

Dollars and (horse) sense

Taking care of business is anything but dull for condo auditor

By DONNA LAPORTE
STAFF REPORTER

Forget the image of the 50-something, white-shirted accountant with glasses, like the ones you see validating the balloting process at the Oscars, hobnobbing with movie stars before returning to their cubicles to crunch numbers.

Stephen Chesney is out to change your perception.

He's partial to blue shirts and doesn't wear glasses. At 34, he's got at least 30 years to put in *before* he retires, but auditing 125 or so condominium corporations has given him a wealth of experience. So don't let his age worry you, he says.

Look a kilometre or two in any direction, from Oakville to Pickering, from Lake Ontario to New-

market, and you'll likely spot a client of his Richmond Hill firm, Parker Garber & Chesney. The smallest condo corporation he audits has only four units and the largest, in excess of 500.

Looking after million-dollar budgets is serious business.

"Yes, it's numbers and cents," he says, "but it's your numbers and cents."

He insists, though, that it doesn't have to be dry.

Or uneventful. Annual meetings can be, well, *teasy*. Such as the one last fall where some owners were yelling and screaming, approaching the head table, where Chesney sat along with the board members. Despite the presence of security guards, he feared for his safety, "terrified" someone would come out swinging. "I was at the point where I was ready to walk out."

What was the dispute about? Con-



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ON TRACK: Stephen Chesney takes time out from auditing condominium corporations to watch his horses race.

do fees.

"At the end of the day, that's what people are concerned with."

Auditors play an important role in the life of a condo corporation. Independent of the board and management company, they oversee the financial operations of a condo corporation. An auditor can't tell you *why* money was spent (you have to ask the board of directors), but *how* and *where*.

For example, in a high-rise building 30 to 60 per cent of costs are usu-

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ally spent on utilities: hydro, gas and water. Much of the rest of the expenses are in contracts, such as cleaning and security costs and property management. Add repairs and maintenance, and administrative fees, such as legal work.

It's the auditor's job to ensure those expenses are backed up with invoices, purchase orders or con-

tracts.

It *doesn't* involve, as one man wondered at a condo meeting, "getting the financial statements from the management company, putting them on your letterhead and just signing the paper."

So misunderstood, these accountants.

Says Chesney: "There's no (television) show. There was an *L.A. Law*. There's no *L.A. Accountant*."

And, while he'd agree it's not a glamorous profession, he's out to

make it more accessible to people.

"That's what's important to me, to give the people the information they need in a way they can understand."

So, what exactly does an auditor do?

"Auditing involves looking at both the revenues, expenditures, the assets and liabilities of the corporation at that time and for that period and we would never sign off anything until we felt that the financial state-

Condo auditor is taking care of business

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ments were in accordance with generally accepted accounting principles."

Whoops. No matter how you say it, it comes out kinda dry.

Still, it is important.

Chesney says owners are becoming more educated, asking better questions. The annual meeting is your forum and he suggests you should be able to get satisfactory answers, even if the news isn't good. If you feel your fees are too high, ask why.

Remember, though, that amenities such as pools contribute to the costs you share, whether you use those amenities or not. Chesney says an indoor pool can swallow \$25 to \$50 per month of your condo fees.

Another potential fee-booster is just around the corner. New regulations in the long-awaited Condominium Act are sure to ignite some fiery sessions as boards scramble to beef up their reserve funds. Currently, you must contribute no less than 10 per cent of budgeted expenses toward your reserve fund.

The new act will require a reserve fund study to assess future needs. If your corporation hasn't put aside enough cash, it will have to make up the difference, either by raising fees or levying a special assessment.

"My concern are those buildings out there right now that

have \$400,000 in their reserve fund but their study's going to say they need \$1.5 million. And that is going to happen."

He says board members should pay close attention to what the study is going to say. Once they accept it, it will be tied into the law.

So what is a reserve fund expenditure? It's for major repairs and replacements only — big-ticket items such as balconies, parking garages, roofs — but specifics are lacking in the current act. "There is no definition of a reserve fund expenditure," he says. That can lead to heated battles.

Details are also expected on how a reserve fund can be invested. The current act says you must set up an "account" for your reserve fund. "What is an account? There's no specific guidelines as to what you can do with that money," says Chesney.

Since the money is invested in trust, on behalf of the owners, "condos cannot buy stocks, cannot buy mutual funds."

He allows term deposits, GICs, T-Bills of banks or trust companies, or government-guaranteed strip bonds. And he says it appears current practice will be spelled out in law in the new act.

Did you know that condos must file a tax return — though they don't pay tax? They're non-profit organizations. "The condo (corporation) is not set up to make money, it's really just a clearing house of money," he says.

For that reason, there isn't supposed to be a surplus in the operating fund. If the board finds itself in that enviable position, it can

either transfer the money to the reserve fund or use it against future budgets.

It can't be returned to the owners.

With all that money floating around, you'd think Chesney would see some intriguing cases of fraud, but he says he hasn't.

"I'd like to think that to get something by . . . it's going to have to be a false supplier, that everything looks good, including (that) the board member has signed it."

He says by requiring two signatures on every cheque (at least one board member's and a property management representative's), limiting cash transactions, such as party room rentals or guest suite rentals, and insisting board members question any expense they don't understand, condo corporations can do much to prevent fraud. Remember, board members are not insured for negligence.

Having an accountant who understands condominiums is important.

Chesney says, because he or she will be familiar with the kinds of expenses normally incurred.

One very critical function the auditor performs is ensuring that every dollar spent over budget in the first year after registration is accounted for. The developer must refund any deficit to the corporation.

A good accountant will look at expenditures in the first few months of Year Two to see if they apply to the previous year.

The bad news, however, is that if expenses were higher than budgeted, and they are recurring, owners are on the hook after the first year. "I've seen ice jumps as much as 25 per cent in some cases," he says.

So, before you buy, check other condos in the area with similar amenities and if the fees seem too low — or too high — ask why.

What can you expect to pay to someone looking after all that money? Chesney suggests a ballpark fee for a 150- to 200-unit condo building would be \$2,000 to \$3,000, and a 400- to 500-unit building, \$2,800 to \$4,000.

Chesney graduated from York University with a business degree, articulated at Deloitte Touche and became a chartered accountant in 1990. He began specializing in condos in '91-'92, starting with about 15. His two partners, Douglas Parker and Allan Garber, focus on accounting business other than condos.

When he isn't working or spending time with his wife, Janice, and their three children, you might find Chesney at the racetrack watching his horses race. For the past few years, he has owned several horses, which run in claiming races, meaning another registered owner can end up "claiming" a horse from him for a set price before the start of a race. If the horse wins, Chesney gets the purse.

His hobby raises a few eyebrows among people who think accountants are too conservative to play the horses.

Then again, he does have a way with numbers.



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