

## **HOW TO SELECT A PROPERTY MANAGEMENT FIRM FOR YOUR HOMEOWNERS ASSOCIATION**

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One out of every three people in California is living in some type of planned community governed by a homeowners association. Hundreds of thousands of consumer dollars are collected every month in dues from the many homeowners associations in California. The odds are good that if you live in one of the more than 32,000 homeowners associations in California, your dues are collected by a professional community association management firm retained by your board of directors.

For most people, their home represents their most important financial asset. Keeping that in mind, I'd like to make some recommendations on what homeowners should look for in a community association management firm.

### **Proof of Expertise.**

Ask whether or not your property management firm has been certified. The California Association of Community Managers (CACM<sup>SM</sup>) offers certification for both the individual manager (Certified Community Association Manager or CCAM<sup>®</sup>) and for management firms (Certified Management Firm or CMFC). Be suspicious of pricing that's substantially below the rest of the competition. Never hire a firm just because it offers the lower rates. There's probably a reason why.

### **Evidence of Risk Management, Including Insurance**

Check to make sure your firm practices risk management, including carrying the proper amount and type of insurance to protect against theft, errors and omissions, and workers compensation claims.

### **Proper Internal Financial Control Systems**

What sort of internal checks and balances system does your management firm use for handling association funds? The company should follow proper methods of handling cash receipts and disbursements, account receivable and revenues, as well as accounts payable, purchasing and contracts. The board of directors needs to review the association's original bank statements once a month and should not accept photocopies.

**Disclosure of Subcontractor Contracts** Make sure you understand which companies have been hired to perform such services as pool or landscape maintenance. Ask if the property management firm owns any interest in or any portion of the business or has some other potential conflict of interest. Disclosure is the key here.

Bottom line, the best way to make sure you're getting the most value out of your property management firm is to participate in the running of your association. Volunteer on a committee. Get to know your neighbors and vote at each election. Most importantly, ask the tough questions if you have any doubts or concerns about the management of your association.

