

Property Management 101

How to Manage
Your Condo
Without Killing
Anyone



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Book Cover Photo

Overlooking Penang's Pulau Tikus and Gurney Drive Area

Taken from Youth Park Station 3, Penang

By Liew Chee Yen (July 2018)

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How to Manage Your Condo Without Killing Anyone

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About the Author

The author writes from his experience as an RA secretary, MC Secretary, and as a successful property management software developer. Over the course of 16 years, he has met unscrupulous developers, lodged police reports, wrote to and met with countless government departments, held press conferences, worked with more than 40 property managers, more than 20 property developers of various sizes from the big names to the newest boutique players, and served over 300 JMB/MC committees. The software that he created is *Condo Master*™, the market leader in property management software in Malaysia. It is used by all types of strata developments (and some non-strata) from Penang to Klang Valley, to Johor Bahru, Pahang, Kelantan, Kuala Terengganu, Kuching and Kota Kinabalu.

Dedication

This short book is dedicated to all the fearless and hard-working committee members and members of the property management industry, who continue to serve their residents despite the thanklessness of the job, the low pay, and the phone calls at ungodly hours.

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Chapter 1

The Importance of Property Management

I am sure you have heard this before: “First world infrastructure, Third world maintenance!”

This pretty much says it all about the state of the property management industry in this country.

Over the last 10 years, property developers have been building bigger, higher and better high rise buildings with an increasing number of fantastic facilities and high-tech equipment in order to attract buyers. However, the property management companies, the committees, the government departments have yet to find an effective way to manage and govern these properties.

The usual problems of:

- Insufficient funds and long list of defaulters
- Lack of experienced staff
- Underpaid workers
- Under-table deals
- No proper accounts kept

And so on... sounds like the chorus of a broken old record.

Yet, property management will determine the long-term sustainability of a high-rise building and its long-term sustained property value. You have heard of the long-held maxim of property investment: “Location, Location, and Location”. But, let me ask you further: of two similar buildings within the same area, which one will have a higher value and provide better liveability? The one that is well-maintained, of course!

So if you want your property to increase in value over the years, make sure that you have a good management team.

In the following few short chapters, I will be highlighting some common sense and not-so-common sense topics about how to manage your building.

Chapter 2

Your Core Team

Let's start with the most important element: People.

Every organization has a core team of members. They are the heart, the brain and the soul of the organization. The quality of your core team will determine the level of success of your organization in achieving its goals.

To manage your building, you need several parties involved in the action, and the total number of people involved can be quite large.

They are:

1. The committee members
2. The staff of the management company
3. The service providers

Committee

First, let's talk about the Committee. This is either the committee members of the Joint Management Body (JMB) or the Council members of the Management Corporation (MC). Up to 14 members can be elected by the owners during an annual general meeting. There will typically be the key office bearers of Chairman, Vice Chairman, Secretary and Treasurer, and the rest are just committee members.

Residential estates which are not a "strata scheme" development may have a Resident Association (RA) instead. The RA is formed under the Societies Act (1966) instead of the Strata Management Act (2013). It does not have the same legal standing as an MC or JMB to manage the estate, as membership in an RA is purely voluntary. We will not be discussing about the RA in this book.

The committee should act like the "board of directors" of a public company. It is their responsibility to provide "corporate governance" by setting the direction, making sure policies and management controls are in place, and review the financial status of the JMB/MC regularly, and ensuring everything is done according to the Law.

It is important that they avoid getting involved in the day-to-day operations of managing the building. For example, the Chairman should resist the temptation to give direct instructions to the guards or the cleaners. This is to ensure that no conflicting instructions are given to the service providers, and that the building manager is always kept in the loop of all communications. If this rule is not observed, you will end up with a lot of confused workers. Your building manager will also feel unhappy because his authority and chain of command has been short-circuited.

One extra note that I would like to insert here specifically about bad chairmanship behavior. Some Chairmen have an unfortunate dictatorial strain in their personality. They like to bulldoze their way through, and disrespect the opinions and even decisions of the overall committee. There are actual cases of Chairmen instructing the office staff to act in exact opposite of what the committee has decided in a meeting. And then there are also Chairmen who ask the office staff to do personal work for them, such as fix their house, water their plants, or even fetch them to the airport. This is definitely an abuse of their power and a betrayal of the public trust. Finally, there are also Chairmen who earn "commissions" from the service providers. These are corrupt practices that must be stopped!

The key office bearers are the most important members in the committee. They should be people of good standing in the community, they should be in touch with the community, they should have some experience in management, and they must know as much as they can about strata management laws. The unit owners should keep this in mind when they elect the new committee members. DO NOT simply elect anyone who makes the most noise during the AGM.

Management Company

Second on your core team is the appointed management company's staff. If you decide to manage the place on your own, then you will need to hire these management staff on your own.

For any building with a significant number of units, you will need to have

- 1) A building manager or supervisor
- 2) Administrative clerk(s)
- 3) Maintenance technician(s)
- 4) An accounts clerk/executive

In supporting role:

- 5) Operations Manager / Building Officer
- 6) The Registered Property Manager

Building Manager/Supervisor

Oversees the entire day-to-day operation of the building, such as

- Security, Health & Safety issues
- Cleaners / Landscaping
- Renovations
- Repairs and upgrading works
- Inter-floor leakages
- Resident complaints
- Respond to emails
- Preparing notices
- Preparing reports

Admin Clerk

- Daily Collections
- Prepare purchase orders
- Document filing (vendor invoices, quotations, service reports, contracts, S&P, tenancy agreements, renovation forms, etc)
- Data entry (owner / tenant info, meter readings, issue/complaints logs, service contractors attendance, etc)
- Issue Reminder letters, Notice of Demand (Form 11 or Form 20)
- Frontliner to handle resident complaints
- Phone receptionist

Maintenance technician

- Perform simple general repairs such as changing light bulbs, basic wiring, pipe leaks, simple paint jobs
- Be on standby to respond to electrical and mechanical system breakdowns, to call the relevant contractors as needed.

Accounts clerk/executive

- to receive and verify the daily collection batching report
- prepare payment to vendors, petty cash reimbursements
- payroll/EPF/SOCSO/EIS (if applicable)
- to perform monthly (or weekly) bank reconciliation

- to close monthly accounts and prepare monthly financial report
- to close annual accounts and submit for audit

Operations Manager / Building Officer

- Second line of support to the site management team
- Provide guidance to the site staff
- Liaise with government departments, strata management tribunal, and various external parties
- Ensure the site management staff is in compliance with the SOP of the Property Management company
- Organizes and facilitates the general meetings of the JMB/MC

The Registered Property Manager

One who is licensed and registered to practice property management by the Malaysian government

- Able to provide professional advice and consultation on legal and technical matters
- Establishes industry-standard SOP and ensures that it is being practiced consistently by the staff

Unless your building is a small, low density community (less than one hundred units), you should avoid having a "one-man show" building manager, just in order to save some money. If you do, the poor manager will be extremely overwhelmed with work and will resign within a short period of time due to work stress!

Also, make sure you have an experienced and qualified accounts clerk/executive to keep your accounts in order. Do not ever entertain the thought of hiring a general clerk to use Microsoft Excel for recording your receipts and payments. You are responsible, under the Law, to keep proper accounts of the public fund. That means doing proper accrual basis accounting (recording vendor invoices, not just payments), billing the owners, having a P&L and complete Balance Sheet. A general clerk who does not have any accounting knowledge will not be able to do all this correctly.

One common question is: *Is it worth it to hire a Registered Property Management company? Or hiring an "unlicensed" but cheaper company is just as good. Or should we self-manage?*

Our advice is that you should always hire a good registered property manager. The key word here is "good" because not all registered PM are good. Beware of

those who "rent" or "borrow" their license from another company. There are some in the market who does this (there is a standard market rate for renting out licenses), and if you ask then point blank, they will of course deny it. So you need to ask around the market and do your own research. Even the real registered property managers are not created equal - some have the academic knowledge but lacks in management skills, so their operations team are not as well-trained in their SOP as they claimed to be. There are even those who let their operations team operate on their own without much guidance. And some do not even train their staff. You should always hire a good registered property management company because you need someone who is properly qualified to manage the multi-million ringgit asset that is your building! Hiring anyone less qualified and you risk screwing up your long term investment for yourself and for all the other unit owners as well.

Should you self-manage? Very, very few buildings can meet the criteria that is conducive for self-managing. To self-manage, you need to have:

- i. A knowledgeable team of owners who have the free time and energy to contribute
- ii. The team must be able to work together. Any political in-fighting will destabilize the committee and create long term problems for the building
- iii. The team must have the support of a large majority of the owners. If there are two equally strong groups of owners supporting opposing teams, then the management will fail
- iv. Sufficient budget to hire good staff and reward them well.

If you decide to self-manage, you need to hire permanent staff. If one of the committee member is willing to work in the office full time, you must pay a him/her a salary and that person should resign from the committee in order to avoid any conflict of interests. This is because the committee plays the role of the board of governance, but a staff plays an executive role. Once the person becomes an employee of the JMB/MC, they must observe the standard rules of employment such as behaving professionally, applying for leave, maintaining regular office hours, giving notices of resignation, etc. If they serve as unpaid "volunteers", they will be tempted to do as they pleased because after all, "I am just a volunteer, and I am free to go if I don't like it anymore", or "I need to take one month off because I am going to Europe for a holiday!".

Service Providers

Lastly, you have the service providers. They are not part of your core team, but are your extended team. Your building manager is supposed to oversee their work and ensure that they fulfill their services as per stated in their contract.

The usual key service providers are:

- Security guards
- Housekeeping and landscaping
- Lift maintenance
- Pool maintenance
- Electrical maintenance
- Fire control system maintenance

In summary, a good core team consists of a Chairman with good leadership qualities, with the Secretary, Treasurer and others acting in support, behaving as a board of governance. And a well-trained team of management staff and registered property manager to provide professional service to your building.

Chapter 3

Management Office Administration

Every strata building or strata scheme development of a significant size need to have a properly functioning management office.

First and foremost, let me state emphatically that the management office should not double as a maintenance store room! Keep the office clean and tidy.

The management office is a professional office environment for residents to meet the management, to make payment, for management to have discussions with any parties, and if possible, to hold committee meetings (because any documents required is conveniently within easy reach during the meeting).

The Digital Office

The modern management office must be equipped with desktop computers for each admin staff and the building manager (although you may let him use a laptop instead). The office must have high speed broadband Internet access, and a heavy-duty printer cum photocopy machine. If your management office is still running Windows XP and using a 17" CRT monitor, I think it is time for you to upgrade and join the 21st century. (Yes, I am still seeing this in some places).

Email

You need to have an official email address for the JMB/MC management office. Do not use your personal email, and do not use the property management company's email. Make sure you set an alternative email address in order to recover any forgotten passwords. This will come in handy when you change building managers or property management company, and nobody can remember the account password.

Computer literacy and the ability to use email is a non-negotiable job skill. Do not hire anyone who do not have this skill or you will have a management office that cannot operate in the 21st century.

Needless to say, you need to pay well so that you can hire such staff. If you pay under market rate, you will get retirees who have never used computers before

in their former career, or low-skilled candidates whose former jobs did not required the use of computers.

Filing System

You need a good filing system. And any good filing system is only as good as the clerk doing the filing. So make sure the clerk is doing it properly by spot-checking on them, regularly. Advise, teach, and admonish them as needed to keep them on track with your filing requirements.

These are the things you need to file in the management office:

- Service contracts
- Tenancy agreements
- Receipts (with cheque image or online payment records)
- Service reports by each contractor
- Renovation undertaking agreements, plans, sign-off reports
- Insurance policies
- Resident complaint forms
- Visitor logs
- General notices
- Ownership records, copies of owner's S&P
- Vendor invoices, quotations, delivery orders
- Purchase requisition and purchase orders
- Petty cash vouchers/claims
- Inter-floor leakage form
- Legal notices
- Meeting minutes and monthly reports (*)
- Annual audited accounts and AGM notices and minutes (*)
- Circular resolutions (*)
- Letters/Correspondences (*)
- Bank statements
- Staff attendance records, overtime records, leave applications, staff salary/EPF/SOCSO/EIS records (if you have staff under the JMB/MC payroll)

(*) this should be personally responsible by the JMB/MC Secretary. Hey, did anyone told him that the Secretary position is not just be a pretty ceremonial honorary title? There are some actual work required of him.

Each document should have some reference number assigned. For example, for letters/correspondences, you may want to use a numbering format "2019/COB/01" . It's up to you what kind of numbering you want, as long as it is consistent and not confusing.

Special advice on the filing of minutes:

The best way to file the meeting minutes is to do it "old school" by pasting the minutes page-by-page into a minutes book. This way, no one can remove any page(s) accidentally or intentionally. Also, with this method, you will have a minutes book for each year, for easy reference. Similarly for any resolutions passed - you should keep a resolutions book.

AGM documents:

The best practice is to bind the whole set of documents - AGM notice, attendance list, eligibility list, audited accounts, minutes, management report, supporting documents, etc, into a book form. And file it year after year in a specific cabinet.

Inbox Chaos

The Internet Age comes with a special curse call "Email Hell". This is when your email's inbox is filled with all kinds of stuff to the point of chaos. The solution is to categorize your emails (and use a spam filter).

And the most important category should be "Payment by Owners". We actually discourage the use of Internet Banking funds transfer by owners. But if you actually allow owners to bank in money directly to the JMB/MC's bank account, you need to require them to email (not Whatsapp) their bank transactions slip to you. You then need to organize these email messages so that you don't miss any out, and you also need a tracking system to ensure two things:

- i. do not double issue receipts for the same transaction,
- ii. make sure the owner is not cheating you by re-sending an older transaction slip (check the transaction the date). And oh yes, check that the funds is actually transferred into the correct bank account too!

We will cover more on Online Bank transfers in a Chapter 6.

In summary, you need to run a well-managed digital office. Keep your paperwork and reports filed properly. And your emails well organized.

Chapter 4

Building Maintenance & Repair

As a building age over time, many things will start to wear and tear, and eventually things will need to be replaced.

So one of the core activities of property management is to do routine inspections and preventive maintenance so that the expensive equipment can last longer. Another important objective is to improve the appearance of an equipment, fixture, fittings and finishings from time to time.

Every property manager will have a maintenance checklist. But what separates the good ones from the rest is the ability of their operations team to ensure that the maintenance work is actually carried out.

What are the things that need to be maintained?

- 1) Building structure, surface/facade
- 2) Building interior
- 3) Mechanical & electrical systems
- 4) Roads and landscaping

Examples:

- Electrical system calibration
- Fire Control system
- Backup generator set
- Motors and Pumps
- Pipes & Water tanks
- Lifts
- HVAC system
- Gym equipment and sports facilities
- Swimming pool
- Security system / barrier gate
- Grass cutting / trees trimming
- Drainage
- Pest control
- Repainting

Maintenance activities include:

- 1) Regularly scheduled adjustments
- 2) Inspections
- 3) Meter readings
- 4) Preventive maintenance
- 5) Periodic major repairs or replacement
- 6) Emergency repairs
- 7) Modernization

Meter Reading

It is important to take daily meter readings of common area water meters and electricity meters so that you are able to monitor the common area utility usage pattern, and review the historical trend over a period of time. The water meter is especially important because it will allow you to detect any serious hidden leaks immediately. Fail to do this, and you run the risk of a crazy water bill taking a big chunk out of your pocket.

Service Contractors

The majority of the maintenance repair works will be carried out by service contractors. So this means you will need to appoint service contractors carefully with consideration to their experience and track record, size and skill of their service team, as well as their charges. Make sure all service contracts are duly signed and kept on file in the office for easy reference.

Total Cost of Ownership

The total cost of ownership for an equipment is the initial acquisition cost, plus the cost of operating the equipment (think of your car's petrol consumption), plus cost of servicing and repairing it, and finally the cost of disposal. You should record these costs so that you are able to make a decision whether to continue to repair a piece of equipment that breaks down constantly, or to replace it entirely. Condo Master helps you to keep track of the Total Cost of Ownership for each fixed asset.

Issues Management

You need a system to keep track of all the complaints, breakdowns, problems, incidents that happen day-to-day. At any given time, there will be a million and one things going on, and it is very easy to become overwhelmed and lose focus.

A good property manager will use a computerized issue tracking system to help him:

- 1) Organize everything into a master list
- 2) Categorize each item into separate buckets
- 3) Prioritize what is important
- 4) Set due dates for completion
- 5) Assign to appropriate person or resources
- 6) Share the list with the entire team and with the stakeholders (the committee, and the owners in general)

It is important to share the Issues List with the team and with stakeholders. This is to keep them informed about new issues, what they need to, who is working on the problem, what is the progress to-date, and when is it expected to be resolved. Your stakeholders have the right to know this.

The old mentality of “hiding the problems” because “I don’t want people to know that we have so many problems” no longer applies in this Information Age. Because it is a natural thing to have problems – it is whether you have a pro-active team to get on top of the problem that makes the difference!

Issue Resolution should be a key performance indicator (KPI) for the building management team. You need a systematic way to compile the issues, monitor progress and completion, and then reward your team based on measurable goals and results.

We have designed Condo Master is to help you manage your issues on a real-time, web-based platform.

Chapter 5

Property Management Accounting

Property management accounting comes with its own special set of challenges. It is both simpler and more complicated, depending on what aspect you look at.

Unlike a manufacturing company, a strata development scheme does not have raw materials inventory, “work in process”, and finished goods inventory. There are no huge payroll of hundreds or thousands of employees on multiple shifts and claiming overtime pay. And no sales tax, thanks to Pakatan Harapan!

And unlike a trading company, there are also no import/export activities, forex transactions, and sales commissions to calculate.

Challenges

So what makes property management accounts so challenging that so many property managers struggle with it?

The problem is debtors, or in other words, accounts receivables. A residential strata development typically have a few hundred parcels or units. And these days, with the the plot ratio getting higher, newer schemes can have more than one thousand parcel units. That's a lot of debtor accounts to manage by a single accounts executive, who is usually handling multiple other projects simultaneously.

To make things worse, in many states, the state water authority will supply bulk water to the JMB/MC and then leave it to the management to bill the residents individually. This means another set of water billing, and tenant debtors, because frequently, the residents using the water are the tenants, not the unit owners.

Generating the maintenance billing is a big challenge when you have so many units. You need to create the invoice records in the accounting system, print it out, insert into envelopes, affix postage (if you need to mail it), and drop to the mailboxes (or post office). You need to use technology to simplify these very tedious tasks.

I am proud to say that Condo Master, the online property management system

designed by us, solves this problem. Our system allows you to generate batch billing by the click of only a few buttons! It then sends out the invoices through email to the unit owners (aka e-Billing). And to top it off, these unit owners can also log into Condo Master to download all their invoices, to make e-Payment, to download the official receipts, and also to view their updated account in real-time! It's like having a system like Maybank2u for your community.

Without a fully-integrated, real-time and cloud-based management system, your accounting work will just be too overwhelming. If you are still issuing receipts manually by handwriting, you then have the extra workload to key them into your back-end accounting system. This is one of the key reasons why some property managers are unable to provide the monthly reports on time – because they don't have enough resources to key in those receipts on time. They also can't provide owners statement of account on time because the transactions have not been updated.

Advance Payments

There are some owners who pays their maintenance charges in advance, some even for an entire year in advance. Many accounting systems struggle to handle these prepaid incomes. And the book-keeping entries can be tedious to keep track of. However, I am again proud to say that Condo Master does not have this problem because our system is able to auto-knockoff advance payments, and to post all the necessary ledger entries automatically. Other standard accounting systems are mainly designed for general use, and so they normally are not optimized for this scenario.

Another very important system requirement is that it must be fully integrated. This means that the "debtor control module" must not be separated from the "core accounting module". Why? Because you don't want two different datasets telling two different status of your account receivables. We have done data migration whereby the data extracted from the "debtor control module" is not the same as the figures from the "core accounting module", because adjustment entries were made directly in the "Core" without being reflected back to the other. Well, guess what? Condo Master is fully integrated.

R&P Report

This report is very common in property management accounting. It is essentially a cash flow statement but showing details that are more suited for building management. Standard accounting system will not be able to produce this

because their cash flow statement is the usual format used by “normal” companies. So, the accounts staff will need to prepare this report manually from all the transaction data for the month. This is not a easy task, and is another reason why property managers can’t prepare the monthly report on time. But Condo Master can do this for you by the click of a button.

In the next Chapter, we will focus on Collections, and also discuss about the growing problem of "Unknown Receipts".

Chapter 6

Collecting Money

The first nightmare for a property manager is that no one is paying their maintenance fees.

What's the second nightmare?

That the money collected goes missing, along with the building manager.

Money is an extremely sensitive subject. So the staff who handles the money must pay extra special attention and be fully alert.

When issuing receipts, check and double-check to make sure the following are correct.

- i) the unit number and owner name
- ii) the amount paid
- iii) the cheque number and date (is it post-dated? Or wrong date?)
- iv) for online bank transfers, the transaction date and bank account number)

Preventing Fraud

At all times, owners must insist on official receipts. If the owner walks out of the management office after making payment without getting any receipts, the owner will be at the risk of having their money misappropriated by unscrupulous staff. And they will have no one to blame but themselves. Nothing much can be done by the management or by the police due to lack of concrete evidence.

In Condo Master, each receipt issued in the system have a unique QR Code to verify the authenticity of the receipt. If any receipt is produced that fails the verification check, it is documented evidence of forgery and fraudulent intention to cheat.

You should also have the CCTV watching the cashier to make it difficult for them to cheat.

At the end of the business day, the site office need to prepare the daily collection or batching report for submission back to the head office for verification. Cash and cheques collected should be banked in daily.

The accounts clerk/executive in the head office must verify the transactions and total amount collected against the real-time system record. The head office must keep a close eye on the real-time data for daily cash collection. And if the building manager has skipped submitting the daily collection report, immediate action must be taken by HQ staff to investigate.

Another weapon in your war against fraud is Bank Reconciliation. It should be done monthly. For large sites, the best is to do it weekly. Get the JMB/MC committee to sign up for online bank statements, and then check the bank transactions on a weekly basis against the receipt records in the system.

The most secure collection method is by Credit Card. But the transaction fee is something that many JMB/MC committee have no stomach for. But it is for the peace of mind to ensure the money collected doesn't go missing.

Online Direct Bank Transfers

Online direct bank transfers are commonly allowed by most JMB/MC as an added convenience to owners and also to minimize cash collection in the management office. However it causes many problems.

Scenario A: Owner makes a transaction but does not notify the management because he/she assumes their bank will send an email to the management. What they fail to realize is that their bank does not include the unit number in their notification unless the owner provides it as a reference number. And sometimes, there are no email notification if the owner forget to provide the management email address when they perform the transaction. *End result:* the management does not know who has made payment and the money received is recorded as "Unknown Receipts" in the accounts.

Scenario B: Owner makes a transaction, but sends TWO emails to the management by mistake. The management staff then unknowingly issue two receipts for the same transaction. This is near impossible to detect if you are managing a very high density site and you have multiple admin clerks issuing receipts. *End Result:* Bank Reconciliation cannot reconcile and the accounts exec tears all her hair out trying to figure out why.

Scenario C: Owner makes a *future* transaction and emails the transaction slip to the management. And the management clerk issues the official receipt as per usual. Then the owner cancels the transaction. *Lesson learnt:* Make sure the transaction date is NOT IN THE FUTURE!

Scenario D: Owner sends an old transaction slip to the management, and the management issues a receipt. Like in Scenario C, please check the transaction date!

Scenario E: Owner mistypes the JMB/MC bank account number, or did not update his “Favorites” with the new JMB/MC bank account number. The money ends up somewhere else but management has issued the receipt not realizing the mistake. *Lesson learnt:* Check the bank account number. *End result:* Bank recon problem. Account exec loses hair.

Scenario F: Owner makes payment at midnight before the due date which so happen is a Saturday. Management comes in to work on the following Monday and issues a receipt dated Monday. Owner gets charged a Late Payment Interest and is screaming like a banshee. *Question:* If you allow online bank transfer, do you need to have the staff monitoring emails and issue receipt 24x7x365? Should you allow the management staff to back date receipts? The answers are obviously, NO.

Bottom line: In our experience allowing owners to transfer funds directly reduces the risk of holding cash, but creates many administrative issues.

E-Payment

The way to solve this is E-Payment. This means allowing owners to make payment directly on a real-time web platform (like online shopping), and have the system issue an *official receipt* (not temporary receipt) and update the owner’s accounts immediately, 24x7x365. Currently, Condo Master is the only platform that can do this in a seamless way. There are multiple “mobile apps” in the market with so-called e-payment features. But none of these apps have a built-in full-package accounting system. So if the owner were to be allowed to make payment in these apps, it would only be a slight improvement over them making payments via online banking. There will still be the administrative problem of needing to manually issue official receipts to these owners.

Chasing the Defaulters

Defaulters are unit owners who are overdue on their payments. You must keep a close eye on your defaulters and not let it continue to grow over time. Because once it reaches a certain level, the maintenance of the building will begin to suffer due to lack of funds. And it will create a vicious cycle whereby owners who used to be good paymasters, will also begin to drag their payment (because nobody wants to be the only idiot in the room).

A good benchmark is to maintain a collection percent of **above 90%**.

Tools for Chasing Defaulters:

- 1) *Personal touch* - remind them face-to-face when you meet them, or call them over the phone consistently
- 2) *Letter of Reminder* - prepare letter of reminder on a regular basis. In Condo Master, you can generate this with the click of a button and you can also send e-Reminder to their email. The letter of reminder is an important document required in the Strata Management Tribunal.
- 3) *Notice of Demand* - this is the Form 11 or Form 20 required by Law. You need to serve this to the owner. This is the final step before you take the defaulting owner to the Tribunal.

The benefits of taking the defaulter to the Tribunal is that it is a cheaper alternative (only RM100 fee) to using a lawyer. As long as you have your documentation in order, your chances of winning is almost guaranteed. However, be prepared for a long backlog of cases.

Regardless of whether you use a lawyer or you go to the Tribunal, both are usually still ineffective against the most hardcore defaulters. They will not show up for the hearing at the Tribunal, they will not pay any fines, and they will definitely still not settle their dues. About the only course of action against these cases are to use CTOS. It will make life difficult for them and force them to come to negotiate with you on your terms.

In summary, money is the lifeblood to maintain the building. But your team need to be vigilant and diligent to prevent fraud. Using a real-time system with e-Payment will help a long way.

Chapter 7

Committee Meetings

Sigh. Wasted my time in another committee meeting, again.

The ultimate purpose of a committee meeting is to make decisions. And these decisions must be recorded in the meeting minutes.

I have heard that some committee meetings can drag on for five hours! Meetings drag on when the committee members can't agree and therefore can't make a decision. Or when the discussions are not focused and are going off into wild tangents.

Holding productive meetings is all about time management. And this is where the Chairman plays a crucial role. He must not allow the discussion to keep going around in circles without end. He must be sharp and bring the discussion back into focus immediately. But, what if it's the Chairman who goes off-topic? Well, anyone (especially the Secretary) should then stop him and refocuses the group.

There is also another common problem of "two meetings going on at the same time". This has happened to me personally. We were discussing a serious issue, but two old housewives (who has never worked in an office before their entire lives) were talking about cooking among themselves. It was extremely annoying. A good Chairman should politely tell them to pay attention during the meeting and not disrupt the discussion with private side conversations.

Meetings can drag on and become unproductive when information needed for decision-making is not available. A common example: not getting enough quotations for a certain repair work. In this case, the committee can decide to keep trying, or to choose from whatever that is available. Too many times, the committee prefers to keep delaying and ends up in a paralysis. Doing this is wasting everyone's time to attend meetings after meetings, but not taking any action to solve problems. So again, the Chairman plays an important role to determine whether or not to postpone or to decide on the issue now. An experienced leader knows that sometimes he needs to make a decision even when he doesn't have all the information. A wise man once said, "An 80% solution today, is better than a 100% solution next month". It is about being decisive and

taking appropriate action.

Sometimes there are too many topics squeezed into a single meeting. A good Chairman need to know what topics to prioritize for group discussions. Some minor topics do not need to be discussed in a meeting. Minor issues should be resolved over email. If any committee member does not have email, just help them to create a Gmail account and tell them it is their duty as committee member to check it daily so that they can serve the community better (because otherwise, they are the handicap in the team's decision-making process).

So what is a good meeting format?

A typical agenda is as follows:

1. Opening by Chairman
2. Reading of the previous minutes
3. Financial report
4. Issues / operations report
5. Any other business
6. Closing by Chairman

Minutes

Minutes can be taken by the Building Manager, Operations Manager, or the Secretary.

The standard minutes format should have:

- i. Date and Time
- ii. Venue
- iii. Attendees
- iv. Topics discussed and Action to be taken, and by whom
- v. Recorded by
- vi. Approved by

All meetings must be minuted and that the minutes are tabled in the following meeting.

By the Strata Management Act (2013), the minutes must be signed by the chairman of the meeting or the Secretary and must be posted on the notice boards within 21 days after the meeting. And it must be kept on the notice board

until it is replaced by the minutes of the subsequent meeting.

Writing good minutes is only half the challenge. Keeping it filed properly is other half of the challenge. Earlier in Chapter 2, we have already discussed how to keep a proper file on the meeting minutes, so that anyone will be able to refer to it in the future.

Legal Requirements (per Strata Management Act)

Quorum: This means the minimum number of people required in order for the committee to officially hold any meeting.

Total No. of Committee Members	Quorum (minimum persons)
Not more than 4	2
5 or 6	3
7 or 8	4
9 or 10	5
11 or 12	6
13 or 14	7

Meeting Frequency: You must meet at least once every two months.

Notice of Meeting: Shall be given to all committee members no less than 7 days from the date of the meeting and shall be posted on the notice boards.

In summary, the Chairman plays a very important role in ensuring the committee meetings achieves the desired objectives. Actions to be taken should be minuted for follow-up in the next meeting. When the team is effective and productive, everyone will feel a sense of pride and achievement.

Chapter 8

Defusing the Property Management Time Bomb

The Property Management Industry is under tremendous stress today.

If you were to have a candid conversation with anyone in the industry, you will hear comments like "The committee is paying us so little, but they expect us to provide 5-Star service to them", "We are paying the property management company such high fees each month, but they are not solving our problems, and their staff are not well trained and not qualified", "The committee are so demanding and rude!", "Their staff are so lousy and lazy!"

After being involved in this industry for the past 16 years, I can sum up its problems as follows:

- 1) Owners unwilling to increase maintenance fees to cover increasing costs
- 2) Unreasonable expectations
- 3) Lack of experienced frontline staff and management skills.
- 4) Difficulty in pursuing hard core defaulters
- 5) Accounting issues caused by lack of accounting controls and inexperienced accounts staff
- 6) Micro-managing by committee members
- 7) Handover difficulties caused by property management companies with unprofessional code of conduct
- 8) Owners operating "homestays"
- 9) Security problems caused by Africans or Middle Eastern tenants
- 10) Residents who don't understand the meaning of community living

These issues contribute to the overall housing problems in the country. As our high rise buildings age, they become increasingly difficult to be managed by agents who are incapable of managing them. Owners also find it difficult to afford to keep the old buildings well maintained as old equipment, plumbing, and fixtures need to be replaced. What will be the general condition of the high rise buildings 20 years from now? The problem is especially acute at the lower end of the property spectrum. Will the federal or local government be forced to provide funds to maintain them, or risk losing the next election? And where will the funds come from?

This property management problem is a time bomb that will seriously affect our urbanized society in the very near future.

Therefore we urgently need all involved parties to come together in a common platform, to begin to address these problems in a progressive manner. We call upon the property managers, the JMB/MC committees, the state and federal government agencies, the elected Members of Parliament, to work together on this problem as one of the core national problems. Federal strata laws and regulations needs to be further revised and improved, standards of professional conduct needs to be enforced, management council members need to be educated, professional charges and salary of building managers need to be standardized.

We need to raise the professionalism of the industry. To do this requires three things.

First, prevent undercutting of management fees by setting a fix scale of professional fees and charges like those practiced in many other professional bodies. This will ensure no race-to-the-bottom vicious cycle from happening that will kill the whole industry.

Second, set an industry standard in building manager salary so that people with the correct experience and work ethic is willing to work in this industry. This will lead to the long term phasing out of untrained management staff. Existing staff will need to undergo proper professional certification first in order to qualify for the salary. And any staff who does not meet the criteria or refused to improve themselves will be left out of the mainstream.

Third, action must be taken against any property manager who violates the standards of professional conduct.

Standards of Professional Conduct for the Property Management Industry

The following basic principles must be applied to both property managers and committee members

- 1) **Integrity:** This means no marking up of service contractor's fees and charges, or taking commissions from vendors. No corrupt practices.

- 2) **Minutes & Accounts:** Meeting minutes and monthly accounts are to be prepared and tabled. Must have yearly audited accounts unless an acceptable reason is provided.
- 3) **Decorum:** Everyone should behave in a manner befitting their profession and position of public office. Zero tolerance on violence and gangsterism behavior.

Regulation

Regulating the industry should be the direct responsibility of the federal government because of the multiple stakeholders involved. The Board of Valuers, consisted of only the service provider side of the industry, should not be allowed to regulate themselves.

(Imagine if taxi drivers, or ride-sharing app companies, are allowed to regulate themselves)

This is grossly unfair to the management councils who need a neutral third party to decide on matters when a complaint is lodged against a property manager, especially if that property manager is sitting on the Board! Furthermore, the issues faced by the industry are generally classified as "housing" or "building" problems, which is more inclined towards the Ministry of Housing and Local Government, whereas the Board of Valuers is under the purview of the Ministry of Finance. It is not surprising then that so many of the issues still cannot be solved!

Overall, the property management industry is relatively new and therefore still maturing. Laws, regulatory body, enforcement, standard procedures and processes, technologies, are still being evolved. Let's work together to bring it forward into the future!

Appendix A

Strata Laws

Strata Management Act 2013 (Act 757)

http://www.federalgazette.agc.gov.my/outputaktap/20130208_757_BI_AKTA%20757-BI.pdf

Strata Management (Maintenance and Management) Regulations 2015

(Available for download from the Housing Ministry's website)

These two pieces of key legislations should be required reading by all committee members and property management staff. Please purchase a copy from any major bookstore and place them in the management office for reference.

Strata Titles Act 1985 (Act 318)

[http://www.agc.gov.my/agcportal/uploads/files/Publications/LOM/MY/Draf%20Mu ktamad%20Act%20318%20\(Kemas%20kini%2029.08.2017\).pdf](http://www.agc.gov.my/agcportal/uploads/files/Publications/LOM/MY/Draf%20Mu ktamad%20Act%20318%20(Kemas%20kini%2029.08.2017).pdf)

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