

CAMS' Collections Department Aids in Reducing Associations' Accounts Receivable Balances

Throughout 2020 and 2021, CAMS' collections department audited the accounts receivable (AR) balances of all associations they manage. During this process, it was discovered that several associations had unusually high balances. After seeing the results of these audits, boards saw how much money their associations were owed and by whom, thus giving them the fuel needed to pursue these delinquent accounts. Further, the collections department educated both boards and community managers on some best practices to avoid reaching high AR balances in the future.

SITUATION

In 2020 and 2021, CAMS' collections team began auditing the AR balances of the 700+ associations managed by the company. In doing this, the collections manager saw some unusually high balances and trends among those accounts with the higher balances. Upon studying this information, she determined the sources of delinquencies and provided board members with some best practices for collecting the funds and avoiding this from occurring again in the future.

THE AUDIT

As the collections manager began her audit, she systematically went through every account and noted trends that may have been contributing to high AR balances. After studying this information, she came up with some best practices for board members and community managers to avoid the AR balance climbing again.

Some of the primary causes of high balances were discovered to be:

- Previous owner debt
- Bank foreclosures
- Balances that were several years old
- Unpaid fines for violations
- Debt that hadn't been written off
- "Bad Debt" (debt that can't be collected – examples can be bankruptcies, late fees, bank foreclosures)

THE AUDIT (CONT.)

After evaluating the reasons behind these high AR balances, the collections manager also noticed that many associations hadn't revisited their collections policies in several years. Further, some associations were discovered to have no collections policy in place at all.

SOLUTIONS

An audit to this degree is an extra service provided outside of CAMS contract deliverables to assist the associations they manage in reaching a better financial state. In light of the discoveries made throughout the audit, the collections manager came up with some solutions for board members and their associations.

- Realigning how payments were applied
- Changed payment order, thus giving the association power to file liens when needed
- Looked over collections policies, updated them if needed, and assisted in coming up with policies if the association had none
- Setup and shorten the time for payment plans – reduced from 12 months to 4-6 months
- Corrected any system settings that may have been affecting collections efforts
- Conducted separate meetings with some boards to explain the importance of collections and why the association should be run as a business
- Vantaca software system, continuously runs reports based on the association's collections policies and sends letters to delinquent owners. Having all collections policies in place and up to date in the system allows the process to be more streamlined and successful.



EDUCATION & BEST PRACTICES

When the collections manager finished going over the data and came up with some solutions, she was able to see some areas in which both board members and community managers could use some education and best practices to avoid a recurrence of this issue. However, she was also quite aware that not everyone is good with numbers and that she needed to communicate these best practices so that everyone could understand.

To get this information out to those who needed it, she attended some board meetings as well as provided some essential education to community managers so they, in turn, could relay the information to their board members.

As it came time to educate board members and community managers, the collections manager came up with some best practices based on the audit results.

Best practices for collections and avoiding high AR balances:

- The board must be more aggressive in the collections process – though there is undoubtedly a time to be understanding and work with community members, debt cannot simply go ignored
- Having a collections policy and annually reviewing it is essential
- Boards should look at bad debt at least once each year, especially during budget season
- Try to keep emotions out of the collections process and treat the association as a business
- Be sure to read monthly financial packets in their entirety carefully. Though the bank account balances are important, outstanding balances are essential too. Further, it is unfair to members to raise assessments or call for special assessments because the association is lacking funds due to others not paying
- Educate members about the consequences of not paying assessments, including liens and foreclosures
- Further educating community managers on collections, common causes of high AR balances, and tips to pass on to their boards
- Coming up with strategies on how to collect on owners who seem to be completely unwilling to pay or set up a payment plan

**OUTCOME**

It can sometimes be difficult for board members to aggressively pursue delinquent accounts as those who owe money are their neighbors and even their friends. However, the association must be considered a business, and board members owe a fiduciary duty to the association and all its members. Part of this duty is to look out for the association's financial well-being.

After being told the audit results, many of CAMS' associations saw a significant decrease in their AR balances and became financially healthy. Further, this process brought sections of the financial reports to board members' attention and showed them the importance of going over everything, not just the bank account balances.

At CAMS, we go above and beyond to provide our clients with excellent service. By performing this audit and revealing that many associations had these high balances and could work towards reducing them, CAMS was able to aid board members in reviewing the financial state of their associations and work towards updating policies and pursuing delinquent accounts to avoid this from occurring in the future.

Does your community have the guidance it needs?
Call for details.

