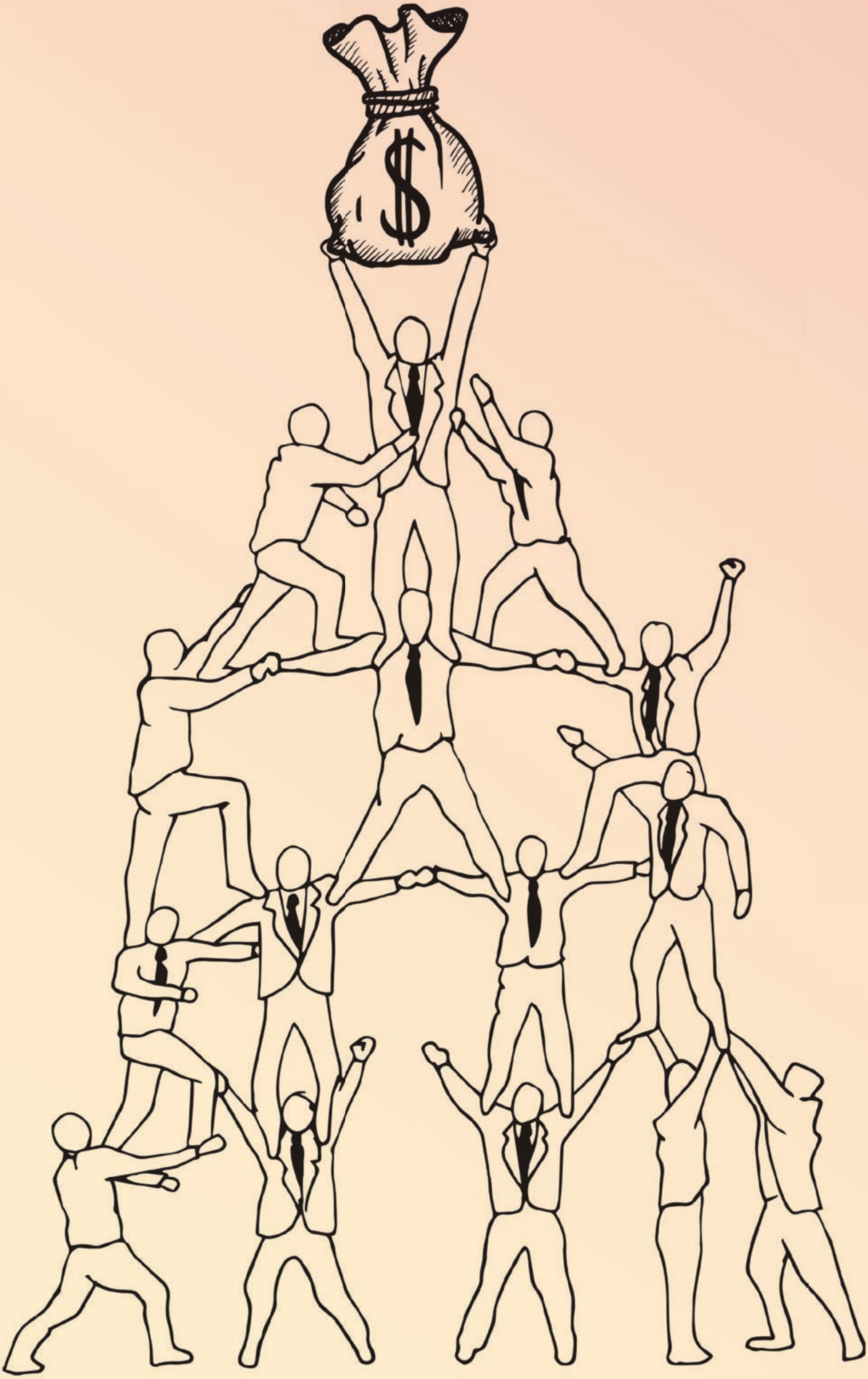
INDUSTRY PERSPECTIVE

HOW DO ASSOCIATION TREASURERS, MANAGERS, AND ACCOUNTANTS DEFINE THEIR ROLES AND WORK TOGETHER?

Managing a condominium community's finances is a team effort in which the association's treasurer, its manager, and its accountant are the key players. But the individuals filling these roles sometimes have very different ideas about who should be doing what, and how they should interact. Some treasurers want to see and touch everything; others think the manager and the accountant should do it all.

We asked an association manager and a CPA who works extensively with community associations to suggest how the lines of responsibility should be drawn, and to explain why some relationships work very well, while others don't seem to work at all.



Christopher Barrett, CPA,
Principal, Barrett
& Scibelli, LLC

The association's treasurer is the board's "point person" for finances—the liaison between the board, the manager, and the accountant. As such, Barrett says, the treasurer should be reviewing the management company's monthly financial reports, monitoring income and expenses, asking the manager to explain anything that looks questionable or is unclear (and asking the accountant to explain anything that is still unclear after the manager explains it), and summarizing the financial information for the other board members.

"When the treasurer is actively involved and asks all the right questions of management, you get the accountability you need," Barrett says. "But that doesn't always happen."

The CPA's primary role is to perform a year-end audit or financial review. "We'll ask questions based on what we see in the financial reports," Barrett notes, but if the treasurer hasn't been on top of things, "we'll be asking questions that should have been asked nine months ago, and it might be too late to help. The situation may have gotten out of hand."

Boards don't have to wait for the annual review to get input from their accountant, and shouldn't, Barrett says. If the board isn't getting straight answers from its manager, "the trustees should certainly consult the association's accountant," he advises.

Accountants also provide tax planning and general financial advice, and answer questions that are "beyond the expertise of the treasurer or the other trustees." When one of his association clients sold a parking space, for

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example, the treasurer asked (wisely) about the tax implication, and Barrett says, "We were able to structure the transaction to reduce the tax liability."

Because the condominium world is fairly small, Barrett notes, managers and accountants often have clients in common and "develop a business relationship." And managers will often ask accountants with whom they have established a good working relationship for input or advice. In one recent example, the controller at a management company called Barrett when she was uncomfortable with the format one of his association clients wanted for its financial statement. "We addressed it with the board and resolved it," Barrett says.

What accountants need most to work effectively with an association client is good information, and they don't get what they need, Barrett says, from boards that don't have monthly meetings or don't take accurate minutes at the meetings they have. The financial records don't tell accountants everything they need to know, he explains. The minutes will reflect financial issues that were discussed and how those issues were resolved. "If boards conduct their business informally, people don't remember what they discussed; important information gets lost," Barrett says, "and that's a recipe for future problems."

The recipe for success, he suggests, isn't complicated. "If the management company provides good reports, if the treasurer reviews the reports and explains them to the other trustees, if the board holds regular meetings, keeps good minutes, and asks the accountant about anything that doesn't look right—associations do very well. It's when they deviate from this formula that [things go wrong.]"

Robert Keegan, CMCA, AMS, PCAM, Vice President of Residential Management, Dirigo Management Company

Like Barrett, Keegan sees the treasurer's role as critical. He also emphasizes the immense responsibility the position entails. "The treasurer needs to be aware of everything," Keegan says. While he or she can delegate some functions to the manager or the accountant, "it is the treasurer who is ultimately responsible."

Finding a volunteer willing to assume those responsibilities and able to handle them is "hit or miss," Keegan notes. "These are, after all, volunteers. You don't often get someone with a financial background. They do the best they can, but most will depend heavily on the manager to guide them." The key, Keegan says, is to define the treasurer's role and responsibilities clearly, "and that can change from one treasurer to another, depending on their backgrounds and their comfort levels."

The treasurer will typically work closely with the manager on financial issues, Keegan notes, and the formal controls the board establishes will guide their interactions, determining, for example, who signs checks, who approves invoices, and whose signatures are required to withdraw funds from the reserves.

His preference is to have the treasurer review and approve all invoices. "That makes it a lot easier on our end. Having that level of oversight protects the management company." But that structure is also time consuming for treasurers, Keegan agrees, "and many don't want to deal with [that level of detail]. They don't want to see every bill." Most prefer to have the manager approve regular recurring expenses, requiring the treasurer's OK only on expenditures that are "out of the ordinary."

That's actually how things work in most associations, Keegan says. The manager handles most of the day-to-day financial responsibilities and provides information and explanations to the treasurer, who explains the financial statements to the rest of the board.

There is no question that having a financial background can be an advantage for the treasurer and beneficial for the community, as well, Keegan agrees, but it can also be a disadvantage.

A retired CPA, accustomed to working with large corporations, "will sometimes over-think the financials and create a lot more work (for the treasurer and the manager) than is necessary," Keegan says. "We try to help them understand that a condominium association isn't a Fortune 500 company. Its finances are [straightforward]; its tax issues are usually fairly simple. You don't encounter a lot of complicated issues. But an overzealous treasurer may overanalyze everything."

The best antidote for this overzealousness, Keegan has found, is information. "We try to provide access to everything online. They can look at bills, review financial statements, see everything that's going on. They can take the financial pulse of the property at any point in time." This open-ended access often creates "a comfort level" that Keegan says can make an overzealous treasurer a little less intense." CM

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