



Detecting Fraud and Theft in Community Associations

As a Consultant and Expert Witness for community associations, I get calls quite often for suspicions of Fraud and Theft at their community. It's almost inevitable that these accusations will eventually occur at most community associations. The rising costs of assessments, construction, and insurance coverage get homeowners in a frenzy over who's to blame. Many times however, the suspicions are legitimate and in line with red flags that pop up in the operations of the association. While I believe that most board members volunteer with good intentions and make well-informed decisions, there are a few out there that prey upon the ignorance of others.

Here are four red flags that may cause you to believe you have a legitimate claim that points to Fraud or Theft in your community:

Improper Behavior by Director(s)

- Dictator-like attitude, rude, mean, and will not listen to owners' concerns.
- President or Director that hides information from other board members.
Is this attitude an old behavior pattern that can be improved or is it deceptive governance?
Can education help them? Board certification courses?

Lack of Transparency

- Not adhering to state laws for posting documents online (state laws will differ)
- Board refuses to share financials, contracts, bids, proposals, and other important documents.
- Not providing owners with access to documents when formally requested (state laws will differ)

Resistance to using Professional Resources

- Not going to legal counsel for advice or legal opinions
- Not going to the accountant for advice / performing audits
- The board claims the expenses for professionals are too high or not necessary.
- Management services are contracted at a minimum or not at all.
- Will not listen to management's advice on procedures.

Small Management Companies

- Usually overwhelmed with too much to handle for their business model.
- Reports are usually inadequate.
- Many smaller companies lack experienced managers and leaders.
- Small companies may not have the capital to invest in the best software for their clients.
Note: Some larger companies may also be so busy they cannot hold their managers accountable.

These are just a few of the red flags that may arise at your community association. While there may be a perfectly good explanation for the existence of one or two items above, if you have several of these

situations simultaneously, you may have to dig a little deeper. The investigation process is tedious, and most homeowners have no one to turn to. Crimes are difficult to prove in associations due to the civil and volunteer framework for the governance. A few states, however, like Florida, have very active legislation in place and new laws are generated every year. If your state's oversight for community management is lacking, look at some of Florida's statutes (FSS 718 and 720). They may provide guidance for governance in your neighborhood.

Feel free to reach out to me with any questions if you feel I can help you improve operations. If you represent a legal firm or insurance carrier with a case or lawsuit, I may be able to assist you with details regarding operations and expected industry standards.

See more at www.HomeownerAssociationConsulting.com

Thank you,

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