

INTERNAL CONTROLS AND PROTECTION OF ASSOCIATION ASSETS

Theft of funds from community associations is rare, but management agents are responsible for taking steps to ensure the Association's assets are guarded. While it is nearly impossible to be protected from every situation, CAS implements tight controls to minimize risk. Those controls include annual audits by a qualified CPA firm, appropriate insurance coverage, multi-level review of financial reports, thorough background investigations of new hires, and constant review of internal controls by company principals in conjunction with outside consultants. The principals and employees of CAS take their fiduciary responsibilities seriously and follow best practices of our industry to ensure the safest environment for our clients' assets.

INSURANCE AND BONDING

State law requires that associations maintain "Fidelity" or "Crime" coverage to protect them from theft of funds. In Maryland an association must maintain coverage limits of at least the total of the reserve fund balance, plus three months' worth of total of assessments. There are other numerous policies an association should maintain including liability and property coverage. To ensure a client is adequately insured, an annual review of the client's insurance policies is coordinated with the agent and board members.

Per State of Maryland code, third parties collecting debt on behalf of another entity must carry a Collection Agency License. Part of the licensing requirement is to have a \$5,000 bond in place payable to the State. CAS has such a bond and additionally, carries a second fidelity policy in the amount of \$300,000 covering employees and principals with 20% interest or less. CAS also carries a \$1,000,000 General Liability policy, Professional Liability/Errors and Omissions policy in the amount of \$1,000,000 and Workers Compensation insurance meeting the required state levels. Certificates of insurance naming the Association as an additional insured will be issued upon receipt of a signed management services agreement.