



REGULAR MEETING OF THE PURCHASING TASK FORCE

**Wednesday, March 22, 2023 – 1:30 p.m.
Laguna Woods Community Center Cypress Room
24351 El Toro Road,
Laguna Woods, CA 92637**

AGENDA

1. Call to Order
2. Acknowledgement of Media
3. Approval of the Agenda
4. Chair Remarks
5. Member Comments (Items Not on the Agenda)

Laguna Woods Village owners/residents are welcome to participate in all open committee meetings and submit comments or questions regarding virtual meetings using one of two options:

- Via email to meeting@vmsinc.org any time before the meeting is scheduled to begin or during the meeting. Please use the name Purchasing Task Force in the subject line of the email. Name and unit number must be included.
- By calling (949) 268-2020 beginning one half hour before the meeting begins and throughout the remainder of the meeting. You must provide your name and unit number.

Items for Discussion and Consideration

6. Review Reserve Payment Approval (continued)

Future Agenda Items

Concluding Business:

7. Task Force Member Comments
8. Date of Next Meeting – To Be Determined
9. Adjournment

Bunny Carpenter, Chair
Steve Hormuth, Staff Officer
Telephone: 949-597-4201

Number 300.51: DISBURSEMENTS FOR RESERVE EXPENDITURES**PURPOSE**

This procedure provides information specific to the processing of reserve fund invoices and resulting disbursements for reserve expenditures. This manual covers sufficient procedural detail to enable VMS and members of the board of directors to:

- 1: Be fully aware of, and comply with, the governing authority
- 2: Effectively follow and participate in the VMS program to disburse funds for reserve expenditures

GOVERNING AUTHORITY**California Civil Code § 5510 Expenditure of Reserve Accounts**

- (a) The signatures of at least two persons, who shall be directors, or one officer who is not a director and one who is a director, shall be required for the withdrawal of moneys from the association's reserve accounts.

SCOPE

Reserve payments to vendors or employees in any amount are to be approved by two members of the board of directors prior to a withdrawal from the association's reserve funds. Payments are to be supported with complete invoice packages.

DEFINITIONS

Vendor - Either (1) a company or person providing product or services in exchange for payment, or (2) a resident of the association who has been approved to receive payment from the association's reserve funds (e.g. appliance reimbursements).

Employees – A person employed by the managing agent who provides services to the Mutual in exchange for compensation.

PROCEDURE**Vendor invoices**

Vendor invoices are initially received either physically in Central Services (mailroom) or electronically through email. Mailroom receipts are delivered directly to Accounts Payable (AP) for opening. Electronic invoices are forwarded to AP@VMSInc.org. Two clerks process AP invoices with one clerk assigned vendors from A - K and the other L - Z vendors. Invoices are sent by interoffice mail or email to the VMS employee requesting the services or goods.

For invoices that are to be paid from the association's reserve funds, an invoice package shall be prepared by the VMS employee whom requested the product or services, the VMS Purchase Requestor.

Laguna Woods Village | Financial Services Procedures

The first step in preparing the invoice package shall be to complete a Reserve Invoice Approval Checklist. The VMS Purchase Requestor will evidence all the required checklist steps were completed by initialing each respective line of the document.

The second step of the process is for the VMS Purchase Requestor to collect and organize the invoice package with the following:

- (a) completed Reserve Invoice Approval Checklist noting the invoice and contract numbers along with all other pertinent information identified in the checklist,
- (b) a current copy of the Reserve Payment Matrix,
- (c) check cover sheet,
- (d) the vendor invoice or check request with account coding and evidence of approval where appropriate,
- (e) signed contract authorizing work where appropriate, and
- (f) any other supporting documentation listed in Addendum 1: Required Reserve Payment Approval Documentation.

Once the package has been prepared it is forwarded to the VMS Purchase Requestor's division supervisor or manager for further processing. The division supervisor or manager signs the Reserve Invoice Approval Checklist after confirming the first signature was provided by an authorized employee and that the vendor's work described in the invoice and supporting package was performed as invoiced. For invoices less than \$50,000 the invoice package is submitted to AP for payment processing.

For invoices greater than or equal to \$50,000 (See Reserve Payment Matrix Exhibit 1), the invoice package containing both approvals (VMS Purchase Requestor and division supervisor or manager) is submitted to Purchasing. A member of Purchasing, or an authorized designee from the Financial Services Department, will review the vendor invoice in comparison to the contract and supporting documents. The reviewer confirms the invoice contains the accurate contract number and correctly includes details of the work performed. Lien release requirements are identified noting the correct corporation is named and that the job name, maker of check, amount of check and appropriate signatures are included and accurate. The reviewer also compares the invoice against the contract for correct pricing and verifies whether estimates were required before the start of work involving nonstandard pricing terms. If approved, the member of Purchase signs the Reserve Invoice Approval Checklist evidencing their review. For invoices less than \$100,000 the invoice package is submitted to AP for payment processing.

For invoices greater than or equal to \$100,000. the invoice package containing approvals from the VMS Purchase Requestor, division supervisor or manager and Purchasing is forwarded to the department head for final approval. Once approved, the department head signs the Reserve Invoice Approval Checklist and forwards the completed package AP.

Throughout the review and approval process, questions and/or rejections from an approver are emailed directly to the VMS Purchase Requestor for resolution with a copy to previous approvers.

Upon submission of the completed invoice package to AP, the signature(s) and initial(s) noting invoice approval are compared to a listing of employees authorized to approve invoices. The Authorized Signature List, maintained by AP, is grouped by operating department and contains employee names, along with samples of signatures and initials. In addition to hand written signatures and initials, email approvals from authorized employees are accepted. Once AP verifies the invoice package was approved by authorized employee(s) consistent with the Reserve Payment Matrix, the invoice is entered into the Accounts Payable module of Microsoft Dynamics AX, the association's accounting system and enterprise resource planning software (ERP).

At the time the payment is generated, details of reserve fund payments are entered into a Reserves Expenditure Report by the Financial Services Manager (Exhibit 4). The Financial Services Manager, or designee, emails the Reserves Expenditure Report along with invoice package to the Financial Analyst for further processing. The Financial Analyst prepares and sends the Reserve Payment Request according to the requirements outlined in Addendum 2: Distribution of Reserve Payment Approval Documentation. Once email approval is received from the two members of the board, as designated by the Board President, the Reserve Expenditure Report is updated to reflect the approval and the payment is mailed to the respective vendor.

Employee Compensation (Payroll)

Employees Compensation, including related expenses such as taxes, medical and workers compensation, are recorded every two weeks and paid to employees either through direct deposit or physical check. All payroll related payments are made from the VMS Operating bank account. Once all employee compensation expenses have been recorded for the current month, the Financial Services staff apply a formulated allocation process that directs where expenses are to be recorded. The formulated allocation process takes into consideration total hours worked per project and then applies the calculated percentage for the period to the total expenses incurred. The expenses and related liabilities are transferred after month end to the respected corporations through an intercompany journal entry.

All employee compensation expenses recorded to reserve fund accounts are summarized and paid directly from the Reserve Fund bank account with payment issued to the corporation's Operating Fund bank account. Consistent with the issuance of a vendor reserve payment process, the first step in preparing the reserve payment shall be to complete an Employee Compensation Reserve Expense Package Reserve Invoice Approval Checklist (Addendum 2 File 1). The Financial Services division will evidence all the required checklist steps were completed by initialing each respective line of the document.

The second step of the process is for the Financial Services division to collect and organize the Employee Compensation Reserve Expense Package with the following:

- (a) completed Reserve Employee Compensation Approval Checklist noting the pertinent information identified in the checklist,
- (b) a current copy of the Reserve Payment Matrix,
- (c) check cover sheet,
- (f) any other supporting documentation listed in Addendum 2: Required Reserve Payment Approval Documentation.

Once the package has been prepared it is forwarded to the Financials Services Accounting Manager for further processing. The Financial Services Accounting Manager signs the Employee Compensation Reserve Approval Checklist after confirming all documentation is in order. The package is then forwarded to the Financial Services department head for final approval. Once all approvals have been obtained the package is submitted to AP for payment processing.

ADDENDUM:**1: Required Reserve Payment Approval Documentation:**

Invoices Package (File 1)

- i. Checklists
- ii. Authorization Matrix
- iii. Check Cover Sheet (i.e. voided check copy)
- iv. Invoices

Supporting Documents (File 2) generally consisting of:

- v. Lien Release
- vi. Staff Assignments
- vii. PO
- viii. Estimates
- ix. Work Orders
- x. Contracts (where applicable)
- xi. Change Orders (where applicable)

2: Required Employee Compensation Reserve Payment Approval Documentation:

Employee Compensation Reserve Expense Package (File 1)

- i. Checklists
- ii. Authorization Matrix
- iii. Check Cover Sheet (i.e. voided check copy)
- iv. Employee Compensation Reserve Summary

Supporting Documents (File 2) generally consisting of:

- v. Employee Compensation General Ledger Detail
- vi. Reserve Allocation Schedule

3: Distribution of Reserve Payment Approval Documentation

One email is to be sent for each reserve check. The subject of the email shall include both the check number and a brief description of what the payment approver is reviewing.

For example:

Subject: Check 1234 Gutter Replacement Reserve Payment

The body of the email shall include:

- a. Vendor name and a brief statement describing the purpose of the payment.
- b. Listing of the attachments.

For example:

This payment approval package is for Mainstreet Gutters and includes work performed during October – December 2020.

The following files are attached:

- a. Check #1234 MAI123
- b. Check #1234 Supporting Documents
- c. Mainstreet Gutters Contract

Number 300.52: RESERVE PAYMENT POLICY**PURPOSE**

This policy is intended to ensure members of the board receive agreed upon documentation in a consistent format to support their reserve payment approvals.

SCOPE

This policy applies to reserve payment approval requests issued to board members authorized by the Board President.

GOVERNING AUTHORITY**California Civil Code § 5510 Expenditure of Reserve Accounts**

- (a) The signatures of at least two persons, who shall be directors, or one officer who is not a director and one who is a director, shall be required for the withdrawal of moneys from the association's reserve accounts.
- (b) The board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components that the association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established.

BACKGROUND

VMS employees engage vendors to complete work at the direction of the board of directors. At the conclusion of work performed or pre-determined contractual intervals, the vendors submit invoices for the services provided or product delivered. VMS employees review the invoice using knowledge of the service or product and then compare the invoice to supporting documentation (e.g. contracts, work orders, etc.). Once their review is complete the invoice is sent on for additional approval supported by an agreed upon listed of documents. After all necessary approvals are obtained the payment is generated and a Reserve Payment Approval Request is sent to members of the board of directors. Upon receiving two board member approvals, the payment is sent to the respective vendor.

POLICY**Required Documentation**

Reserve payment approval packages are to be arranged in the following order for a more efficient review by the board of directors:

1. Invoice Packet (File 1)
 - i. Reserve Invoice Approval Checklist
 - ii. Reserve Payment Delegation of Authority Matrix (Reserve Payment Matrix)

(Continued)

- iii. Check Cover Sheet (i.e. voided check copy)
 - iv. Invoice or Check Request
2. Supporting Documents (File 2) generally consisting of:
- i. Lien Release
 - ii. Staff Assignments
 - iii. PO
 - iv. Estimates
 - v. Work Orders
 - vi. Contracts (where applicable)
 - vii. Change Orders (where applicable)

Distribution

Reserve payment approval packages emailed to members of the board of directors are to include the following requirements ensuring a more efficient review by the board of directors:

1. One email is to be sent for each reserve check. The subject of the email shall include both the check number and a brief description of what the payment approver is reviewing.

For example:

Subject: Check 1234 Gutter Replacement Reserve Payment

2. The body of the email shall include:
 - a. Vendor name and a brief statement describing the purpose of the payment.
 - b. Listing of the attachments.

For example:

This payment approval package is for Mainstreet Gutters and includes work performed during October – December 2020.

The following files are attached:

- a. Check #1234 MAI123
- b. Check #1234 Supporting Documents
- c. Mainstreet Gutters Contract

Village Management Services, Inc.

Reserve Invoice Approval Checklist

Corporation:	_____	Check One >>	Service: _____	Product: _____
Vendor Name:	_____	Work Center:	_____	
Vendor Address:	_____	Vendor Number:	_____	
	_____	Invoice Number(s):	_____	
	_____	Invoice Date:	_____	
	_____	GL & Fund Source:	_____	
Job Name	_____	Job Code:	_____	
Contract No:	_____	PO Number:	_____	

Requirements and procedural steps for approving contractor invoices (Service):

Initials**

- 1) At the commencement of work, a VMS employee met the contractor at the job site. The VMS employee conferred with the contractor's employees to determine they knew what was required and were prepared to proceed with the job in an efficient and professional manner. The contractor has provided a written quote, on a not to exceed basis, in detail by item of work as listed in the contract as to price and unit of measure, before commencement of work as required in the contract. _____
- 2) Work performed by contractor was monitored by a VMS employee knowledgeable of the project requirements. _____
- 3) Invoice was reviewed and approved by a VMS employee knowledgeable of the project and contractual requirements (bid or written estimate has been provided where applicable). Quantities and rates invoiced match the contract and the amounts billed accurately represent the work completed. A signature and date on the invoice, or an email approval to pay, was provided evidencing the VMS employee's review and approval to pay. _____
- 4) The VMS employee who approved the invoice for payment has sufficient authority to approve contractor's and vendor invoices (i.e. approval is consistent with Approval Authority Matrix). _____
- 5) The cumulative work performed and billed amounts do not exceed the board-approved budget. _____

Requirements and procedural steps for approving product purchase invoices (Product):

Initials**

- 1) An approved Purchase Order, as attached, has been issued with specific quantities and prices which was based on an authorized requestor issuing the requisition and after obtaining the necessary approvals was entered into the accounting system as step 1 in the 3-way match accounting system. _____
- 2) Quantities and rates were approved by a VMS employee knowledgeable of the product purchased. _____
- 3) Materials and/or goods were inspected to verify that quantities and items received are in an acceptable condition and match the purchase order and/or shipping documents for these items. Any differences or discrepancies are noted on the purchase order and/or shipping documents. This data has been input into the accounting system as step 2 of the 3-way match system. _____
- 4) VMS accounts payable employee has verified the required information from the vendor's invoice as step 3 of the 3-way match system. Any discrepancies noted have been referred to the applicable department for resolution and if necessary a revised invoice has been obtained from the vendor and processed herein. Where no discrepancies result from the 3-way match that invoice has also been processed herein. _____
- 5) VMS accounts payable employee has verified all mathematics on invoices and confirmed a unique invoice number was used ensuring payment has not previously been issued. _____

Requirements and procedural steps for approving appliance reimbursements (Service):

Initials**

- 1) The VMS employee who received the appliance reimbursement request confirmed the Mutual appliance was picked up from the manor. Appliance ticket was opened and the details of the order were recorded. The member's reimbursement was then calculated based on the age and cost of the appliance. _____
- 2) Reimbursement request was approved by a VMS employee with appropriate authority and knowledge of the reimbursement process. Appliance ticket was subsequently closed. _____

Approvals below are consistent with the current Authority Matrix on file with Financial Services.

Operations

Supervisor/Manager**:

	_____	_____	_____	_____
	Name	Title	Signature	Date
Financial Services:	_____	_____	_____	_____
	Name	Title	Signature	Date
Department Head:	_____	_____	_____	_____
	Name	Title	Signature	Date

Revised: 2021-03