



## **Checks and balances will ensure an efficient, successful property management operation**

April 11, 2011 - Spotlights

In order to be a good property manager, one needs to be able to do two things. 1) Complete all tasks that are required to get done. 2) Complete all tasks accurately. While it may seem intuitive and an easy thing to achieve, following these two simple steps amidst the quagmire that is NY city real estate is no small task. The constant flow of phone calls, emails, mail, and paperwork make completing these two basic tasks a significant challenge. Only the most organized and experienced are successful at doing so.

Instituting a system of checks and balances in your property management operation is the key to making sure items don't fall through the cracks or worse that mischievous employees aren't tempted to tarnish the process through criminal activity.

On the accounts receivable side, all operations should include such checks. First off, to avoid any temptation a strict no cash policy should be instituted. When rent checks are deposited, it's a good idea to have one employee post the rents while another employee deposits the checks. This will ensure that theft can only occur if there is collusion amongst employees. If such an incident exists, and it continues, eventually it is usually exposed. If legal cases are instituted by a different employee, and a tenant questions such a case, this creates even a second check on receivables. In today's day and age, given the popular use of lockbox receivables, often only few checks are manually deposited anyway.

Ordering of work, review of invoices and accounts payable is perhaps the most flow process where checks and balances should be employed. When work is engaged, a property manager should issue a purchase order number to ensure the order is tracked. When a manager receives an invoice for work, it should be quite easy for him to compare the invoice to the work ticket, to ensure the work that was done and billed is what was requested. Once the property manager approves the ticket for validity of work and pricing, the invoice should pass through a second approval process. This process while more cursory in nature, should focus on larger ticket items. The second approval not only verifies the validity of the pricing, but also ensures that more than just the individual who issued the work is seeing what was done. After the second approval, the invoice should pass on to accounts payable where the check is being cut by even a third individual.

The same type of checks and balances should be set up in the leasing process. While a property manager or a leasing agent will put together a rental application and perhaps even give a preliminary approval, a second higher level approval should be employed.

Checks and balance systems like this should be set up in the legal department, the accounting department in any other process flow where money is changing hands. Such systems can even be set up in processes which don't involve funds. In these cases, the systems can ensure that work gets done and doesn't slip through the cracks.

Matt Engel is a vice president, Langsam Property Services Corp., Bronx, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540