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August 3, 2011

Edward Speraw, President
Delaware Manufactured Home Owners Association
16401 Coastal Highway
Lewes, DE 19958

Dear Mr. Speraw:

This letter is in response to a request made by you at a meeting that occurred earlier today. Your request was that I comment on the report submitted to the Delaware Manufactured Home Owners Association (DMHOA) on May 19, 2011 by Kenneth C. Godwin, Certified Public Accountant. *←(Copy Below)*

The report, mentioned above, is not an audit of the financial statements of the organization. It is a report on "Agreed Upon Procedures". The report defines the procedures as follows:

1. Review the checks and automatic debits drawn on Wilmington Trust account #2812-8541 to determine that a receipt from a third party appears reasonable for the expenditure as listed in the organizations accounting system, the general ledger. Only checks and automatic debits that relate to transactions recorded in the organizations general ledger from January 1, 2010 through December 31, 2010 will be considered.
2. Review the bank-provided copy of the cancelled checks to determine that the information recorded in the general ledger of the organization and the cancelled check are similar. This would include date, amount and payee.
3. Review the monthly Wilmington Trust bank statements to determine that the checks cleared the bank in the same amount as they were recorded in the organizations general ledger.
4. Review the classification in the general ledger of expenditures for accuracy to assure the expenditure has been recorded in the appropriate expense category.

An audit of the organization's financial statements is a presentation of the financial statements at a particular date and for a specific period of time. This is typically the fiscal year end of the organization. An audit also includes an opinion of the auditor, as to the fair presentation of the financial statements.

These are the basic differences between an audit and the work completed by Mr. Godwin. There is nothing wrong with the work completed by the CPA engaged. I have suggested similar work for clients in preparation for an audit.

Please do not hesitate to call if more explanation is required.

Sincerely,


Terrence Johnson, CPA

Members

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • PRIVATE COMPANIES PRACTICE SECTION
DELAWARE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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May 19, 2011

Delaware Manufactured Home Owners Association
C/O Neil Dickerson, Co-Treasurer
16401 Coastal Highway
Lewes, Delaware 19958-3606

Dear Board of Directors of Delaware Manufactured Home Owners Association,

I have been engaged to perform the following procedures on the accounting records of the Delaware Manufactured Home Owners Association (DMHOA) for the period beginning January 1, 2010 through December 31, 2010:

1. Review the checks and automatic debits drawn on Wilmington Trust account #2812-8541 to determine that a receipt from a third party appears reasonable for the expenditure as listed in the organizations accounting system, the general ledger. Only checks and automatic debits that relate to transactions recorded in the organizations general ledger from January 1, 2010 through December 31, 2010 will be considered.
2. Review the bank-provided copy of the cancelled checks to determine that the information recorded in the general ledger of the organization and the cancelled check are similar. This would include date, amount and payee.
3. Review the monthly Wilmington Trust bank statements to determine that the checks cleared the bank in the same amount as they were recorded in the organizations general ledger.
4. Review the classification in the general ledger of expenditures for accuracy to assure the expenditure has been recorded in the appropriate expense category.

These procedures will include the 164 expenditures recorded in the organizations general ledger as reductions of the cash balance and expenses.

My findings during the performance of the above referenced procedures are detailed below.

- Check number 2034 payable to Ellen Orrell was recorded in the general ledger in the amount of \$74.46 but cleared the bank at \$143.85.
- Check number 2068 dated 06/29/10 payable to Ellen Orrell in the amount of \$164.16 was recorded in the general ledger two times.
- Check number 2086 dated 08/09/10 payable to Beth McGinn in the amount of \$175.02 was recorded two times in the general ledger.
- Check number 2045 dated 04/21/10 payable to State of Delaware in the amount of \$45.00 was not supported by a third party receipt.
- Check number 2090 dated 08/30/10 payable to Edwin Speraw in the amount of \$900.00 was not supported by a third party receipt.
- Check number 2052 dated 05/07/10 payable to Chris White Memorial Fund in the amount of \$320.00 was not supported by a third party receipt.
- Check number 2115 dated 10/05/10 payable to Edwin Speraw in the amount of 882.00 was not supported by a third party receipt.
- Check number 2047 dated 04/21/10 payable to Nancy Keyser in the amount of \$23.20 was not supported by a third party receipt.
- Check number 2058 dated 05/27/10 payable to Indian River Fire Co. in the amount of \$125.00 was not supported by a third party receipt
- Check number 2109 dated 09/23/10 payable to Indian River Fire Co. in the amount of \$125.00 was not supported by a third party receipt.
- Check number 2019 dated 02/19/10 payable to Indian River Fire Co. in the amount of \$125.00 was not supported by a third party receipt.
- Check number 2070 dated 06/30/10 payable to Pattie Weyl in the amount of \$35.00 was not supported by a third party receipt. This was listed as a refund of membership dues and has not cleared the bank as of 01/15/11.
- Check number 2084 dated 07/29/10 payable to the State of Delaware in the amount of \$45.00 was not supported by a third party receipt.
- Check number 2118 dated 10/19/10 payable to Public Interest Watch in the amount of \$2,500.00 was not supported by a third party receipt.
- Check number 2120 dated 10/26/10 payable to State of Delaware in the amount of \$45.00 was not supported by a third party receipt.

-Check number 2087 dated 08/17/10 payable to Edwin Speraw in the amount of \$359.16 was not fully supported by third party receipts. Receipts were missing in the amount of \$107.33.

-Check number 2039 dated 03/29/10 payable to Verizon in the amount of \$68.04 was not supported by a third party receipt.

-Check number 2146 dated 11/22/10 payable to Public Interest Watch in the amount of \$3,250.00 was not supported by a third party receipt.

-Check number 2060 dated 06/01/10 payable to Layton Riveria in the amount of \$30.00 was not supported by a third party receipt. This check has not cleared the bank as of 01/15/11.

-Check number 2143 dated 12/2/10 payable to D. Barry in the amount of \$30.00 was not supported by a third party receipt. This check has not cleared the bank as of 01/15/11.

-Check number 2133 dated 11/15/10 payable to Public Interest Watch in the amount of \$725.00 was not supported by a third party receipt.

-Check number 2107 dated 09/23/10 payable to Verizon in the amount of 140.85 was not supported by a third party receipt

-Check number 2112 dated 10/01/10 payable to Verizon in the amount of 532.02 was not supported by a third party receipt.

-Check number 2028 dated 03/05/10 payable to Nancy Keyser in the amount of \$100.00 was not supported by a third party receipt.

-Check number 2033 dated 03/18/10 payable to Martin's Plumbing Repair, Inc. in the amount of \$321.06 cleared the bank but is not recorded in the general ledger.

In addition to the findings listed above, several issues came to my attention while performing the agreed upon procedures on the accounting records of your organization. These issues may need to be addressed by the Board in the future. Third parties reviewing the operations and financial affairs of the Delaware Manufactured Home Owners Association may question these issues. Resolving or documenting why these issues exist prior to any future review may prove beneficial to your organization. These issues are as follows:

-There are invoices for telephone expenses that are in a Board members name that are listed as expenses of the organization. It may prove beneficial to transfer this telephone account to the organizations name.

-There is a reimbursement to be made to the organization by a Board member for a monthly personal expense. Only 10 reimbursements were made in 2010. To keep the accounting records accurate the reimbursement should be made each month.

-Automobile expenses incurred by Board members for the benefit of the organization are currently being reimbursed based on actual purchases of fuel. Businesses usually reimburse business use of a personal automobile based on mileage as reported on an expense report, not the actual gas receipts. The expense reports submitted for reimbursement detail the business reason for the use of the automobile.

-Meal expenses incurred for the benefit of the organization should be documented with receipts for the expenditure, which is happening currently. In addition to the receipt for the meal, the reason for the meal and who participated in the meal and the organizations purpose for the meal should also be documented. This procedure is required for businesses and may be expected by third parties reviewing your financial records

-The monthly bank reconciliation should be reviewed each month to make sure items that have been recorded in the general ledger but have not cleared the bank are valid transactions that are expected to clear the bank. On the January 2011 bank reconciliation there are numerous items recorded in the general ledger that have not cleared the bank going back as far as December 7, 2009. If these items have not been deposited or presented to the bank for payment they should be reviewed to make sure they are valid transactions.

Should you have any questions or need further explanation for any findings in this report please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Kenneth C. Godwin". The signature is written in a cursive style with a large initial "K".

Kenneth C. Godwin
Certified Public Accountant