

Condo Talk

by Kay Senay

THE MONEY IS MISSING!

D.R. (New York): “Kay, I hear that occasionally a condo or homeowner association finds their money missing. How does this happen and what can be done about it?”

Dear D.R.: Call it theft, embezzlement, fraud or stealing, it means that money is missing. Some associations experience this horrible nightmare. Saying that associations experience this actually is very cold---associations are entities. But really, it's very personal when it's the owners' money that's gone and it's the owners who usually have to bail themselves out.

Let's face it. If someone wants to steal, they will usually find a way to do it. But the bad guys get caught, eventually. It's been reported that management companies have several ways that they think are successful.

- Forging signatures on checks

- Changing the check amounts---like adding 3 zeros to a \$30 check!

- Taking money from one association, and then taking money from another association to replace it. Association number two is out the money that was originally taken from association number one.

- Sending fake invoices to clients

Board members can also be guilty, especially the treasurer. There have been cases where a board treasurer is in cahoots with the management company's employee who pays the association's bills and/or reconciles the bank accounts.

In a Florida case, the manager of a number of associations previously served almost five years in federal prison on wire fraud, bad check and embezzlement charges in New York, prior to embezzling money from associations in Florida.

In an Ohio case, the owner of a management company bilked 43 condominium associations of about \$3.45 million over the last seven years.

What can be done to prevent this?

- Do a background check before hiring anyone that will handle your association's money.

- Check the management's credentials. Many states don't require licensing to be a property manager. However, there are courses available to managers who receive designations if they pass.

- Make sure your association has insurance to cover losses from dishonesty.

- Periodically check the bank statements with the financial reports to make sure they are in agreement. These records are available to all owners.

Require annual audits by a certified public accountant. Require the CPA to attend and make a report to the owners at every annual meeting.

Embezzlement of funds of condo and homeowner associations has hit the spotlight all over the nation. We are not talking about small amounts, but serious amounts, sometimes in the millions. Even when a professional is handling the money, it doesn't mean they shouldn't be checked on periodically by the board and the owners. By detecting potential fraud quickly, associations can minimize the amount of their damage.

Kay Senay is the author of CONDO BUYING & OWNERSHIP MADE SIMPLE: TIPS TO SAVE TIME & MONEY. Visit her website at www.condo-condominium.com for a FREE TIP SHEET. Send your questions and stories to Kay at condotalk07@yahoo.com.

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