

PATS Runbook: Your Guide to Investigating Your Community Association

This is a simple, step-by-step instruction guide for you, as an owner or board member, to check for possible fraud, poor spending, or illegal actions in your Condo (COA) or Homeowners Association (HOA). Following these steps will help you build clear, solid proof for complaints, legal action, or changing the board.

VERY IMPORTANT: Write down everything in a detailed log—all dates, times, every conversation, and every reply you get.

Phase 1: Know Your Legal Rights

Before you ask for any records, you need to know exactly what the law says you're allowed to see. This stops the management from just saying "no" and gives you strength in any disagreement.

Step 1: Find the Rules That Protect You

Your rights come from a few different places:

- **Illinois Condominium Property Act (ICPA):** Applicable to condo associations in Illinois. It gives you the right to view documents such as financial reports, meeting notes, and contracts (especially **Section 19**).
- **Common Interest Community Association Act (CICAA):** This applies to other types of community groups in Illinois (such as townhouses). The rules are very similar to those of the ICPA for obtaining financial and contract records.
- **Chicago Condominium Ordinance:** If you live in Chicago, this city law gives you *even stronger* rights to see financial records, minutes, and contracts.
- **Your Own Association Documents:** Your community's rulebook (like the Declaration, Bylaws) often has its own rules for what must be shared. Find your Declaration and look at its specific sections.

Step 2: Understand Your Right to "Access"

Illinois law means you have the right to *review* documents and obtain copies. This means:

- You can ask for paper or digital copies.
- The association board must respond to your request within a reasonable time.
- They can charge you a fair price for copies, but they can't charge so much that it's impossible to afford.
- They can block out (redact) personal private information (like employee personal

data or privileged attorney-client communications), but they must still give you all the financial numbers.

Why This Matters: Bad managers will try to stop you by saying records are "private." Knowing the law helps you fight these fake excuses. If the manager denies your request, they are acting as a lawyer without a license—so the denial should come from the Association's Board of Directors.

Phase 2: Establish the Normal

To find a problem, you first need to know how your association is supposed to run.

Step 3: Get and Read Your Association's Rulebooks

If you don't have them, ask for copies of the main documents:

- Declaration (CC&Rs)
- Bylaws
- Articles of Incorporation
- Rules and Regulations
- Any official changes to these documents
- Copy of the managing agent's contract

What to Look For:

- How are annual budgets officially approved? Do owners get to vote?
- What are the rules for the **Reserve Fund** (the savings account for big repairs)?
- When is the board required to get multiple price quotes (bids) for a contract?
- Are there rules for dealing with conflicts of interest (when a board member or manager benefits personally)?
- Do they need a full **audit** (a professional, formal financial review) every year?

These documents are the law for your board. If they break these rules, it constitutes misconduct (breach of fiduciary duty).

Step 4: Ask for the Last Three Years of Financial Reports

These yearly reports are the starting point for your investigation. For each year, get:

- **Balance Sheet:** Shows what the association owns (assets) and owes (liabilities), and the community's net worth (equity).
- **Statement of Revenues and Expenses:** Shows money collected (assessments) and all money spent.
- **Notes:** Explanations about the accounting process and other important details.
- **Accountant's Report:** The letter from the independent accountant (auditor) that

reviews the reports.

What to Look For:

- Are day-to-day operating funds and reserve savings kept in separate accounts?
- Is the reserve savings account growing as it should, or is it flat or getting smaller?
- Did they move money between the operating and reserve accounts ("interfund loans")?
- Did the accountant mention any serious concerns?

Step 5: Get the Current Reserve Study

In Illinois, associations must have a **Reserve Study** done at least every three years. This document is a plan that estimates the cost of major future repairs (like a new roof or road paving) over the next 30 years.

What to Look For:

- What is the "**percent funded**" number? (A number under 30% is a very bad sign.)
- Does the amount the association is actually saving match the plan in the study and financial reports?
- Are there big repairs coming soon that they haven't saved enough for?

Why This Matters: Not saving enough in reserves is the number one sign of bad management. Boards sometimes keep monthly fees low to make owners happy, but this destroys the community's savings and leads to a huge financial problem later

Phase 3: Request the Details

Once you understand the basic documents, you can look more closely for where corruption might be hidden.

Step 6: Request Monthly Financial Reports

Ask for the complete monthly reports for the last 12–24 months. These should include:

Document	What It Shows You
Executive Summary	The manager's summary—look for things they chose not to mention.
Balance Sheet	How assets, debts and equity changed from month to month.
Statement of Revenues and Expenses	How does the actual income and spending compare to the approved budget?

Document	What It Shows You
General Ledger Trial Balance	Every balance for every general ledger account—the absolute, unfiltered truth.
Cash Disbursements Journal	Every single check written: who got paid, for what, and how much.
Accounts Receivable Aging	Which owners are late on their fees and for how long?
Bank Statements	The actual cash balances in the bank accounts.
Bank Reconciliations	Proof that the association's accounting records match the bank statements.

What to Look For:

- Do the bank statements match the accounting records (check the bank reconciliations)?
- Are there large payments with round numbers (like \$10,000.00) that look like guesses rather than payments for a real bill?
- Are there payments to companies you've never heard of?
- Are there many "adjusting entries" (manual, unexplained fixes to the financial books)?

Step 7: Ask for All Contracts Over \$5,000

Contracts show who the association is doing business with and if the board followed the correct rules.

What to Look For:

- Did the board receive multiple price quotes (bids) for all services (such as landscaping, insurance, or repairs)?
- Do any of the contractors share an address or ownership with the board members or the management company?
- Are the contract prices fair compared to what other companies charge?
- Were the contracts approved correctly according to your Bylaws?

Step 8: Ask About Transactions with Insiders

Deals involving board members, managers, or their family (called **Related-Party Transactions**) are a very high risk for corruption.

What to Look For:

- Does the management company hire other companies it owns for maintenance or insurance?
- Did any board members get free work, repairs, or discounts on their fees?
- Are payments being made to companies owned by someone on the board or in management?

Why This Matters: Self-dealing is the most common kind of association corruption. A manager might hire their own related company at a very high price, or a board member might hire their spouse's company without getting any other quotes.

Phase 4: Check for Warning Signs (Red Flags)

With the documents in hand, look for these specific signs of major problems.

Step 9: Check if the Funds are Kept Separate

The Rule: The operating fund (for everyday costs) and the reserve fund (for savings) must be in completely separate bank accounts. They are not allowed to use reserve money for operating expenses.

How to Check:

1. Compare the reserve balance in the financial reports to the actual reserve bank statements.
2. Look at the cash disbursements journal—is reserve money being spent on routine, daily costs?
3. Look for "interfund transfers"—this often indicates that reserve funds were moved improperly.

Red Flag: The money actually in the reserve bank account is much less than what the financial reports say the reserve balance should be.

Step 10: Check Vendor Payments Against Contracts**How to Check:**

1. For all contractors, get their contracts and all the payments made to them.
2. Add up all the payments and compare the total to the contract price.
3. Look closely at the invoices for weird charges or vague descriptions.

Red Flags:

- Payments exceed the contract price with no documented reason (change order).
- The same service was paid for twice (duplicate payment).
- Invoices have round numbers (e.g., \$5,000.00) or are missing details.
- Vendors only have a P.O. box instead of a real office address.

Step 11: Check the Checks and Signatures**How to Check:**

1. Ask for copies of the canceled checks (front and back).
2. Make sure the signatures are from authorized signers.
3. Look for checks written to an individual rather than a business.
4. Look for a series of checks written consecutively to the same vendor.

Red Flags:

- Checks signed by only one person (if two signatures are required by the Bylaws).
- Checks written out to "**Cash**."
- Checks on companies that are not under contract or in the budget.
- Checks for purchases not made in the association's name.

Step 12: Read the Board Meeting Minutes

Minutes are the official record of board decisions and should explain all spending.

What to Look For:

- Did the board discuss getting competitive bids before signing contracts?
- Did board members with a personal conflict of interest leave the room during the vote?
- Are the financial reports actually talked about in the meetings?
- Are the owner's questions being answered, or are they simply being ignored?

Red Flags:

- Missing minutes for certain months.
- Vague descriptions of big payments (e.g., "approved payment to vendor").
- Decisions are happening without a formal vote being recorded.
- "Closed session" minutes that don't clearly state the legal reason for meeting in private.

Phase 5: Document When They Block You

If the association delays, refuses, or makes it hard to get documents, write down every detail. This becomes powerful evidence against them. However, the attorney cannot substitute his judgment for the majority of the board. Therefore, all decisions regarding owners' requests for access to the association's books and records must be noted in the minutes.

Step 13: Always Submit Requests in Writing

Create a clear paper trail:

- Send your request by **email AND/OR certified mail** with a return receipt.
- Reference the specific state laws you are using (like ICPA Section 19).
- Give a clear deadline (10 business days excluding holidays).
- Keep copies of everything you send.

Step 14: Track Every Response

Use a spreadsheet to track:

- Date you sent the request.
- Documents you asked for.
- Date you got a response (or "No response").
- What they provided versus what they held back.
- The reason they gave for holding anything back.

Why This Matters: If they constantly delay or refuse without a good legal reason, it proves the board is acting in **bad faith** (dishonestly). This evidence of bad faith is often needed to win a lawsuit and make the association pay for your attorney's fees.

Phase 6: Take Formal Action

If your written requests fail, use the official complaint procedures before you consider suing.

Step 15: Use the Association's Official Complaint Procedure

Illinois law requires associations to have a written policy for resolving complaints. You must use this process first, as it is often required before filing outside complaints.

What to Include:

- The specific documents you requested and when.
- The specific replies you received (or lack of replies).

- The laws you believe are being broken.
- What you want them to do (e.g., "Provide documents within X days").

Step 16: File Complaints with Government Agencies

If the internal process fails:

- **Illinois Condominium and Common Interest Community Ombudsperson:** File a complaint here if the association won't provide required documents or breaks state law. They can investigate and try to fix the problem.
- **Chicago Department of Business Affairs and Consumer Protection (BACP):** For Chicago properties, complain here about board or manager misconduct. They enforce the city's condo laws.
- **Illinois Department of Financial and Professional Regulation (IDFPR):** File complaints against licensed property managers for financial problems. They can punish managers or take away their licenses.
- **Illinois Attorney General—Consumer Protection Division:** File here for issues like fraud or deceptive practices.

Phase 7: Last Resort - Legal Action

If all other complaints fail, you may need to go to court.

Step 17: Talk to a Lawyer

Before filing a lawsuit, talk to a lawyer who knows Illinois community association law. They can:

- Judge how strong your evidence is.
- Tell you the best legal arguments to make.
- Estimate the cost and chance of winning.
- Decide if the issue should be reported as a crime.

Step 18: Know Your Legal Claims (What to Sue For)

You may be able to sue for:

- **Breaking the Document Access Law (ICPA/CICAA):** To force them to produce the records and recover your legal fees.
- **Breach of Fiduciary Duty:** Board members must always act in the association's best interest. Self-dealing or failing to check the finances is a violation.
- **Fraud:** If the management knowingly gave false financial reports or hid transactions.

- **Improper Use of Funds:** Challenging unauthorized spending or misuse of reserve money.

What the Court Can Do:

- Order the association to give you the documents.
- Stop improper transactions (injunction).
- Order a financial review of the association's money.
- Appoint a receiver to manage the association's affairs
- Remove board members.
- Award you money (damages).
- Order the association to pay your attorney's fees (if you prove statutory violations).

Step 19: Report Serious Crimes

If you find solid proof of theft or fraud (embezzlement):

- Ask your attorney whether you should report the issue to the State's Attorney or local police.
- Keep all your evidence in its original form.
- Be ready to help the investigators.

Phase 8: Create a Group for Change

One owner has very little power. Working with others creates real change.

Step 20: Team Up with Other Concerned Owners

- Share your findings (stick only to facts, do not spread rumors).
- Organize to attend board meetings together.
- Ask for a special meeting if your bylaws allow it.
- Find and support new board candidates who want to make reforms.

Step 21: Recall the Board

Most association rules allow owners to remove board members by petition and vote. If corruption is widespread, replacing the board is the fastest way to fix the problem.

Appendix: Document Request Checklist

Use this list to make sure you ask for every important record:

Records to Request	Timeframe
Monthly Records	
Board meeting minutes (open and closed)	Monthly
Complete financial statements package	Monthly
Bank statements and reconciliations (all accounts)	Monthly
Cash disbursements journal (who got paid)	Monthly
Delinquency report / Accounts receivable aging (who owes money)	Monthly
Related-party transaction disclosures	Monthly
Legal fee invoices	Monthly
Quarterly Records	
Investment account statements and reconciliations	Quarterly
Annual Records	
Audited/reviewed/compiled financial statements	Annually
Tax returns (Federal and State)	Annually
Proposed budget with line-by-line detail	Annually
Insurance policies (all types)	Annually
As Updated	
All contracts	As executed
Reserve study (current)	At least every 3 years

Final Advice

- **Be Patient and Keep Going:** Uncovering corruption takes time. Boards and managers will try to delay and misdirect you. Stay organized and follow the rules.

- **Be Fair:** Not every mistake is a crime. Some are just honest errors or poor record-keeping. Focus on a *pattern* of misconduct, not just a single mistake.
- **Protect Yourself:** If you find serious problems, do not make public accusations until you have strong evidence and legal advice. They may try to sue you for defamation to silence you.
- **Get Expert Help:** If the financial records are very complicated or you think there is fraud, consider hiring a **forensic accountant** (an investigator who specializes in financial crime).

Disclaimer: This guide is for general information only and is not a substitute for legal advice. Always talk to a qualified attorney for advice specific to your situation.