Choosing a Fund Administrator? 10 Questions to Ask

Every now and then we’re all required to purchase a product or service that we’re not competent to evaluate. For example, I recently moved and needed to hire a moving company. When looking online I found everyone offered what seemed to be identical services. They all promised to make my life easier and to take special care in moving my valuables, but I couldn’t really tell which one would be best for the job at hand. Eventually, I reduced my decision to price and recommendation, hiring a less expensive company that came recommended by a close friend.

The scenario above is similar to that faced by many of the fund managers contacting Woodfield for fund administration services. They know they need an administrator and have a sense for the services we provide, but rarely understand the important differences between administration firms and the crucial impact those differences can have, not only on their day-to-day business but on their overall success.

Fund managers needing administration services often tend to focus on all the wrong things first, from name recognition to cost. The core services provided by an administrator will not vary much from one firm to another, but it’s important to know that fund administration is not a commodity service.

For example, two administrators may both tell you they employ highly specialized accounting systems. However, one firm may have very thorough and robust quality control procedures, while the other firm simply relies on the system to do everything. The results could be quite different.

Another difference will be the caliber of people at the firm—their technical credentials, their level of experience in working with different kinds of funds, and the in-house training they have undergone.

Then there’s the matter of internal culture and expectations. Does the firm operate smoothly and efficiently, with well-oiled systems, or are missed deadlines tolerated? Do the people at the firm enjoy their work and function well as a team, or do you detect dissatisfaction and tension among them?

Finally, how is the firm going to communicate with you? Will you speak to a different person every time you call, or will there be a dedicated person at the firm who knows and understands you and your fund?

10 Questions to Ask

Although you don’t need to become an expert on fund administration to make a good choice, it’s helpful to know what questions to ask. Here are some we recommend:
1. Is your firm independent or is it affiliated with a particular bank, prime broker or other service provider?
2. How long has the firm been in business and how many funds does it serve—particularly, other funds that are similar in structure and/or strategy to my fund?
3. What are the technical credentials of the accountants who will be working with my account?
4. Who at your firm will communicate with me on a regular basis, and how?
5. What financial controls, specifically, are in place on the movement of money?
6. What AML (Anti Money Laundering) services does the firm provide?
7. What systems are in place to assure timeliness of processing and reports?
8. What systems are in place to assure quality control?
9. Does the administrator have a Type II SAS 70?
10. What references from satisfied customers can you provide me?

While my recent choice of a home mover was a one-time deal, your choice of a fund administrator will affect your business for years to come. Remember, small differences in approach can lead to large differences in the quality of services you receive.

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About Us

Woodfield Fund Administration LLC provides third-party accounting and fund administration services to hedge funds, fund of funds, commodity pools, unit investment trusts, real estate funds, family offices and other investment entities. Our clients range from small startup funds with just a few investors to large asset managers with capital in excess of $1 billion. They choose us because of our focus on accuracy, completeness, timeliness, personal attention, customized services and reasonable cost. Woodfield Fund Administration LLC has successfully completed a Type II SAS 70 audit of our operations.

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