

CAI-NJ Management Transition Best Practices

Management transition is inevitable from time to time as Associations change and evolve. As manager members of CAI-NJ, it is our responsibility to work collaboratively when transitioning clients to minimize disruptions. CAI-NJ believes that cooperative efforts amongst management members helps maintain professional relationships and fosters a positive image to community associations during times of transition. It is important that industry standards and professional ethics are maintained during the process. Above all, the parties should focus on a successful and seamless transition on behalf of the Association.

Below is a list of best practices and a suggested letter template that members are encouraged to follow for the transition of a community.

Summary of Transition Process

- Upon execution of new management agreement, new management should provide a letter to the outgoing management company or individual manager (if no management company) within ten (10) days outlining specific needs and a timeline for transfer.
- Upon receipt of the transition letter, outgoing management shall comply with the request to ensure the specified timeline is met.
 - The outgoing management company shall follow the specified timeline outlined in letter to the best of its ability; if it finds it is unable to meet any of the stipulated deadlines, it must advise the new management company and mutual client and provide the soonest possible date it will be able to achieve task.
- Both parties shall maintain an open dialogue to address concerns as they arise.
 - Both parties must cooperate in the best interest of the mutual client with a goal of minimizing disruptions to the Association.
- Mutual client shall be kept abreast of status of the transfer process.
 - Both parties shall provide regular updates on transfer progress to the mutual client.
- All Association files shall be transferred.
 - As a reminder, management does not own the files of an Association, but only serves as a custodian during the term of service. Upon dissolution of the relationship, all files must be transferred.
 - Files should be inventoried, boxed in a methodical fashion and the inventory listing should be placed onto sign-off sheets for both parties to sign. Both parties should keep a copy of the signed inventory sheet; the inventory provides a chain of custody record to ensure files are not lost during the transition.

CAI-NJ presents these best practices in an effort to provide a standardized method for transitioning Associations from one management company or individual to another with minimal disruption to Association operations. Transparency and communication are key elements to a successful management transition and CAI-NJ wishes to set guidelines to ensure Associations are afforded a smooth and transparent process to change management as the need arises. Below is a template that management companies may adopt when notifying outgoing management of transition needs.

Template Letter

[Date]

[Firm Name]

Attn: [Contact Person, Title]

[Address 1]

[Address 2] (if applicable)

[City, State Zip]

Reference: Management Transition - [Association Name]

Dear Sir/Madam:

As you are aware, our firm has been engaged as the new Managing Agent for <Association Name>, effective <Effective Date>. As you are the current Managing Agent, we anticipate and appreciate your cooperation during this transition period as we work together to transfer all necessary information for this Association.

In an effort to minimize any gaps or interruptions in service to the unit owners, please provide us with the contacts for the Association and list any procedures and deadlines that may require action during the transition period.

Below is the schedule of materials and information we request from you so that we can expedite the setup of files and services for <Community Name>. The information requested in the highlighted box is requested in the next three (3) business days. The remaining items are grouped based on the timeline for transfer.

- **Legal name of the Association**
- **Tax Identification Number**
- **Fiscal Year End Date**
- **Articles of Incorporation**
- **Payroll Provider, if applicable**
- **Current owner list (name, address, email), including alternate addresses – in Excel format**
- **Current vendor list (name, address, phone number and email) – in Excel format**
- **Assessment information for all owners**
- **Late Fee and late date**

Provide the following items as soon as possible, but no later than ten (10) business days from date of letter:

- Confirmation of Accounting/Property Management Software
- Federal Tax ID#
- List of All Bank Accounts
- A check for \$1,000.00 to open a new operating account
- Current Approved Budget, Most Recent Audit
- Complete set of Governing Documents for Community, including rules and regulations, board resolutions, amendments, Late Fee Policy, Collections Policy, etc.
- Maintenance Fee for Each Unit and any other Monthly Charges (parking, special assessments, Master Association Fees, etc.)
- Utility provider list and account numbers (electric, gas, phone, etc) including information if they are on

auto-pay (log-ins, passwords, etc)
• Vendor List (active vendors only)

Provide the following by one (1) month prior to transition date:

- Existing contracts and contractors' insurance certificates
- Contract status list (including expiration dates)
- List of investments and signatories
- Current financial statement, balance sheet, profit and loss statement and general ledger report
- Insurance policies and five (5) years loss runs
- Information on any pending insurance claims, lawsuits, or incident reports
- Reserve fund status and location
- Authorized signatures for investment accounts
- Federal and State income tax files
- List of Working Capital and other fees collected at closing
- Individual unit owner files including correspondence, resale records, accounts receivable and collections files
- Vendor files including contracts and professional agreements
- Warranty certificates and files, if applicable
- General correspondence files
- Legal Files, including transition files
- Monthly bank account statements
- Investment statements
- Bank reconciliation and canceled checks
- Income tax and audit files
- Computer/Technology passwords (for onsite offices)
- Association Inventory List
- Architectural Plans (As-built site and structural, if available)
- Corporate Seal
- Most Recent Reserve and Deferred Maintenance studies
- Any other files not included elsewhere in these lists

I would appreciate it if you would provide us with the initial requested information electronically so we can get the coupons out on time and notify the homeowners of the management change formally.

We ask that you do the following:

Cash Receipts:

Cash Receipts:

- Do not deposit any receipts from unit owners or any other source **after <five business days prior to transition date>**
- All Association funds should be forwarded to our office via check payable to the Association as soon as possible following <transition date>.
 - Hold sufficient funds for any outstanding checks as of <last day prior to transition> and forward balance of funds as soon after <transition date> as possible.
- Include a copy of the last bank statement and reconciliation including all outstanding deposits and checks

- The Operating Checking Account should be brought to a zero balance (cut a check in name of Association and forward to our office) and the account closed
- Provide an Aged Owner Balances Report as of <last day prior to transition date>
- Prepaid Assessments Report as of <last day prior to transition date>
- Owner Balance Summary Report as of <last day prior to transition date>
- Active Collection Status Report / List of All Accounts in Collections as of <last day prior to transition date>

Cash Disbursements:

- Pay all outstanding invoices through **<10 business days prior to formal transition date>**. After **<10 business days prior to transition date>**, do not cut any checks and forward all outstanding invoices to our office through the end of the month and thereafter. Please include necessary documentation supporting payment of the invoices (work orders, signed proposals, etc.)

General Ledger:

- Provide a detailed copy of the general ledger through **<end of month directly preceding transition date>** so that we can carry forward the ending balances.

Please supply a completed financial of the last month of service as soon as possible after transition; we appreciate receiving this document no later than the last day of the month directly following the transfer of service.

Please feel free to contact me with any questions or concerns. You can contact me at **<e-mail address>** or at **<phone number>**.

We appreciate all your efforts to assist us in this management transition.

Sincerely,

(Signature)

Your name & Title