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NEVADA COMMISSION FOR
COMMON INTEREST COMMUNITIES
AND CONDOMINIUM HOTELS

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COMMON INTEREST ADVISORS, LLC

Public Comment to CICCH/HOA Commissioners Regarding FirstService Residential's Financial Failures

December 3, 2024

Good morning, Commissioners,

Thank you for the opportunity to speak today. Over the past year, **Common Interest Advisors, LLC** has uncovered significant issues of **financial mismanagement** and **corruption** within the **Common Interest Realty Association** industry. Specifically, in Illinois, we have exposed unethical practices by two property management companies, one reserve study firm, and three certified public accountants.

In previous meetings, I've discussed some of these companies, and today, I can share their names: **Sudler Property Management**, a division of **Associa**, and **FirstService Residential (FSR)**. Both **FirstService Residential** and **Associa** are major players not only in Illinois but across the country, including **Nevada**, where they hold significant market shares. Their influence in the property management sector makes their business practices of critical importance, not just locally but on a national scale.

Sudler Property Management's Legal Issues

Let me first address **Sudler Property Management**. Last month, I received an update from the **American Institute of Certified Public Accountants (AICPA)** regarding an ethics complaint I filed against **Sudler's auditor**. This complaint is related to the auditor's **substandard work for an HOA within an iconic high-rise** (702 condominiums, \$10MM in annual revenues). The auditor's response to a non-cooperation letter, which was due by October 31, 2024, has not been provided. As a result, the AICPA is proceeding with **disciplinary action**, including a review by the **Joint Trial Board**, expected to occur in early 2025. Both the AICPA and the **Illinois CPA Society** are likely to recommend the auditor's **expulsion** from their organizations. This is a significant step toward holding the professional accountable for his actions, which have contributed to the ongoing financial mismanagement at Sudler.

In addition, there is **pending litigation** against a condominium association that has refused to turn over critical **audit deliverables**, which are typically provided along with the draft audit report. These documents, including the **adjusted trial balance** and **adjusting journal entries**, are essential for ensuring **full financial transparency and accountability**. The refusal to provide these documents is part of an ongoing pattern of financial mismanagement at Sudler. It further underscores the need for vigilance and oversight in our industry to protect community associations from such practices.

Financial Mismanagement at FirstService Residential

Turning now to **FirstService Residential**, we have identified **serious concerns regarding their financial oversight**. Last month, we reviewed audit deliverables prepared by a **CPA hired by FirstService Residential**. Notably, this auditor was selected by the **community association manager**, not the board of directors, after the previous auditor resigned. We had filed an ethics complaint against the prior auditor for failing to write off several hundred thousand dollars in credit losses, as required by multiple settlement agreements.

Upon review, we discovered significant **errors in the adjusting journal entries**. Specifically, the year-end operating fund balance was reported as **\$13,130**, when, in reality, the balance was **several hundred thousand dollars in the red**. This kind of **financial misreporting** is not only misleading but potentially harmful to the long-term financial health of the community. Given the severity of these issues, we have referred this CPA to the **Illinois Department of Professional and Financial Regulation** for further investigation.

The Bigger Picture

At a recent board meeting, a property supervisor from FirstService Residential revealed a troubling statistic: the three auditors involved in the cases I've outlined today — including the one working with FirstService Residential — serve approximately 95% of the Chicago Lakefront community association market. This statistic underscores the widespread nature of the problem and highlights the urgent need for greater scrutiny and regulation of industry practices. The dominance of these firms in markets like Chicago, Nevada, and beyond suggests that these issues are not isolated incidents but rather a systemic problem.

Conclusion

Thank you for your attention to these important matters. These issues are not isolated, and they reflect systemic problems that require our collective focus and action. The influence of firms like Sudler and FirstService Residential, coupled with the unethical behavior of certain auditors, continues to undermine the trust and financial integrity of community associations across the country. I am happy to answer any questions you may have or provide additional details on any of these cases.