

Community Association Reporter

The Newsletter for Board Members of California Community Associations

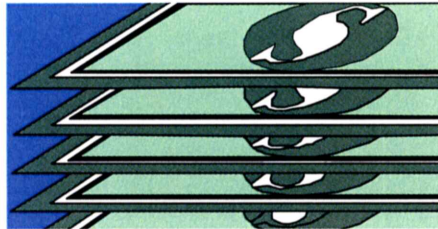
Vol. 16 No. 3 • Fall 2004

What businesses should know about Check 21

Spurred by the shutdown of the air transportation system after 9/11 that left hundreds of billions of dollars worth of checks sitting idle at airport tarmacs, Congress last year passed a law to modernize the nation's check payment system.

The Check Clearing for the 21st Century Act was enacted to facilitate check truncation (i.e., conversion), foster innovation and improve the efficiency of the payment system, particularly by promoting the transition from paper to electronic check processing.

Ultimately, banks, businesses and consumers will all benefit from Check



21 because checks will clear faster and the banking industry will reduce its reliance on a system of clearing checks that wastes money, burns fuel and clogs the transportation system. To many small businesses, Check 21 will mean little more than getting used to going without original cancelled checks for record-keeping purposes. For larger companies that issue or receive large

numbers of checks, the changes present both opportunities and challenges.

Background

In its wisdom, Congress did not require banks to abandon their vast and long-standing investment in paper check processing all at once. Instead, it created a new, check-like instrument called a substitute check, and requires all banks, businesses and consumers to accept it.

Think of a substitute check as a two-sided paper copy of the front and back of a check that, like the original, can be processed by high-speed sorters. The advantage is that a substitute check could be created from an electronic image, which means the image could be delivered anywhere almost instantaneously before being reconverted into a substitute check.

Of course, if the paying bank were equipped to process the check electronically, there would be no need to convert the image to a substitute check at all. But most banks have not converted, thus the need for substitute checks.

Substitute checks are expected to be used only during the industry's transition to electronic processing. The transition is inevitable because electronic processing is both faster and cheaper, and because declining paper volumes will force holdouts to upgrade. But even during the transition, clearing times will improve with the use of substitute checks.

Checks drawn on banks located on the other side of the country could be

Continued on Page 3

Beware—state licenses are required by maintenance repair providers



As we enter the early years of this new millennium, our maturing community association industry needs to pay attention to some new laws. For years,

associations and managers have been contracting for maintenance and

repair services for work that requires a California contractor's license, and in some cases, management has offered these contracting services. As our industry grows, so does the knowledge of all that's involved in the business affairs of a community association with this knowledge, those individuals charged with the standard of care and management of an association will be exercising their prudence in fulfilling their fiduciary responsibility as a member of the board of directors, an on-site manager or managing agent by contract.

There are three categories of contractor licenses required in California and they are:

- Class "A" general engineering

contractor

- Class "B" general contractor
- Class "C" specialty contractor

This article will focus on Class "B" and Class "C" licenses

Do not fall to the temptation of using unlicensed and uninsured handymen. The use of an inexpensive handyman can be a liability trap for the association. For example, using a handyman could open the association up to being classified as an employer, which has many liabilities, legal and tax issues.

Be advised that the hiring of any person, including a handyman, to perform work for which the State of California requires a license is illegal. It is only legal if work provided is less than \$500 in total or in aggregate in any one month. With this in mind, all associations should maintain at least the minimum policy of Workers Compensation Insurance for an unlicensed person hired to do association work. This person may otherwise qualify for a license and could be presumed to be an employee

Continued on Page 2

Inside...

Order form.....	4
Insurance basics for board members	5
Directory of Community Association Services.....	6
Calendar of Events	Back Cover

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Calendar of

Educational Events

LEVY & COMPANY, CPAs For information call Yvonne (510) 465-2073, ext. 1

ECHO Call Dorothy (408) 297-3246

November 3, 2004
November 4, 2004
November 5, 2004
November 17, 2004
December 8, 2004
December 13, 2004
December 14, 2004

Maintenance Resource Panel, Draeger Construction, San Jose, 12 noon
North Bay Resource Panel, Contempo Marin Clubhouse, 9:30 am
East Bay Resource Panel, Berding & Weil, Alamo, 9:30 am
Wine Country Resource Panel, Lanahan & Reilley, Santa Rosa, 11:45 am
South Bay Resource Panel, Angius & Terry, Conference, San Jose, 10 am
Accountants Resource Panel, Francesco's Restaurant, Oakland, 6 pm
Central Coast Resource Panel, Pasatiempo Inn, Santa Cruz, 12 noon

Resource Panels:

1st Wednesday, Even Months
1st Thursday, Even Months
1st Friday, Monthly
Second Monday, Odd Months
Second Tuesday, Odd Months
Second Wednesday, Odd Months
Third Wednesday, Monthly
March, May, August, October
Third Tuesday, Even Months

Maintenance, Draeger Construction, San Jose
North Bay, Contempo Marin Clubhouse, San Rafael
East Bay, Berding & Weil, Alamo
Accountants, Francesco's Restaurant, Oakland
Central Coast, Pasatiempo Inn, Santa Cruz
South Bay, Il Fornaio Restaurant, San Jose
Wine Country, Lanahan & Reilley, Santa Rosa
Legal, Varies
San Francisco, Saarman Construction

CAI, Bay Area and Central California Chapter Call (510) 985-2601

CACM Call (714) 263-2226 or (800) 363-9771 (Northern California only). Dates subject to change.

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