

"FOLLOWING THE MONEY"

8/02/2007

On the Trail



Conrad Grundke

8/2/7

Residents Voice Meeting

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THE MONEY TRAIL (CONT):

The Last Episode:

- ***GRF's promise to take action!***
- ***Management Agreements.***

This Episode:

- ***2007 Update on Credit Card Data***
- ***Aug 1 GRF Special Meeting***
- ***Bonus & Incentive Plans***

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2007 Update on Credit Card Data



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SEES CANDY, Act 1,

Scene 1 – March 30, 2007

Review of 2006 CC Billing statements.

1. 12/1/06 \$1316.00 Sees Candy Charge

Scene 2 – July 31, 2007

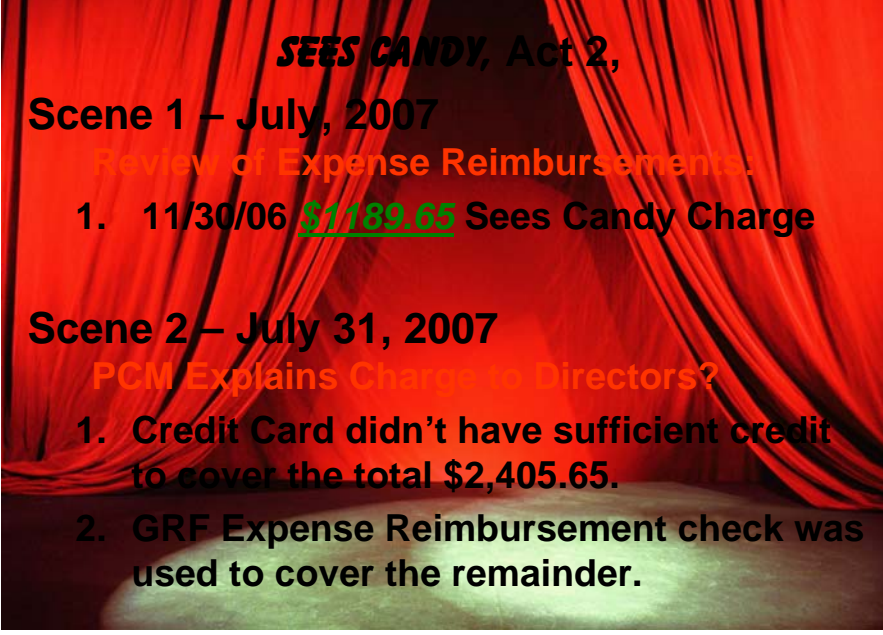
PCM Explains charge to Directors:

1. Finance Director ordered Bulk candy for employees to purchase at a discount.
2. GRF was paid with personal checks.
3. PCM paid Sees with GRF Credit Card.

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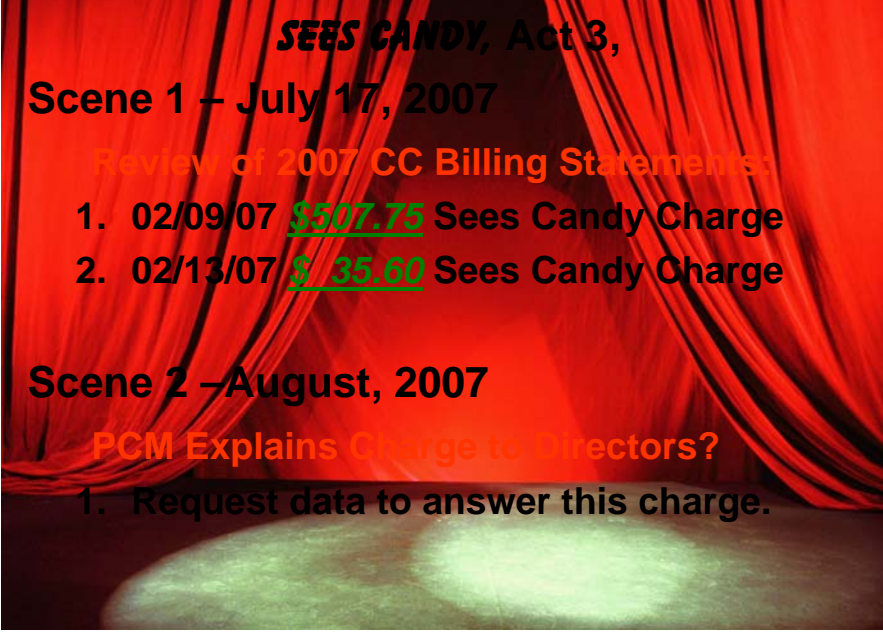
SEES CANDY, Act 2,
Scene 1 – July, 2007
Review of Expense Reimbursements.

1. 11/30/06 \$1189.65 Sees Candy Charge

Scene 2 – July 31, 2007
PCM Explains Charge to Directors?

1. Credit Card didn't have sufficient credit to cover the total \$2,405.65.
2. GRF Expense Reimbursement check was used to cover the remainder.

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SEES CANDY, Act 3,
Scene 1 – July 17, 2007
Review of 2007 CC Billing Statements:

1. 02/09/07 \$507.75 Sees Candy Charge
2. 02/13/07 \$ 35.60 Sees Candy Charge

Scene 2 –August, 2007
PCM Explains Charge to Directors?

1. Request data to answer this charge.

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TIMELINE OF FUNDS

1. In Oct. GRF Trust Fund has \$xxx.xx in it.
2. Employees pay with checks for orders.
3. GRF Trust Fund now has \$xxx.xx of **GRF Trust Fund** money plus \$2,405.65 of **Employees Money** in it.
 - By Definition: That is “co-mingling” of funds and is a felony.
4. When Candy Arrives it is paid for with GRF Funds.

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GRF BOARD REACTION

In light of all the publicity concerning the Credit Cards, Expense Reimbursements, increasing assessments;

How should a GRF Director react when made aware of the “co-mingling?”

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OWNER ORIENTED DIRECTOR

- Let me research this and see how extensive this type of Money Management might be.

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GRF/PCM ORIENTED DIRECTOR

- It's only a small amount.
- A judge would never find this to be a problem since it only occurred once.
- They, PCM, may never do this again.
- Problem closed.

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EPILOGUE

Many Credit Card and Expense
Reimbursement charges to GRF are
not justifiable, such as the following
3 payees. PCM should be the payer:

- 1. The Haircut Store**
- 2. Sees Candies**
- 3. Starbucks**

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Desc	Date	Name	Total
Haircut Store	03/05/07	Johns	\$24.00
Sees Candies	12/01/06	Price	\$1,316.00
	02/09/07	Price	\$507.75
	02/13/07	Ridgeway	\$35.60
Starbucks	05/31/05	Johns	\$4.55
	10/21/05	Johns	\$11.65
	11/10/05	Johns	\$8.35
	03/29/06	Johns	\$8.85
	05/03/06	Johns	\$7.60
	06/07/06	Storage	\$11.70
	06/09/06	Johns	\$24.85
	07/26/06	Johns	\$5.15
	07/28/06	Johns	\$3.45
	08/17/06	Johns	\$9.40
	09/20/06	Johns	\$14.20
	10/16/06	Johns	\$11.65
	03/21/07	Johns	\$36.00
	03/22/07	Johns	\$10.10
	03/29/07	Johns	\$11.30
Grand Total			\$2,062.15

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Aug 1 GRF Special Meeting



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AUGUST 1 SPECIAL MEETING

- Filled the Board room and Redwood room.
- ABC TV7, CH 6, The Globe, OC Register, & LA Times were all there.
- GRF Board **seems** to realize that there is more to this than Credit Card Expenses as seen by their tabling the subject, for no more than two weeks, so they could incorporate our inputs **(we hope!)**.

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CONCERN

- Board Meeting to discuss this is proposed to be a “closed meeting.”
- It should be an “OPEN” meeting because:
 - It is not a Personnel Issue. It concerns the Expense Charges of the Mutual.
 - They are not negotiating a contract. They will discuss what the Mutual wants in the contract.
 - Residents should be allowed to be in attendance to hear the Directors comments.

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Bonus & Incentive Plans



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INCENTIVES (TYPES)

1. Incentives, Safety ;

- ***Gift Cards***: Best Buy, Home Depot, Olive Garden, Sportmart, Starbucks, Circuit City, Moulton Autowash, etc.

2. Incentives, Cost Savings;

- Employee suggestions that result in cost savings to the Mutual.

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MGMT AGREEMENT, Act 1,

Scene 1 – GRF Mutual Incentive Plan

1. Administered solely by Managing Agent.
2. Employee is paid a Bonus equal to 30% of the first year savings resulting from a proposed cost reduction plan.
3. No limit on total amount.
4. Managing Agent to provide Incentive reports to Board Pres. & Treas. within 60 days of end of year.

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MGMT AGREEMENT, Act 1,

Scene 2 – Third Mutual Incentive Plan

1. Administered solely by Managing Agent.
2. Employee is paid a Bonus equal to 30% of the first year savings resulting from a proposed cost reduction plan.
3. Limit of \$120,000 per event, including GRF award for same event.
4. No limit on total Incentive plan.
5. Managing Agent to provide Incentive reports to Board Pres. & Treas. within 60 days of end of year.

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MGMT AGREEMENT, Act 1,

Scene 3 – United Mutual Incentive Plan

- 1. Administered solely by Managing Agent.**
- 2. Incentive limited only by total budget.**
- 3. Whatever Managing Agent spends on Incentives.**
- 4. No reports scheduled.**

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CONCLUSION

- The 2001 Management Agreement made no mention of Incentives.**
- Incentive Bonuses to PCM Employees have been paid for a number of years.**
- There is no readily identifiable Charge Account for Incentives. It must be hidden under another charge account description.**
- Last 5 year history must be made public.**
- Must be renegotiated in new Mgmt Agreement.**

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***WE RETURN TO THE MAJOR INGREDIENT
BETWEEN THE OWNERS & PCM?***

TRUST

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HOW DO WE GET IT?

Measure

&

Verify

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The End

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