Client: A well-known mid-market property management and real estate investment company based in Tampa, FL specializing in managing commercial real estate properties in Florida and Albama. Their focus on south eastern US commercial real-estate market has resulted in substantial growth in the last few years.

Needs: Client was undertaking a major transition from its existing property management accounting solution (Spectra) to a more advanced and popular real estate accounting software (MRI). The existing accounting team was already stretched due to work-load of current accounting tasks and year-end activities like budgeting. Client needed a flexible and cost-effective outsourcing team that could work on a parallel system (MRI) to get it set-up and 'live'. Additionally they wanted to add more properties without entailing the corresponding investments in back-office. The client had not undertaken a major software change earlier and hence was expecting an outsourcing partner to bring the requisite project management expertise to help them structure the different phases in MRI and handle the ensuing accounting issues in the transition.

Why Us: The main reasons for choosing us were our focus on property management and real-estate clients, our accounting expertise(specialized FAO provider) and our past experience in handling software migration projects. We understood the various tenant accounting procedures pertaining to tenant move-ins, tenant move-outs, utility rebills, escrow account maintenance and handling insurance procedures. We were chosen despite not being the lowest priced service provider in the evaluation process.

Challenges: The challenges in this assignment arose from multiple sources. One major source was the software related issues that arose from either Spectra or MRI. These arose due to major differences in standard accounting tasks in both the software, training requirements, varying formats of key reports and difference in general ledger structure (as some major modifications were done in chart of accounts in MRI).

Challenges also arose due to the multi-level accounting done in a property management firm. Accounting was done at individual property level, then at an entity level (entity may be a combination of multiple buildings or even just a single building) and at a project level (multiple entities may form a project). Entities are legal corporate structures (typically LLCs) used to own and operate properties. Tenant related accounting activities (running and collecting rents, tracking checks, booking security deposits, and set-up and update of leases) were done at the property/building level. Some expenses like mortgages, insurance were tracked at entity level and some others like marketing expenses and accounting fees were tracked at project level.

Additionally, we had to study complicated tenant leases and understand different lease options such as termination, renewal, expansion, and right of first refusal and the right of first offer, apart from comprehending the set-up of expense recoveries. Complicated journal entries for asset disposition and purchase posed another hurdle. Lastly, the project had stiff completion deadlines as the ongoing accounting could be transitioned to the new system (MRI) only after the historic data was entered, balances reconciled and reports were set-up.

Solution: We had to work on multiple fronts simultaneously to ensure the completion of this assignment on time. These areas included software training, general ledger mapping between MRI and Spectra, understanding client specific practices for handling accounting tasks such as inter-company transactions, expense rebills and reporting.

The following were the key features of our work in the assignment

1. Detailed project planning: Assignment was divided into two phases. Phase I involved the set-up of rents and different lease options, security deposits, tenant and AP balances, running rents, application of late fee and reconciliations(bank and credit card). Phase II involved set-up of reports, budgets, CAM reconciliations, recoveries in leases and books on tax basis. Clear timelines were set for all activities under phase I and for major activities in Phase II.
2. A three member team formed comprising of a manager, senior accountant and a junior accountant. The junior accountant was allocated the simpler tasks like entry of Accounts Payable and set-up of security deposits. The senior accountant was responsible for accurate set-up of leases, running rents, balance sheet comparison between Spectra and MRI. Manager was responsible for project planning, client interactions and process control.
3. Comprehensive process formats and procedures to track work status, pending data status, weekly activity plan, and archiving of old instructions and files
4. Intensive and smooth communication between US and India end: weekly 1-2 conference calls, frequent chat sessions, GoToMeeting and Webex sessions, training videos/demos and interactions through detailed emails ensured that knowledge transfer to Indian end happened fast and smooth flow of communication from either end.
5. Extensive practice in MRI for executing daily accounting procedures and detailed study of reports available in MRI
6. Before going live, the historic data in MRI was compared with Spectra through multiple ways. For e.g. AP related data was compared vendor wise (to ensure they get booked in the right vendor account), expense wise (to ensure they get booked in right general ledger account), invoice wise and payable balances wise. This multi-pronged approach ensured that all the data was reconciled and correctly entered.
7. Variances against budgeted values were analyzed and suitable notes made for property manager's reference

Results: The project was a good learning experience for us and the client. Some of the key benefits accruing from the project were as follows:

- Migration from Spectra to MRI was completed on time and as per schedule
- Client was able to migrate to MRI atleast two months faster as compared to the projected time in a non outsourced scenario
- Cost savings of 35% from their original costs seen by the client on an ongoing basis in the outsourced scenario