

Financial Tips for the Self-Managed Association

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You have decided your association should go it alone without the services of a professional management company. Or maybe, as a way to cut costs, you have elected to manage yourself. Whatever your reasons to go self managed, let's look at some ways to leverage your work and make your association as financially and operationally strong as it can be.

You are not alone

Managing your association without the assistance of a professional management company can be a lonely job (not to mention a sometimes thankless and always payless job). But you don't have to go at it alone. A number of networks and resources are available to help you and your association.

Organizations such as Condominium Association Institute (CAI) and ACTHA will not only provide you with educational support, but also a collaborative network of other self-managed associations. Your frustrations and issues have probably been addressed by other associations similar to you. Joining these organizations are well worth the cost, as they provide newsletters, seminars and trade shows throughout the year. Another networking opportunity may be in your own backyard. Check with your alderman, neighborhood, village or city where you are located for applicable groups that may offer additional educational opportunities. Divide and conquer by having different board members go to different organizations. Better yet, getting active in these consortiums will yield even more of a return. I know, getting active in one more activity is the last thing on your list of things to do, but keep in mind, for many people, their home is their biggest investment and it needs great managing and leadership to protect it, particularly in these trying times.

Please be aware that the education provided by trade organizations will be of a "generic" nature that would then need to be applied to your association. If you have not received specific training about your association's governing documents from previous management, you may benefit from a customized training program that a firm like Association Advocates can provide, especially if you are a start-up association recently turned over from the developer.

Just because you are self-managed, doesn't mean you can't benefit from state-of-the-art technology

It will pay to get the association's records computerized. The ability to access data quickly and accurately will be worth the time and investment. In addition, if everything is in its place, how much easier and better will it be when you turn over the reigns when it is time to let someone else do all the work. How many of us have taken over a property and spent weeks sifting through boxes of data? It

would wise to computerize association's governing documents such as the declarations and bylaws, rules and regulations, financial activity, homeowner databases and all minutes and records of meetings. For some of us, getting this up and going will be difficult. If that is your situation, please give us a call. We would be happy to help your association in this area.

Surrounding yourself with smart people

Whether self-managed or professionally managed, this is a must. There are too many things to have to master to be able to do it all yourself. The key to great leadership is not that you must know and do everything well, but you must build a team that does everything well accordingly.

Do what you do well, and delegate the rest

Know your limitations and find people to shore up the areas where you need assistance. Every well-run association has access to a good attorney, accountant, consultant, insurance agent and banker. Find the professionals that specialize in this industry. They can help you navigate through your self-managed adventure and help you steer clear of trouble. They will know what you don't know, but you must use them. Furthermore, consider having on tap a professional property management consultant to step in on a contract basis. Most self-managed associations can manage themselves in most circumstances. However, every now and then, it would be good to have as a resource, a professional management consultant to help out on a project or problem. Identify a good consultant and develop a relationship with them *before* you need them.

In the accounting side of managing your association, this is an area we have developed an entire department dedicated to self-managed associations. Many associations realize that they manage well, but need expertise in the area of daily accounting, bill paying and assessment collections. Accordingly, a number of associations have delegated that function to our firm and we work hand in hand with the board of directors. In delegating any duty, there needs to be clear responsibilities outlined. As we consult with Board's we remind them to....

Delegate, don't abdicate

One of the things we caution Boards to remember as they delegate functions to other people and contractors, is that the performance and outcome is still the Board's responsibility. Accordingly, a wise Board will delegate with accountability and standards reporting back up to the Board. When we allow someone to pay the bills and sign checks with no accountability for their actions, we are asking for trouble. Trust, but verify. Make people accountable to you for what they are doing for you. This is good stewardship. The problems we have seen in the past occur when a Board has not delegated, but has abdicated their own responsibility to someone else. Be wise in this area. Financial examples in this area can include:

1. Having someone else review the bank statements and bank reconciliations other than the preparer.
2. Document in the minutes the list of checks approved for the month for all Board members to review.
3. Treasurer should tender the monthly financial statement to all Board members with explanation of variances from budget.
4. Review of past due delinquencies with an explanation and status of each account.
5. Ongoing review of the reserve investment strategy with the entire Board.
6. The entire board should be aware of all vendors/contractors being used.

Be transparent and accountable

What we ask of others we should do ourselves. All our actions and decisions in meetings should be clear and transparent. Associations with problems are usually associations that do not communicate clearly to the homeowners. Boards work for the owners and so we should strive to be as above reproach as possible—a standard worth pursuing. As we work through all decisions; transparency and accountability should be the grid we run our thinking through.

From a practical point of view, our financial accountability should include preparing the annual report, year-end accounting statements, filing of annual tax returns, paying bills timely, charging and collecting assessments properly, preparation of budgets and annual income tax returns. As was said before, get help in these essential processes, if necessary. As you develop a financial environment of transparency and accountability, consider the following:

1. Outsourcing the accounting function to someone such as CPA firm.
2. Minutes that accurately record the financial decisions made by the Board.
3. Separation of duties between the person approving the vendor invoice and the person(s) signing the check.
4. Financial statements generated timely and accurately that are available to the board of directors on a monthly basis.

More should be said about item # 4 above. The first three areas outlined above can be implemented immediately. However, generating timely and accurate financial statements continues to be a tall order for many associations. If your association does not have accounting expertise on the Board, consider delegating this function to the specialists. Outsourcing this all important task to a firm experienced in this area will yield benefits that will be worth the cost. We have a saying in our office; “what you can measure, you can manage”. So the question becomes; how can we effectively manage our finances if we do not have a timely and accurate financial system? The temptation is not to put in the effort and investment in this function. Don’t make that mistake. Outsourcing this function may be the best way to fulfill your fiduciary responsibility.

Run it like a business

Your association is truly a business. So run it like a business. This means making hard, sometimes unpopular decisions, but hopefully they are what is best for the homeowners as you seek to protect and increase the value of their investment and home. Running a business can be hard. But if the Board makes well formed decisions with the best available information, the job can be rewarding.

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Mark Cantey Associates represents over 900 associations in the Chicago area and suburbs in the areas of accounting, auditing and taxation. In addition, Cantey Associates services over 40,000 units a day in the area of bookkeeping and accounting for self-managed associations and management companies.