

Effective and efficient cash management

Board members have the fiduciary responsibility not only to monitor the income and expenses of their association but also to utilize processes that provide both safety for assessments collected from homeowners and control of costs. If your community association or management company has not recently reviewed your payment processing and cash management systems, you may be unaware of innovations that can make your staff more efficient, save money and help to increase your investment earnings.

Lockbox Services Designed for Community Associations

Does your accounting staff still handle assessment payments manually? If your association or management company is opening envelopes, posting payment information, preparing deposit slips and taking them to the bank, these activities consume a significant amount of administrative time and also increase the potential for theft and error. There is a solution: automated processing.

Automated processing includes lockbox services. A “lockbox service” is a cash management tool that is a cost-effective way to outsource the majority of the duties associated with payment processing, saving the association time and money.

Lockboxes have been available since the 1930s. They were designed to speed up the processing of mailed payments. The payments were mailed to a locked post office box and a delivery service could pick up the payments and transport them to their client. Delivering the contents of the lockbox directly to the association eliminated the time lost for the post office to sort and deliver the payments. Computer imaging technology improved the process dramatically in the 1990s by making it possible to create electronic payment files.

Today, assessment payments are mailed directly to the lockbox service provider, not to the association’s office or management company. The checks are read by electronic scanners which reduces reading errors, and payments are processed faster than they would be manually. Payments are credited faster to the homeowner’s account as well. The association’s or management company’s accounting department can upload the payment files directly into their accounts receivable system, eliminating the manual entry of payments. Payment information is available to you online immediately.

By using a lockbox service, associations frequently find they are able to reduce time spent on payment processing and may be able to use staff to work on other tasks required to meet the daily needs of the association. How do you find a lockbox service that meets the needs of your association?

- Seek professional recommendations from other associations or management companies especially what works for them and why.
- Ask detailed questions about the technology used by the lockbox service. The answer “we use the latest technology” is not sufficient. Your questions should focus on the specific services offered by the lockbox service:
 - Do they offer outline check and coupon images?
 - Are their electronic files compatible with your accounting system?
 - Does the lockbox service use their software or a licensed third party system? Costs are normally higher if the lockbox service does not use its own software because they must pay licensing and maintenance fees.
 - What is the cost, if any? Most banks do not charge for the service in exchange for maintaining certain balances in checking and/or savings accounts.
- Ask specific questions about what it is like to work with the provider to be sure this lockbox service meets your needs. Is the lockbox service in-house or outsourced? How do they handle

errors? What type of reports do they provide? How do they handle payments from online bill payment services?

Cash Management Services for Associations

It is important for every association to be sure that the financial institutions you use understand your needs. If they don't, you may not be getting the advice and guidance you need to maximize the returns on the association's funds. When reviewing your cash management process, you should ask yourself the following questions:

- Are my reserve accounts performing as well as they could be?
- Am I earning the maximum rate of return on my money market accounts?
- Do I have FDIC coverage on my certificates of deposit?
- Do I have an investments manager who we can trust to recommend investments that meet my association's regulations and investment policy?
- Do all financial institutions that hold my association's money ensure the highest level of protection of those funds?

If you are not sure, look for a financial services company specializing in the homeowner association industry and work closely with them to implement an effective and efficient cash management program for your association.