

HAFER

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August 1, 2023

To the Board of Directors and Management of
THE PALM CLUB VILLAGE II CONDOMINIUM ASSOCIATION, Inc.

Communication of Internal Control Related Matters (AU-C 265)

In planning and performing our audit of the financial statements of THE PALM CLUB VILLAGE II CONDOMINIUM ASSOCIATION, Inc. ("the Association") as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statement will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in the Association's internal control presented in "Attachment 1" to be significant deficiencies.

In addition, we noted other matters involving internal control and its operation, and other matters that are opportunities for strengthening internal controls and operating efficiency; these matters are presented in "Attachment 2".

This communication is intended solely for the information and use of management, the Board of Directors, and other within the Association, and is not intended to be, and should not be, used by anyone other than these specified parties.



Hafer LLC d/b/a
Hafer Certified Public Accountants and Consultants
Palm Beach, Florida

Attachment 1 – Significant Deficiencies in the Association’s Internal Control

Processing billings for members assessments and recording ancillary revenues:

- Management has not adopted formal written accounting policies and procedures to:
 - Identify all material categories of contracts with customers
 - Identify the performance obligation(s) related to material categories of contracts with customers

Maintaining property and equipment subledgers:

- The Association does not have a formal documented capitalization policy.

Processing accounts payable and accruals and other liabilities:

- The Association does not file sales tax returns with the appropriate taxing authorities.

Attachment 2 – Other Matters

The Association holds individuals accountable for their internal control responsibilities:

- There is no conflict of interest policy.

The Association internally communicates information:

- The Association does not have a fraud response plan in place.

Processing accounts payable and accruals and other liabilities:

- The Association should review its accounting procedures for refundable deposits, and it should make every possible attempt to locate members and former members to refund deposits. In order to further protect itself from state escheat laws, the Association should consider revising and/or documenting its rules over refundable deposits to indicate that deposits automatically become forfeited to the Association if certain administrative procedures are not completed by the member (such as the member requesting the return of the deposit and providing a current address, or the time frame in which the member must request the return of the deposit before forfeiting it). The Association should consult with their attorney to determine whether they may make such revisions to the Association's rules over security deposits.