with a current certificate of fidelity/crime insurance coverage **annually**, no later than 30 days following policy renewal.
- The Board Treasurer shall verify that the coverage amount meets or exceeds the minimum calculated pursuant to Section 8.2 and shall document this verification in the Board meeting minutes at or near the time of budget adoption.
- Any lapse in fidelity coverage must be immediately reported to the full Board in writing by the CAM.

SECTION 9 — FINANCIAL REPORTING REQUIREMENTS

9.1 Annual Financial Reporting Tiers

Pursuant to **Florida Statute §718.111(13)**, the type of annual financial report required depends on the Association's total annual revenues as follows:

Total Annual Revenues	Required Financial Report Type
Under $150,000	Report of Cash Receipts and Expenditures (may be prepared by CAM)
$150,000 – $299,999	Compiled Financial Statement (prepared by licensed CPA)

Total Annual Revenues	Required Financial Report Type
$300,000 – $499,999	Reviewed Financial Statement (prepared by licensed CPA)
$500,000 or more	Audited Financial Statement (prepared by licensed, independent CPA)

9.2 Reporting Deadlines and HB 1021 Restrictions

- The required annual financial report must be completed within **90 days** following the close of the Association's fiscal year.
- The completed report must be delivered or made available to all unit owners within **180 days** of fiscal year-end (or within the timeline established in the Association's Bylaws, if shorter).
- A copy of the annual financial report must be maintained as an official record per Section 7.
- **HB 1021 Restriction:** Associations are **prohibited** from reducing the required level of financial reporting in consecutive fiscal years. For example, an association that obtained an audited financial statement for the prior fiscal year may not revert to a reviewed statement in the following year without legal justification and owner authorization.
- Unit owners may waive the annual financial report requirement (by the required majority vote under §718.111(13)); however, such a waiver is inadvisable for associations with significant assets and is subject to HB 1021 limitations.

9.3 Monthly Board Financial Package

The CAM shall prepare and deliver a complete monthly financial package to the Board **no later than the 21st calendar day of each following month**. The package shall contain, at minimum:

17. Income statement (budget vs. actual, year-to-date) for operating funds;
18. Balance sheet as of month-end;
19. Bank reconciliation for all accounts (per Section 6.2);

20. Reserve fund status summary compared to the reserve study schedule;
21. Delinquency and accounts receivable aging report;
22. Check register / disbursements log for the period; and
23. Log of pending invoices awaiting Board approval, if any.

SECTION 10 — AUDIT PROCEDURES

10.1 Scheduled Audits

- Associations meeting the **$500,000 or more annual revenue** threshold must obtain a full independent CPA audit annually, as required by §718.111(13).
- All other associations are strongly encouraged to conduct an independent financial review by a licensed CPA at least annually, in addition to (not in lieu of) the required annual financial report.
- The annual audit or review shall be separate from and in addition to the Board's regular internal oversight activities.

10.2 External Audit Process

- The Board shall select a licensed, independent CPA firm that has no financial relationship with the CAM or management company.
- Auditor selection shall be approved by Board vote; auditor engagements are exempt from competitive bidding requirements under §718.3026.
- The auditor reports directly to the Board of Directors — not to the CAM or management company — and all audit communications shall be directed to the Board.
- The CAM must cooperate fully and promptly with the auditor, providing all requested records, account access, and documentation.
- The Board shall review any management letter or audit findings report at a noticed Board meeting and document the Board's response in the minutes.

10.3 Internal Audit / Audit Committee Procedures

Whether or not a formal Audit Committee has been established, the following internal review activities shall be conducted:

Quarterly:

- Review a random sample of at least 10% of disbursements for the quarter — verify supporting invoices, proper authorization, and correct account coding;
- Confirm reserve fund balances match the approved reserve study funding schedule; and
- Review delinquency management actions for compliance with the Collections Policy.

Annually:

- Review all vendor contracts for proper Board authorization and conflict-of-interest disclosures;
- Verify fidelity bond/crime insurance coverage meets minimum requirements per Section 8;
- Confirm all required records are maintained, organized, and accessible per Section 7 and HB 1021; and
- Review the Association's compliance with this Policy and recommend updates as needed.

10.4 CAM Transition Audit

Upon the termination, non-renewal, or resignation of any CAM or management company, the following transition procedures are mandatory:

- A transition audit shall be initiated immediately upon notice of contract termination;
- The outgoing CAM must return all official records to the Association within **20 business days** of contract termination per HB 1021;
- **Failure to return records:** The outgoing CAM's license is subject to suspension and a civil penalty of **$1,000 per day** (for up to 10 business days) beginning on the 21st business day following termination;

- A transition financial reconciliation shall be completed by the incoming CAM or Association CPA before any final payment is made to the outgoing CAM; and
- The Board shall obtain written confirmation from the incoming CAM or its CPA that all accounts have been properly transferred and that no unauthorized transactions occurred during the transition period.

10.5 Fraud Response Protocol

If any financial irregularity, misappropriation, unauthorized transaction, or suspected fraud is discovered by any person covered by this Policy, the following response protocol shall be followed in order:

24. **Immediately notify** the Board President and the Association's legal counsel in writing;
25. **Preserve all records** — do not alter, delete, destroy, or remove any documents, electronic files, or physical records related to the suspected irregularity;
26. **Engage an independent CPA** for forensic accounting review, separate from the regular auditor if practicable;
27. **File a claim** under the Association's fidelity bond or crime insurance policy;
28. **Report to the Florida Division of Condominiums** if the suspected party is a board member, officer, or licensed CAM;
29. **Consider referral to law enforcement** — the Association Attorney and Board shall jointly evaluate whether to refer the matter to local law enforcement or the Florida Attorney General; and
30. **Notify unit owners** as required by applicable Florida Statutes and as advised by Association counsel.

SECTION 11 — RESERVE FUND CONTROLS

11.1 Segregation of Reserve Funds

- Reserve funds must be maintained in bank accounts that are **separate and distinct** from operating funds, as required by **Florida Statute §718.111(14)**.
- **Commingling of reserve funds with operating funds is strictly prohibited** and constitutes a violation of Florida law.
- Reserve funds may only be invested in instruments authorized by Florida Statute and the Association's reserve investment policy, if adopted.
- Reserve funds may only be expended for the specific asset categories and purposes designated in the Association's reserve study or Structural Integrity Reserve Study (SIRS).

11.2 Reserve Fund Withdrawal Procedures

- Any transfer, withdrawal, or expenditure from reserve accounts requires a **recorded Board vote at a duly noticed Board meeting**, with the specific purpose documented in the meeting minutes.
- Emergency use of reserve funds must be authorized by the Board President and CAM consistent with Section 4's emergency expenditure procedures, and must be **ratified by the full Board at the next Board meeting**.
- Any reserve fund expenditure must be supported by invoices and documented in the reconciliation package per Section 6.2.

11.3 SIRS Reserve Funding Requirements Under HB 1021

- Effective **December 31, 2024**, reserves identified and required by a Structural Integrity Reserve Study (SIRS) **may not be waived or reduced** by unit owner vote, per HB 1021.
- SIRS reserve funds must be funded in full as required by the SIRS, and the Board may not adopt a budget that reduces SIRS-required reserves below the amounts specified in the study.
- An exception may apply for qualifying multicondominium associations that have received approval for alternative funding methods from the Florida

Division of Condominiums; such approval must be documented and retained as an official record.

- The Board shall ensure the SIRS is kept current (updated at least every 10 years) and that reserve funding remains on schedule.

SECTION 12 — SPECIAL ASSESSMENT CONTROLS

Special assessments represent significant financial obligations of unit owners and require heightened financial controls. The following requirements apply to all special assessments levied by the Association:

31. **Dedicated Account:** All special assessment funds must be deposited into a dedicated special assessment bank account that is separate from both operating and reserve accounts. No commingling of special assessment funds with other Association funds is permitted.
32. **Purpose Restriction:** Special assessment funds may only be expended for the specific purpose stated in the notice of assessment approved by the Board and delivered to unit owners. Any proposed change in the use of special assessment funds requires Board approval and owner notification.
33. **Accounting and Reporting:** The CAM must maintain a detailed accounting of all special assessment receipts and expenditures. A status report on special assessment collections and expenditures must be included in the monthly financial package.
34. **Project Completion Accounting:** Upon completion of the project or purpose for which the special assessment was levied, the Board must provide all unit owners with a full accounting of assessment receipts and expenditures, including any remaining balance.
35. **Surplus Funds:** Any unspent special assessment funds remaining after the completion of the designated purpose must either be returned to unit owners on a pro-rata basis or credited to their association accounts, as determined by Board vote. No surplus special assessment funds may be

transferred to the operating account without specific Board authorization and owner notification.

36. **Expenditure Authorization:** Expenditures from the special assessment account are subject to the same thresholds and authorization requirements set forth in Section 4 of this Policy.

SECTION 13 — VIOLATIONS AND ENFORCEMENT

13.1 Internal Sanctions

Any board member, officer, committee member, or volunteer found to have violated this Policy may be subject to the following internal actions, in addition to any legal consequences:

- Formal written censure entered into the Board meeting minutes;
- Removal from committee appointments and advisory roles;
- Referral for recall proceedings pursuant to Florida Statute §718.112(2)(j); and
- Civil demand for restitution of any funds improperly disbursed or misappropriated.

Any CAM or management company found in violation of this Policy may be subject to:

- Immediate contract termination for cause;
- Claim against the fidelity bond for any losses;
- Referral to the **Florida Department of Business and Professional Regulation (DBPR)** for investigation and potential license suspension or revocation; and
- Civil legal action for breach of contract, breach of fiduciary duty, and/or fraud.

13.2 Statutory and Regulatory Penalties

- The **Florida Division of Condominiums, Timeshares, and Mobile Homes** may impose administrative fines and penalties for violations of Chapter 718, including violations of financial control requirements.
- Criminal penalties, including misdemeanor and felony charges, apply under HB 1021 for records destruction, obstruction, and repeated denial of records access as described in Section 7.4.
- **Personal liability** may attach to individual board members who knowingly authorize improper expenditures, approve conflict-of-interest contracts without following statutory requirements, or willfully fail to maintain required records.
- Improper use of Association debit cards may constitute theft under Florida law and be subject to criminal prosecution, regardless of whether the funds were ultimately repaid.

SECTION 14 — POLICY REVIEW AND ADOPTION

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37. This Policy shall be reviewed **annually** by the Board of Directors, with such review to be conducted at or in conjunction with the annual budget adoption meeting.
38. Amendments to this Policy require a **majority vote of the Board of Directors** at a duly noticed Board meeting; proposed amendments shall be listed on the Board meeting agenda.
39. A current, executed copy of this Policy shall be maintained as an official record of the Association and made available to any unit owner upon written request within 10 business days.
40. Beginning **January 1, 2026**, if the Association manages 25 or more units, a current copy of this Policy shall be posted on the Association's official website or mobile application in accordance with HB 1021 digital records requirements.

41. The CAM shall provide a copy of this Policy to all new board members upon their election or appointment, and to any new management company at the commencement of the management relationship.
42. All persons subject to this Policy (per Section 1.2) shall be required to acknowledge receipt and understanding of this Policy in writing. Such acknowledgments shall be retained as official records.

ADOPTION BY THE BOARD OF DIRECTORS

The undersigned, being all of the duly elected and serving members of the Board of Directors of [Association Name] Condominium Association, Inc., a Florida not-for-profit corporation, hereby adopt this Financial Controls Policy as an official governing policy of the Association, effective as of the date first written above.

IN WITNESS WHEREOF, the undersigned have executed this Policy as of the date set forth below their respective signatures.

Board President — Signature Printed Name: ___________________________ Date: _________________________________	**Board Vice President — Signature** Printed Name: ___________________________ Date: _________________________________
Board Treasurer — Signature Printed Name: ___________________________ Date: _________________________________	**Board Secretary — Signature** Printed Name: ___________________________ Date: _________________________________
Board Member at Large — Signature Printed Name: ___________________________ Date: _________________________________	**Board Member at Large — Signature (if applicable)** Printed Name: ___________________________ Date: _________________________________

Witnessed and Attested by Association Attorney (Optional):

Association Attorney — Signature Printed Name: ___________________________ Florida Bar No.: _________________________ Date: _________________________________	**This Policy was reviewed by Association legal counsel and adopted by resolution of the Board of Directors at a duly noticed meeting of the Board of Directors of [Association Name] Condominium Association, Inc., held on ______________________, at which a quorum was present and acting throughout.**