

September 13, 2023

To the Council
Valley Forge Towers South Condominium Association

In planning and performing our audit of the financial statements of Valley Forge Towers South Condominium 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 Valley Forge Towers South Condominium 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements 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 a 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 following deficiencies in Valley Forge Towers South Condominium Association's internal control to be significant deficiencies:

CONTROLS OVER FUND ASSETS AND TRACKING INTER-FUND ASSETS/LIABILITIES

During our audit we noted a lack of control over the separation of operating funds and capital reserve funds whose use is restricted for future major repairs and replacements. Although most of the capital reserve assets are maintained in the Charles Schwab investment accounts, we noted several instances where capital reserve expenses were paid out of operating funds and vice versa, where the appropriate transfer of funds between accounts did not follow. In the current system, Galman Group does not have access to the Charles Schwab account, so it is forced to write checks for capital reserve expenses out of operating funds when the payment goes through them. The reimbursement from Charles Schwab is sometimes made, but not always. Provided the comingling of funds between the operating and capital reserve funds, Council or Galman Group should be maintaining a detailed and organized accounting of the inter-fund asset/liability that exists.

ACCURACY AND COMPLETENESS

During our audit we noted multiple instances of disagreement between subledgers and general ledger accounts (Accounts Receivable and Accrued Expenses). We also noted that bank account reconciliations have adjustments which is carry forward month-to-month. Based on discussion with Galman Group we came to conclusion that although controls are properly design, discrepancies often caused by management override of controls. Our recommendation to Council is to increase their communication to Galaman Group and increase the transparency of transaction related to accounts for which Galman Group does not have access.

This communication is intended solely for the information and use of management of the Valley Forge Towers South Condominium Association and those charged with the organizations' governance, and others you deem appropriate within the Association. It is not intended to be, and should not be, used by anyone other than these specified parties.

Again, we appreciate the opportunity to have conducted your Association's audit.

Sincerely,

McCarthy & Co., P.C.