

Filler & Associates, P.A.

Certified Public Accountants

May 13, 2003

The Board of Directors
SeaWatch Condominium Association
Old Orchard Beach, Maine

Gentlemen:

During our performance of the agreed-upon procedures engagement for the years ended June 30, 2002 and 2001, we became aware of several matters that are opportunities for strengthening the relationship with the management company and improving the accounting system of the SeaWatch Condominium Association (the Association).

The annual budget adopted by the Association includes fees paid to Cloutier Property Management for property management and grounds maintenance. The budget implies the type of services to be performed by Cloutier Property Management but the relationship needs to be formalized with a contract. A contract would address the scope and cost of services to be provided by the management company to the Association. In addition, a contract could address issues such as the markup available to the management company for the time spent hiring an outside contractor to perform services for the property or the standard hourly labor rate the management company could charge the Association when their employee performs work around or for the property.

A review of the accounting records offers several opportunities for improvement. First, the invoices issued by Cloutier Property Management to the Association need to include an expanded description of the reimbursement, whether it is for materials or services provided to the property. For example, one invoice contained the description "corner protector" and "30w flood bulb elevator". An enhanced description of that invoice should provide both the number of corner protectors and

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