

# best practices

REPORT #10

## Ethics

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*Community Associations Institute (CAI) and the Foundation for Community Association Research are dedicated to conducting research and acting as a clearinghouse for information on innovations and best practices in community association creation and management.*

## **What are Best Practices?**

The Foundation for Community Association Research is proud to offer function-specific Best Practices Reports in the community association industry. Using a variety of sources including, but not limited to, recommendations from industry experts and various industry-related publications, the Foundation has developed best practices in select topic areas. The outcomes of the Best Practices project include:

- Documented criteria for function-specific best practices
- Case studies of community associations that have demonstrated success
- A showcase of community excellence

The benefits of benchmarking and developing best practices abound—improving quality, setting high performance targets and proving that it's possible to reach them, strengthening cost positions, developing innovative approaches to operating and managing practices, accelerating culture change by making organizations look outward rather than inward, and bringing accountability to those organizations.

The Foundation's entire catalog of Best Practices Reports is available at [www.cairf.org](http://www.cairf.org) as a free download and for sale in print from CAI's bookstore at [www.caionline.org/shop](http://www.caionline.org/shop).

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# Introduction

Before we discuss ethics for community associations and the professionals and homeowner volunteers who support them, it is important to put forth some common, universally agreed-upon definitions. They can be found in the *Complete Guide to Ethics Management: An Ethics Toolkit for Managers* (© Carter McNamara, MBA, PhD, Authenticity Consulting, LLC).

## What Is Ethics?

Simply put, when someone is employing ethics, he or she recognizes what is right and what is wrong and is choosing to do the right thing; however, as a great deal of business ethics literature will attest, “the right thing” is not always straightforward. For example, most ethical dilemmas in the workplace are not simply questions of “Should Bob steal from Jack?” or “Should Jack lie to his boss?”

Philosophers have been debating ethics for at least 2,500 years, since the time of Socrates and Plato. Many ethicists consider today’s emerging ethical beliefs to be tomorrow’s laws, regulations or rules. Values that guide how we ought to behave are considered moral values—respect, honesty, fairness, responsibility, etc. Statements around how these values are applied are sometimes called moral or ethical principles.

## What Is Business Ethics?

The concept has come to mean various things to various people, but, generally, it’s coming to know what is right or wrong in the workplace and doing what’s right—usually in regard to products and services and to relationships with stakeholders. In times of fundamental change, values that were once followed inherently are now strongly questioned or no longer followed. Consequently, there is no clear moral compass to guide leaders through complex workplace dilemmas. Attention to ethics in the workplace sensitizes leaders and staff to how they should act. Perhaps most important, in times of crises and confusion, attention to business ethics helps ensure that when leaders and managers are struggling, they can retain a strong moral compass. However, applying business ethics offers numerous other benefits, as well (see page 6).

As young children, many of us learned The Golden Rule: treat others as you would like to be treated. This universal ethical standard has been found in historical and religious writings in every culture. The challenge in business comes with the acknowledgment that the stakes are often high—we are competitive and we want to win. So, the questions we must ask ourselves are:

- How do we want to be treated?
- Do we have the will to follow The Golden Rule?

This publication offers guidance on how to create and implement tools and policies to ensure that ethical behavior is clearly defined and that consistent practices are employed in your workplace.

## SECTION 1

# Developing a Code of Ethics for Your Organization

### Process for Developing a Code of Ethics

How do you develop a corporate code of ethics? There are four steps:

1. Developing a Value Statement
2. Drafting the Code of Ethics
3. Reviewing and Adopting the Code of Ethics
4. Communicating and Training

To create the most comprehensive and complete policy, your development team should include all levels of the organization, as the proposed code of ethics will ultimately be reviewed by all staffers (and the board of directors, where applicable) as well as the institution's attorney.

Here are some key factors to consider when developing a corporate code of ethics.

- **Your values should adhere to relevant laws and regulations.** This ensures that your organization is not in danger of breaking any of them.
- **Review which values produce the top three or four traits of a highly ethical and successful product or service in your area.** For example, for accountants those traits would be objectivity, confidentiality, accuracy, etc.
- **Identify values needed to address current issues in your workplace.** Appoint one or two people to interview key staff in order to gather descriptions of major issues in the workplace. Collect descriptions of behaviors that produce the issues. Consider which of these issues is ethical in nature—e.g., those related to respect, fairness, and honesty. Identify the behaviors needed to resolve these issues and which values would generate those preferred behaviors. Included here may be values that some people would not deem as moral or ethical—e.g., team building and promptness—but for managers, these practical values may add more relevance and utility to a code of ethics.
- **Identify any values needed based on findings during strategic planning.** Review information from your SWOT (strengths, weaknesses, opportunities and threats) analysis. What behaviors are needed to build on strengths, shore up weaknesses, take advantage of opportunities and guard against threats?

- **Consider any top ethical values that might be prized by stakeholders.** For example, consider expectations of employees, clients/customers, suppliers, funders, members of the local community, etc.
- **Collect from the above steps the top five to ten ethical values that are high priorities in your organization.** Examples might include:
  1. Trustworthiness: honesty, integrity, promise-keeping, loyalty
  2. Respect: autonomy, privacy, dignity, courtesy, tolerance, acceptance
  3. Responsibility: accountability, pursuit of excellence
  4. Caring: compassion, consideration, giving, sharing, kindness, loving
  5. Justice and fairness: procedural fairness, impartiality, consistency, equity, equality, due process
  6. Civic virtue and citizenship: law-abiding, community service, protection of environmentThese are also known as the “Six Pillars of Character,” developed by The Josephson Institute of Ethics.
- **Compose your code of ethics; attempt to associate at least two examples of behaviors that reflect each value.** Critics of codes of ethics assert that they seem vacuous because many only list ethical values and don’t clarify these values by associating examples of behaviors.
- **Include wording to indicate that all employees are expected to conform to the values stated in the code of ethics, and specify where employees can go if they have any questions about the code.** Obtain review from as many key members of the organization as possible. Announce and distribute the new code of ethics (unless you are waiting to announce it along with any new codes of conduct and associated policies and procedures). Ensure that each employee has a copy and post the document in appropriate public places throughout the facility.
- **Update the code at least once a year.** Almost more important than the code itself is its rolling development: continued dialogue and reflection around ethical values produce ethical sensitivity and consensus. Therefore, revisit your codes at least once a year—and include a general review of important provisions two or three times a year.
- **Note that you cannot include values and preferred behaviors for every possible ethical dilemma that might arise.** Your goal is to focus on the top ethical values needed in your organization and to avoid potential ethical dilemmas that seem mostly likely to occur.

Depending on your particular role—community manager, board member or CEO of a management company or business partner—the process you undertake for reviewing, drafting, adopting and communicating a code of ethics will differ slightly. Here are some general guidelines for each role.

### ***Board Members***

The code of ethics for a board should be developed as a collaborative effort with all board members and the community manager. Once this group has agreed upon the general content, the board's counsel should review it prior to its adoption.

When associations conduct their annual board elections, this code should be provided to candidates so they understand what is expected of board members.

The full board, including any new members, should review and discuss the code of ethics annually; ideally, each board member signs a commitment to adhere to the code. This could be done as part of the annual board member orientation.

Throughout the year, the board should also receive reminders of their obligations to abide by the code of ethics.

### ***Management Company CEO***

The code of ethics for your company should embrace the culture and philosophy you desire. Consideration should also be given to the various codes required when certified by CAI as a manager (CMCA, AMS, PCAM, LSM) and management company (AAMC).

Typically, a code of ethics for a company will become part of the employee handbook. Each employee should be asked to sign the acknowledgment page in the handbook upon employment; however, communication should not stop here.

Employees should be reminded of the code of ethics at staff meetings throughout the year and—most important—in advance of the holiday season, when gift giving by vendors is commonplace.

CEOs should also advise their boards and key business partners of the company's code. Before a company adopts a code of ethics it should consult with an employment attorney to be sure that the code does not create any employment issues for the company.

### ***Community Manager Employed by Association***

In cases where the community manager and other employees are employed directly by the association, the process and education are the same as that of a management company CEO.



## SECTION 2

# Managing Ethics in the Workplace

Codes of ethical conduct need to be active policy documents, developed and nurtured by all staff and personnel, in order to create an ethical culture within an organization. For a code to have true meaning and full buy-in, it cannot be a set of rules or guidelines handed down from above: everyone within the organization—not just senior management—must be a part of the implementation process.

Implementing a code of ethics in the workplace should be accomplished by a collaborative group, with each member having his or her own responsibilities. Here are some of the key staff roles:

**CEO:** If your CEO isn't fully behind the creation and continued promotion of your ethics policy, then your employees will know it. The CEO should be the champion of your ethics program. In most organizations, he or she will announce the program and back its development. Most important, he or she needs to lead from a clear understanding of what the company has determined is ethical behavior.

**An ethics committee,** composed of a wide range of staffers, reviews and promotes the quality and usefulness of the workplace code—not their own personal codes of behavior. This committee promotes ethics policies and determines if an ethics issue or violation needs to be addressed. A clear understanding of the importance of this group needs to be made by the CEO or leader.

**An ethics administrator:** Some organizations actually appoint an ethics administrator who can be used as a sounding board or a resource for staffers to determine whether an ethics violation has taken place. This person may or may not be part of your human resource staff but should have a working knowledge of your personnel manual and code of conduct.

**Ethics officer:** This position is held by a trained employee within your organization, and his or her role is to take on ethics violations. It is important for this officer to have hands-on contact with the various departments within your organization.

**Ombudsman:** This person is considered an impartial intermediary in regard to a violation, and employees can go to him or her with any concerns or questions they may have on ethical issues. Typically, this person is not in a supervisory position.

An ongoing role of your ethics committee is it to promote the code of conduct within your organization. Some possible promotional strategies are listed below.

- Attach a copy of the code of conduct to new hires' offer letters so that new employees are familiar with the code from the very first day.
- Distribute newsletters and discuss ethical issues at every employee meeting.
- Prepare posters that present ethical dilemmas that employees may find themselves in—and what to do if this happens.
- Ensure that contractors and business partners are aware of your policies as well. Active engagement with them should help deter such potential issues as gratuities and gifts for awarding of contracts.

- Give your staff practical examples of the type of behaviors you are seeking to avoid. Continually encourage positive behavior and practices to ensure that all employees are aware of company policies.

### **Ten Benefits of Managing Ethics in the Workplace**

Many people are aware of the moral benefits of business ethics, but there are other benefits as well. The following list from Carter McNamara's *Complete Guide to Ethics Management: An Ethics Toolkit for Managers* describes various types of benefits that come from managing ethics in the workplace.

1. **Attention to business ethics has substantially improved society.** Only decades ago, children in our country worked 16-hour days, and disabled workers were condemned to poverty and often starvation. Trusts controlled some markets to the extent that prices were fixed and small businesses choked out. Employees were unfairly terminated for frivolous and unjust reasons, and influence was applied through intimidation and harassment. Then society reacted and demanded that businesses place high value on fairness and equal rights. Anti-trust laws were instituted. Government agencies were established. Unions were organized, and employment laws and regulations were established.
2. **Ethics programs help maintain a moral course in turbulent times.** Business ethics are critical during times of fundamental change—times much like those faced now by businesses, both non- and for-profit. During such times, there is often no clear moral compass to guide leaders about what is right and wrong. Continued attention to workplace ethics increases awareness for leaders and staff on how they should act—consistently.
3. **Ethics programs cultivate strong teamwork and productivity.** Ethics programs align employee behaviors with those top-priority ethical values preferred by the organization's leaders. Usually, an organization finds surprising disparity between its preferred values and the values actually reflected by behaviors in the workplace. Ongoing attention and dialogue about values in the workplace build openness, integrity, and community—critical ingredients of strong teams. Employees feel durable alignment between their values and those of the organization and react with better motivation and performance.
4. **Ethics programs support employee growth and meaning.** Attention to workplace ethics helps employees deal with situations—both good and bad—in the organization and in their private lives. Employees can better deal with whatever comes their way.
5. **Ethics programs are a type of insurance policy—they help ensure that policies are legal.** An increasing number of lawsuits pertain to personnel matters and to the effects an organization's services or products have on stakeholders. As mentioned earlier, ethical principles often predate legal decisions: the principles are often applied to current, major ethical issues that later become legislation. A workplace that pays attention to ethics ensures that it has highly ethical policies and procedures, and it's far better to ensure ethical practices now than to incur costs of litigation later. A major intent of well-designed personnel policies is to ensure ethical treatment of employees—for example, in matters of hiring, evaluating, disciplining

and firing. Drake and Drake note that "an employer can be subject to suit for breach of contract for failure to comply with any promise it made, so the gap between stated corporate culture and actual practice has significant legal, as well as ethical, implications" (*California Management Review*, V16, pp. 107–123).

6. **Ethics programs help avoid criminal acts "of omission" and can lower fines.** Ethics programs tend to detect ethical issues and violations early on so they can be reported or addressed. In some cases, if an organization is aware of an actual or potential violation and does not report it to the appropriate authorities, then this inaction can be considered a criminal act—e.g., in business dealings with certain government agencies, such as the Department of Defense. The Federal Sentencing Guidelines specify major penalties for various types of ethics violations; however, the guidelines potentially lower fines if an organization has clearly made an effort to operate ethically.
7. **Ethics programs help manage values associated with quality management, strategic planning and diversity management—a benefit that deserves far more attention.** Ethics programs identify preferred values and ensure that organizational behaviors are aligned with those values. This effort includes recording the values, developing policies and procedures to align behaviors with preferred values and then training all personnel about the policies and procedures. This overall effort is very useful for several other programs in the workplace that require behaviors to be aligned with values, including quality management, strategic planning and diversity management. Total quality management places high priority on certain operating values, e.g., trust among stakeholders, performance, reliability, measurement and feedback. Eastman and Polaroid use ethics tools in their quality programs to ensure integrity in their relationships with stakeholders. Ethics management techniques are highly useful for managing strategic values—e.g., expanding market share and reducing costs. McDonnell Douglas integrates their ethics programs into their strategic planning process. Ethics management programs are also useful in managing diversity. Diversity is about much more than appearance: it's about acknowledging different values and perspectives. Diversity programs require recognizing and applying diverse values and perspectives—these activities are the basis of a sound ethics management program.
8. **Ethics programs promote a strong public image.** Admittedly, managing ethics should not be done primarily for reasons of public relations. But, frankly, the fact that an organization regularly gives attention to its ethics sends a strong positive message to the public. People see those organizations as valuing people more than profit, as striving to operate with the utmost of integrity and honor. Aligning behavior with values is critical to effective marketing and public relations programs. Consider how Johnson and Johnson handled the Tylenol crisis versus how Exxon handled the oil spill in Alaska. Bob Dunn, president and CEO of San Francisco–based Business for Social Responsibility, puts it best: "Ethical values, consistently applied, are the cornerstones in building a commercially successful and socially responsible business."
9. **Ethics programs have overall benefits to the company.** Donaldson and Davis explain in "Business Ethics? Yes, But What Can It Do for the Bottom Line?" (*Management Decision*, V28, N6, 1990) that managing ethical values in the workplace legitimizes

managerial actions, strengthens the coherence and balance of the organization's culture, improves trust in relationships between individuals and groups, supports greater consistency in standards and qualities of products and cultivates greater sensitivity to the impact of the enterprise's values and messages.

10. **Formal attention to ethics in the workplace is simply the right thing to do.** If your organization is quite large—if it includes several large programs or departments—then you may want to develop an overall corporate code of ethics and then a separate code to guide each of your programs or departments. Also note that codes should not be developed out of the human resource or legal departments alone, as is too often done. Codes are insufficient if intended only to ensure that policies are legal. All staff must see the ethics program being driven by top management. Codes of ethics and codes of conduct may be the same in some organizations, depending on the organization's culture and operations, and on the ultimate level of specificity in the code(s).

### **Enforcement Process and Protocol**

Regrettably, too many organizations find themselves scrambling when an actual ethical issue surfaces. An ethics program is often established as a result of an ethical action or incident that has occurred. An organization creates an ethical environment by establishing policies and practices that ensure all employees are treated ethically and then enforcing those policies. With some pre-planning, your organization can establish a process that can cover many of the situations faced daily by your business. The process below details how to file an ethics complaint and offers some general guidelines.

#### *How to File a Complaint*

Alleged ethics violations should be filed on a prepared form that is distributed from your HR office or is included in your employee handbook. This form should include the committee or group to whom the ethics violation form will be addressed. The handbook or form should clearly state how long the employee has to file the complaint (normally, one to 90 days after the violation occurred). Complaints filed after much time has passed are often harder to substantiate, as critical information is lost over time.

The primary things the ethical form should have are:

- Complainant's name, position, home address, phone number, and e-mail address
- Name and position of the person who allegedly violated the rule or acted unethically
- A specific outline of the alleged ethical violations
- Any evidence, including statements by others or facts that corroborate the specific statement or complaint made
- The complainant's signature

***Evidence: What Constitutes a Violation?***

Once the ethical violation is received, the committee appointed to review the violation must determine whether there is a violation of the code of conduct. The committee should acknowledge receipt of the ethics violation and then create a timeline as to how long the preliminary inquiry will take.

The committee should review the complaint with the following in mind:

- Is the violation within the scope of the code of ethics agreed upon by your organization, or is this violation simply bad judgment?
- The committee may do a preliminary inquiry of the evidence. If sufficient evidence is present, then they may proceed on to a full investigation.
- If the evidence does not substantiate a full investigation or does not fall within the code of conduct, the complainant should be notified of the inquiry within 30 days of the outcome of the inquiry. This should be done in writing and should outline the findings of the committee (i.e., why they do not believe this is an ethical violation).

Ideally, three to five people (depending on the size of your organization) should serve as your ethics committee responsible for determining whether the complaint is a true violation, and, if so, then completing the full investigation.

If a full investigation is indicated, a time should be set aside when the committee can hear from not only the complainant but also the accused. Based on the evidence and the accounts from both sides, the committee can then determine their findings. Again, the complainant and the alleged violator should receive something in writing regarding the committee's decision. Care should be taken to keep all pertinent information and the final decision confidential.

**Example #1:**

Mary Roberts goes to her supervisor regarding the work of a coworker, Greg Thomas. Greg uses his company laptop to complete his work, but Mary has seen Greg use that laptop for a course he is taking at night. Mary states that this is against company policy. Upon investigation, the ethics committee reviews the violation and finds that although Greg's conduct is not in keeping with company policy, it is not an ethics violation. The committee recommends a disciplinary write-up of Greg even though no ethical violation was found. In the end, both Mary and Greg receive a copy of the ethics complaint and are given an update by the committee in writing.

**Example #2:**

Tom Richards, a management company executive, needs to grow his business in order to get his bonus each year. He sees that Jake Brown, a manager with another local company, has been successful in bringing in all types of new business for a competing company. Tom offers Jake a salary far exceeding that of his current company as well as additional vacation days and a four-day workweek. Another executive in Tom's company files a complaint stating that Tom's incentives to Jake constitute an ethical violation. The committee reviews the company policy and the incentives, and finds that an ethics violation has been committed. The committee's findings are written up and forwarded on to the owner of Tom's company.

Overall, fairness is a key consideration in ethics violations. If the violation has been treated with fairness and consistency, then all employees will likely respect the decisions made by your committee.

## SECTION 3

# CAI's Ethical Framework

Over the years, Community Associations Institute (CAI) has adopted codes of ethics for its professional and volunteer members. They are included here as the example of the standards that are formally in place today for the community association industry.

### **Professional Manager Code of Ethics**

#### *The Manager Shall:*

1. Comply with current bylaws, standards and practices as may be established from time to time by CAI subject to all federal, state and local laws, ordinances, and regulations in effect where the Manager practices.
2. Participate in continuing professional education through CAI and other industry related organizations.
3. Act in the best interests of the client; refrain from making inaccurate or misleading representations or statements; not knowingly misrepresent facts to benefit the Manager.
4. Undertake only those engagements that they can reasonably expect to perform with professional competence.
5. Exercise due care and perform planning and supervision as specified in the written management agreement, job description or duly adopted Board policies.
6. Disclose all relationships in writing to the client regarding any actual, potential or perceived conflict of interest between the Manager and other vendors. The Manager shall take all necessary steps to avoid any perception of favoritism or impropriety during the vendor selection process and negotiation of any contracts.
7. Provide written disclosure of any compensation, gratuity or other form of remuneration from individuals or companies who act or may act on behalf of the client.
8. Ensure that homeowners receive timely notice as required by state statutes or legal documents and protect their right of appeal.
9. Disclose to the client the extent of fidelity or other contractually required insurance carried on behalf of the Manager and/or client and any subsequent changes in coverage, which occur during the Manager's engagement if the amount is lower than the contract amount requires.
10. See that the funds held for the client by the Manager are in separate accounts, are not misappropriated, and are returned to the client at the end of the Manager's engagement; Prepare and furnish to the client accurate and timely financial reports in accordance with the terms of the management agreement, job description or duly adopted Board policies.

11. Recognize the original records, files and books held by the Manager are the property of the client to be returned to the client at the end of the Manager's engagement; maintain the duty of confidentiality to all current and former clients.
12. Refrain from criticizing competitors or their business practices; Act in the best interests of their Employers; Maintain a professional relationship with our peers and industry related professionals.
13. Conduct themselves in a professional manner at all times when acting in the scope of their employment.
14. Not engage in any form of price fixing, anti-trust, or anti-competition.
15. Not use the work products of colleagues or competing management firms that are considered proprietary without the expressed written permission of the author or the management firm.

*Compliance with the Professional Manager Code of Ethics is further amplified in the Code Clarification Document provided by CAI.*



## **Professional Reserve Specialist (RS) Code of Ethics**

*Revised July 1999*

### *The Reserve Specialist Shall:*

1. Comply with current standards or practices as may be established from time to time by CAI and the Reserve Specialist (RS) Designation Review Board.
2. Not make any inaccurate or misleading representations or statements to a prospective client.
3. Undertake only those engagements the Reserve Specialist can reasonably expect to perform with professional competence.
4. Exercise due care and exhibit adequate planning and supervision.
5. Disclose in writing to the client any actual, potential or perceived conflict of interest if the client may have dealings with another party in some way related to the Reserve Specialist.
6. Not knowingly misrepresent facts to benefit the Reserve Specialist.
7. Conduct himself or herself in accordance with the Reserve Specialist requirements.
8. Not hold himself or herself out to anyone as being a Reserve Specialist designee until such time as he or she receives written confirmation from the Reserve Specialist Designation Review Board or CAI of receipt of the designation.
9. Abide by the redesignation policy of CAI.

*Compliance with the Professional Reserve Specialist (RS) Code of Ethics is further amplified in the Code Clarification Document provided by CAI.*



## **Reserve Specialist (RS) Code Clarification Document**

### *Authority*

The Code derives its authority from Community Associations Institute (CAI). CAI's Board of Trustees and the Reserve Specialist Review Board have established a minimum standard of professional ethical performance for those individuals who receive the Reserve Specialist (RS) designations from CAI.

Those individuals or entities who have received the professional Reserve Specialist designation (RS) from CAI are subject to this Code.

### *Definitions*

The Code shall apply in any Reserve Specialist-client relationship where the RS receives some form of compensation for professional services offered or provided to the client.

Because the Code is designed to establish a standard of conduct for the Reserve Specialist, it is equally applicable to individuals and firms. An individual who agrees to abide by this Code shall also be responsible to see that any other person or firm under his/her supervision shall comply with the Code.

### *Amplification*

The following information and examples are provided by CAI to further explain some of the tenets of the Code of Ethics and correspond to the numbered paragraphs in the Code of Ethics:

1. Current standards or practices are those numbered 1 through 8 in the Code. Reserve Specialists who practice in states with legislative requirements for their profession must comply with those laws.
2. Inaccurate or misleading representations are oral or written statements made with knowledge of their falsity.
3. Undertake only those engagements the RS can reasonably perform is the essential key here. The Reserve Specialist should not undertake engagements that he or she cannot perform in the required time frame and with professional competence.
4. Adequate planning and supervision. The Reserve Specialist must plan his or her own work and adequately supervise his or her employees' work so that the work is performed with professional competence.
5. Disclosure of any possible conflict of interest is essential. Disclosure must be in writing and sufficiently in advance of the selection process to allow full consideration of the possible conflicts and any alternatives. The fact that the client may still choose the Reserve Specialist's related entity is not a violation of the Code, provided ample disclosure was given.

### *Future*

The Board of Trustees and the Reserve Specialist Designation Review Board may expand application of this Code and reserves the right to update or amend both the Reserve Specialist Code of Ethics and the Code Clarification Document. Any such revision,

updating, or amendment shall be promptly promulgated to Reserve Specialist members and, after due notice, will apply to all members subject to the Code.

***Disciplinary Action***

After an internal investigation and hearing as provided in CAI's Ethics Enforcement Procedures Policy, a Reserve Specialist found to be in violation of this Code shall face a sanction in accordance with the enforcement policies adopted by the CAI Board of Trustees. The extent of such sanction shall be commensurate with the nature, severity, and intent of the violation. In a situation where a firm, principal(s), or supervisory staff are involved, sanctions may be imposed on more than one individual or the firm itself.

Please answer the following questions.

Have you ever been convicted of fraud, misrepresentation, and/or misappropriation of funds or property? If yes, attach a detailed explanation.  Yes  No

Have you ever been subject to disciplinary action by any professional organization? If yes, attach a detailed explanation.  Yes  No

***Signature***

By signing below, I agree to abide by the CAI Professional Reserve Specialist Code of Ethics and to be subject to disciplinary action as adopted by the Board of Trustees.

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Printed Name Signature

---

Firm Name (if employed by a firm or as a principal or supervisory staff member)

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Printed Name Signature of an Officer of That Firm

Acknowledged before me on this day:

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Notary Signature Notary Commission Expiration Date

## **Community Insurance & Risk Management Specialist (CIRMS) Code of Ethics**

*December 2002*

*The Community Insurance & Risk Management Specialist Shall:*

1. Comply with current standards or practices as may be established from time to time by CAI.
2. Not make any inaccurate or misleading representations or statements to a prospective client.
3. Undertake only those engagements the Community Insurance and Risk Management Specialist can reasonably expect to perform with professional competence.
4. Exercise due care and exhibit adequate planning and supervision.
5. Strive to establish and maintain dignified and honorable relationships with those whom they serve, with fellow practitioners, and with members of other professions.
6. Obey all laws and regulations, and avoid any conduct or activity which would cause unjust harm to others.
7. Conduct himself or herself in accordance with the Community Insurance and Risk Management requirements.
8. Not hold himself or herself out to anyone as being a Community Insurance & Risk Management Specialist designee until such time as he or she receives written confirmation from CAI of receipt of the designation.
9. Abide by the redesignation policy of CAI.
10. Assist in improving the public understanding of Insurance and Risk Management.

*Compliance with the Community Insurance & Risk Management Specialist (CIRMS) Code of Ethics is further amplified in the Code Clarification Document provided by CAI.*

## **CIRMS Code Clarification Document**

### ***Authority***

The Code derives its authority from Community Associations Institute (CAI). CAI's Board of Trustees has established a minimum standard of professional ethical performance for those individuals who receive the Community Insurance & Risk Management Specialist (CIRMS) designation from CAI.

Those individuals who have received the Community Insurance & Risk Management Specialist (CIRMS) from CAI are subject to this Code.

### ***Definitions***

The Code shall apply in any client relationship where the CIRMS receives some form of compensation for professional services offered or provided to the client.

Because the Code is designed to establish a standard of conduct for the Community Insurance & Risk Management Specialist, it is equally applicable to individuals and firms. An individual who agrees to abide by this Code shall also be responsible to see that any other person or firm under his or her supervision shall comply with the Code.

### ***Future***

The Board of Trustees may expand application of this Code and reserves the right to update or amend both the Code of Ethics and the Code Clarification Document. Any such revision, updating, or amendment shall be promptly promulgated to Community Insurance & Risk Management Specialist (CIRMS) members and, after due notice, will apply to all members subject to the Code.

### ***Disciplinary Action***

After an internal investigation and hearing as provided in CAI's Ethics Enforcement Procedures Policy, a Community Insurance & Risk Management Specialist (CIRMS) found to be in violation of this Code shall face a sanction in accordance with the enforcement policies adopted by the CAI Board of Trustees. The extent of such sanction shall be commensurate with the nature, severity, and intent of the violation. In a situation where a firm, principal(s), or supervisory staff are involved, sanctions may be imposed on more than one individual or the firm itself.

## **Code of Ethics Enforcement Procedures for Community Associations Institute's Designation Ethics Committee**

*Adopted by Board of Trustees 5/6/95*

*Revisions Approved by Board of Trustees 10/24/13*

### **A. Scope**

These Procedures apply to alleged violations of the published PROFESSIONAL MANAGER CODE OF ETHICS ("Code") of Community Associations Institute ("CAI"). Individuals who have achieved AMS, LSM, and/or PCAM designations, and Management Companies with the AAMC accreditation, are subject to the Code.

Each AMS, LSM, or PCAM professional manager member is personally responsible for his or her actions and any disciplinary actions arising from a complaint or eventual sanctions shall be against the individual and not against any association or firm.

Each AAMC member is responsible for the actions and omissions of its employees, and any complaint or eventual sanctions shall be imposed against the company and may also be imposed against responsible individuals at the company as well. For purposes of these Procedures, the term "Designee" shall apply to an AMS, LSM, PCAM, and AAMC member.

It should be emphasized that actions taken under these Procedures do not constitute enforcement of law, although referral to appropriate federal, state, or local government agencies may be made about the conduct of Designees in appropriate situations. Individuals initially bringing complaints are not entitled to any relief or damages by virtue of this process, although they will receive notice of the actions taken. In addition, commercial disputes among private parties are not appropriate matters for review under these Procedures; only the ethical conduct of Designees is proper subject matter for review under these Procedures.

### **B. Ethics Committee Organization**

1. The Designation Ethics Committee shall be comprised of at least 15 members and a maximum of 25 members and shall report to the Board of Trustees of CAI ("Board"). The term of each Committee member shall be for three years and the terms of the members shall be staggered. Committee members' terms shall run concurrently with the terms of the Trustees and Officers of CAI. All appointments shall be made by the President of CAI, subject to approval by the Board.
2. Of the total members of the Designation Ethics Committee, at least six members shall be PCAM designees, one shall be an RS designee, and one shall be a CIRMS designee.

Current Officers of CAI may not serve concurrently as a member of the Designation Ethics Committee. For purposes of this section, CAI Officer means a person currently serving in the position of President, President- Elect, Secretary, Treasurer, or other CAI Board of Trustees officer position.

3. Members of the Committee may be re-appointed to successive terms without limitation. In the event a member resigns or is unable to serve, the then current

President of CAI shall appoint a replacement Committee member for the balance of the unexpired term, subject to approval by the Board.

4. The President of CAI shall designate the Chairperson (the "Chairperson") and the Vice-Chairperson (the "Vice-Chairperson") of the Designation Ethics Committee. The Chairperson and the Vice-Chairperson shall serve one-year terms in such capacity and may be re-appointed to successive terms without limitation. The Vice-Chairperson shall perform all the duties of the Chairperson at any time that the Chairperson is unable to do so.
5. The Chairperson shall appoint three or more Designation Ethics Committee Members to one or more Review Panels, which shall have the task of conducting an Inquiry as to the merits of a Complaint and making a recommendation of actions to be taken under these Procedures to the Designation Ethics Committee Chair. The Chairperson shall appoint a Chair of each Review Panel established. The Review Panel members shall serve for such terms as determined by the Chairperson.
6. The Chairperson shall appoint a Hearing Panel, as follows: the Hearing Panel shall be composed of the Chairperson and/or Vice-Chairperson of the Designation Ethics Committee and at least four other individuals who are not on the Review Committee and who do not have a conflict of interest with the Complainant or the Designee that is the subject of the Complaint ("Subject Designee"). One member shall be a non-Trustee attorney who is a member of the College of Community Association Lawyers, one member will be from the APCM Board, one member will be from the Business Partners Council, and the remaining member shall be either a former Chair of the APCM Board, a Past President of CAI, or a current or former member of the Designation Ethics Committee. The Hearing Panel members shall serve for such terms as determined by the Chairperson.
7. Complaints involving an AAMC member or those AMS, LSM, or PCAM members affiliated with an AAMC member shall follow these additional guidelines:
  - a. The Subject Designee may include the firm as well as the PCAM member responsible for the AAMC member's management program and other Designees;
  - b. The AAMC member is responsible for the ethical behavior of all employees, including any AMS, LSM, or PCAM designees under its direction. The AAMC member is subject to sanctions for violations of any of its affiliated staff members;
  - c. The person responsible for the AAMC member's management program ("Supervising PCAM member") will be advised of any complaint regarding the AAMC or any affiliated Designees;
  - d. To the extent possible, the review and inquiry under these Procedures shall be conducted simultaneously in situations where the AAMC member and one or more of its affiliated Designees are involved;
  - e. Any determination will recognize and be in accordance with established legal principles of responsibility and liability with respect to agency law and the employer/employee relationship; and

f. Resulting sanctions, if any, may vary against those involved based upon degree of violation and responsibility.

### *C. Allegations*

1. Any person (the "Complainant"), including a Designation Ethics Committee Member, may initiate a complaint regarding alleged violations of the Code by submitting to CAI's Chief Executive Officer or his designee a written complaint (the "Complaint") signed by the Complainant. The Complaint shall be submitted on the approved Ethics Complaint Form and shall include information specifying:
  - a. The identity of the Subject Designee who is alleged to have violated the Code, along with a narrative summary of the circumstances and events leading to the alleged violation, and reference to the section(s) of the Code alleged to have been violated;
  - b. Evidence (which may include written documentation, corroborating statements by other persons, or specific information as to persons who may be contacted to provide such corroboration) supporting the allegation(s);
  - c. Complainant's name, address, e-mail address, and telephone number; and
  - d. If the Complaint is filed by a community association, the Board of Directors of that association must attach an approved and witnessed Resolution indicating a majority of the Board members approve the filing of the Complaint.

A Complaint also may be self-initiated by the Chairperson on behalf of the Committee based on any information, such as a news source or anonymous complaint.
2. If the Complaint submitted is not in compliance with the Procedures as outlined under section 1(a)-(d) above, CAI's Chief Executive Officer or his designee may return the Complaint with instructions on compliance with CAI Procedures. All Complaints conforming to the filing requirements shall be promptly forwarded by CAI's Chief Executive Officer or his designee to the Chairperson. If the Complaint originates in the market area of the Chairperson, the Chairperson has a personal or professional relationship with any of the parties named in the Complaint, or the Chairperson is in any way associated with any individual named in the Complaint, CAI's Chief Executive Officer shall forward the Complaint to the Vice-Chairperson, and the Vice-Chairperson shall perform the functions of Chairperson for that Complaint. Should the Vice Chairperson have any of the same conflicts as the Chairperson, the Complaint will then be forwarded to another Committee Member, selected on a basis of seniority, until a member does not have a conflict. The Chief Executive Officer shall also advise the Chairperson of all designations held by the Subject Designee and all dates such designations were received.
3. Upon receipt of the Complaint, the Chairperson shall review the Complaint and make an initial determination whether the Complaint, on its face, raises an actual question of ethics under the Code within 30 days of receipt of the complaint from staff.



- a. If, in the determination of the Chairperson, there is a legitimate question of ethics in the Complaint, the Chairperson shall delegate to the Review Panel the authority to make such inquiries and preliminary investigations as to the matters covered by or related to the Complaint as they deem appropriate ("Inquiry"). Allegations of incidents occurring before the Subject Designee received his or her designation(s) will not be considered further by the Designations Ethics Committee.
  - b. If the Complaint, on its face, does not state a claim that is actionable under the Code, or otherwise contains unreliable or insufficient information, or is patently frivolous or inconsequential, the Chairperson may dismiss such Complaint, with written notice to the Complainant from the Chief Executive Officer.
4. For each matter that the Chairperson determines requires an Inquiry, the Chairperson shall ensure that the Chief Executive Officer or his designee promptly provides written notice to the Subject Designee of the identity of the complaining party, the nature of the Complaint specifying the provisions of the Code that are alleged to have been violated (with a copy of these Procedures and the Code), the potential sanctions, and stating that the Subject Designee shall have the opportunity to respond to the Chairperson regarding the Complaint within 30 days of receipt of the notice. The Chairperson also shall ensure that the Complainant receives written notice that the Complaint is being reviewed.

#### *D. Inquiry*

The following shall govern any Inquiry by the Review Panel:

1. The Review Panel shall have the task of conducting an Inquiry as to the merits of the Complaint and making a recommendation to the Hearing Panel as to whether a violation of the Code has occurred and any recommended sanction. The Chairperson of the Designation Ethics Committee may be consulted but shall not actively participate in the Inquiry conducted by the Review Panel.
2. Since the nature and seriousness of each alleged violation of the Code will vary, the Review Panel shall use its best judgment regarding the degree of investigation required. The Review Panel shall review the response of the Subject Designee and may seek further information or interview the Subject Designee. The Inquiry also may include such actions as:
  - a. Telephone conversations with individuals involved;
  - b. Requests for written or published materials; and
  - c. Visits to the locations(s) involved.
3. The CAI Chief Executive Officer, his or her designee, and/or CAI legal counsel may consult with the Review Panel with respect to any questions as to compliance with these Procedures or applicable legal principles.
4. Within 60 days from the receipt of the response from the Subject Designee, the Review Panel shall issue a written report to the Chairperson with a copy to the CAI



Chief Executive Officer. This report shall explain the background and investigative steps of the Inquiry, the findings of the Review Panel with respect to particular sections of the Code considered to be violated and the sanctions recommended, if any, and the basis for the recommendation, and shall include all related documents, correspondence, and other materials obtained and considered during the investigation. Included in this report must be one of the following recommendations:

- a. No hearing is needed;
  - b. No hearing is needed but a Letter of Warning as defined below should be sent;
  - c. The matter should be suspended pending the outcome of an active criminal or civil investigation; or
  - d. A hearing should be conducted and the recommendations of the Review Panel considered by the Hearing Panel.
5. Within 15 days after his or her receipt of such report, the Chairperson shall ensure that written notice is given to the Subject Designee providing a copy of the report and recommendation of the Review Panel and indicating that:
- a. The Complaint has been dismissed;
  - b. A Letter of Warning is recommended, which indicates that there was or there is the potential for impropriety which does or could border on a violation of the Code; or
  - c. There will be a hearing on the Complaint, with the date and time of the hearing that will be conducted by telephone or video conference specified, and including another copy of the Procedures and advising the Subject Designee that he or she has the opportunity to provide additional written information to be considered by the Hearing Panel in response to the report by the Review Panel.

#### ***E. Designation Ethics Hearing***

1. Unless the Chairperson decides otherwise, a single hearing will be conducted regarding the same or similar complaints even if they are against more than one Designee affiliated with an AAMC member and the AAMC member.
2. A majority of the Hearing Panel, including the Chairperson or Vice-Chairperson, shall qualify as a quorum with a majority vote of those present necessary to reach any decision.
3. The agenda for the Hearing shall be established by the Chairperson in accordance with the following outline:
  - a. Report of the Review Panel, which may be presented by the Chair or another member of the Review Panel.
  - b. Response of the Subject Designee(s).
  - c. Questions from the Hearing Panel.

Hearing Panel members are able to question or seek additional clarification during each of these steps, in the presence of the Subject Designee. The rules of evidence and other legal requirements of trials or similar proceedings are not applicable. It is not expected that legal counsel will represent the Subject Designee during the Hearing, but may be granted permission to be in attendance to assist the Subject Designee in presenting his or her response.

4. Immediately following the hearing, the Hearing Panel shall convene in executive session to reach a decision. The Chief Executive Officer, designated CAI staff member, and CAI's legal counsel may attend the executive session in a non-voting capacity.

The Review Panel member(s) and the Subject Designee shall not be present during the deliberations and voting. These individuals may be called back to answer questions during deliberations.

The Hearing Panel shall reach one of these two decisions:

- a. Dismiss the Complaint, in which event there is no further action within CAI; or
- b. Determine the Subject Designee has committed a violation of one or more of the sections of the Code and is subject to sanctions as determined by the Hearing Panel in its discretion.

The Hearing Panel shall issue a written report of its determination, which report shall include the findings and determination of the Panel with respect to particular sections of the Code considered to be violated and the sanctions imposed, if any, and the basis for the recommendation.

#### ***F. Sanctions***

If the Hearing Panel determines a Subject Designee has violated one or more provisions of the Code of Ethics and a sanction is warranted, the following sanctions are available:

1. **Admonishment**

The Hearing Panel can instruct the CAI Chief Executive Officer to issue a letter to the Subject Designee admonishing his or her actions and warning of the consequences of subsequent violations. Admonishments are issued when the hearing panel finds that violations occurred, but were not the result of deliberate action and the accused would benefit from the opportunity to apply the admonishment to growing their professionalism. A letter of Admonishment shall be kept confidential and shall be placed in the designee's file.

2. **Censure**

The Hearing Panel can instruct the CAI Chief Executive Officer to issue a letter of censure to the Subject Designee. Censures are distinguishable from admonishments in that the hearing panel has concluded that the violation is of a nature that in addition to corrective action a public notice and reprimand of the breach of the code is warranted. All censures will be public in nature.

**3. Suspension**

The Hearing Panel can instruct the CAI Chief Executive Officer to take action to suspend the CAI designation of the Subject Designee for a certain period of time.

**4. Revocation**

This sanction is reserved for the most serious of offenses. The Hearing Panel can instruct the CAI Chief Executive Officer to revoke the CAI designation of the Subject Designee. Revocation is permanent and not subject to reinstatement.

The Hearing Panel, upon rendering its decision on the appropriate sanction, shall forward its recommendation to CAI's Board of Trustees for approval. Once acted upon by CAI's Board of Trustees, the decision of the Hearing Panel, as approved or modified by the Board, shall be final and written notice of any such action shall be given to the Subject Designee, which action shall be public as determined by the Hearing Panel except for a private admonishment. Notice to the Subject Designee shall also include notification of the right of the Subject Designee to appeal the determination of the Hearing Panel in writing within 30 days of receipt of the notice. The CAI Chief Executive Officer shall also notify the Complainant of any action and the nature of the action, as well as such other organizations, entities, or state agencies as determined by the Hearing Panel, but in each case only after the time for an appeal has expired and no appeal has been made.

**5. Publication:**

a. An announcement of a censure, suspension, revocation, or other sanction considered severe by the Designation Ethics Committee shall be published in those national and/or chapter periodicals defined by the appropriate designating committee.

b. The announcement shall include the name(s) of the Designee(s), the types of sanction(s), and the section(s) of the Code which were determined to have been violated.

**G. Appeal**

1. Within 30 days from receipt of notice of a determination by the Hearing Panel that the Subject Designee has violated the Code, the Subject Designee may submit to the Chairperson in writing a request for an appeal. The grounds for the appeal must be stated by the Subject Designee in the request for appeal in accordance with the limited basis for appeal as referenced below in Section 3. The President of CAI shall appoint an Appeal Panel consisting of at least three, but not more than five, members of the Board, with one member of the Appeal Panel appointed as Chair. The Appeal Panel shall review and make recommendations to the Board on actions, if any, to take on an appeal. The Appeal Panel may review one or more appeals, upon request of the President. No current members of the Designation Ethics Committee, the Review Panel, or Hearing Panel may serve on the Appeal Panel; further, no one with any personal involvement or conflict of interest may serve on the Appeal Panel.

2. Upon receipt of notice of an appeal from the Subject Designee, the CAI Chief Executive Officer, or his or her designee, working with the Chair of the Appeal Panel, shall provide written notice to the Subject Designee of the Appeal with a summary of the process as provided in these Procedures. The Subject Designee may submit further information to the Appeal Panel in support of the request for appeal.
3. The Appeal Panel may only review whether the determination by the Hearing Panel of a violation of the Code was inappropriate because of: (1) material errors of fact, or (2) failure of the Review Panel or Hearing Panel to conform to published criteria, policies, or procedures. Only facts and conditions up to and including the time of the Hearing Panel's determination shall be considered during an appeal. The appeal shall be considered during a meeting of the Appeal Panel, which may be by telephone or video conference, but does not include a hearing or any similar trial-type proceeding. The Subject Designee may request to present his or her case to the Appeal Panel by telephone or video conference, with approval of such request at the discretion of the Chair of the Appeal Panel. Legal counsel for the Subject Designee is not expected to participate in the appeal process, unless requested by the Subject Designee and approved by the Chair of the Appeal Panel. The President of CAI and the Appeal Panel may consult with the CAI Chief Executive Officer, his or her designee, or CAI legal counsel at any time.
4. The Appeal Panel conducts and completes the appeal within 60 days after receipt of the request for an appeal. The Appeal Panel shall make a recommendation to CAI's Board of Trustees that affirms, modifies, or overrules the determination of the Hearing Panel, including any sanction. The decision of the Appeal Panel, including a statement of the reasons for the recommendation, is reported in writing by the CAI Chief Executive Officer to the Subject Designee and the Chairperson of the Designation Ethics Committee (who shall notify members of the Committee, Review Panel, and Hearing Panel as appropriate). The recommendation of the Appeal Panel, as acted upon by CAI's Board, is final and may not be appealed or reconsidered. The CAI Chief Executive Officer shall also notify the Complainant and any other persons, organizations, or entities in accordance with these Procedures.

#### ***H. Special Situations***

##### **1. State or Regulatory Body Revocation**

If any state or regulatory body requiring a certificate, license, permit, or other type of credential to act as a community association manager or management company revokes such credential of an AMS designee, LSM designee, PCAM designee, and/or AAMC accredited company for cause, then such member's designations shall also be revoked by CAI automatically, subject to written communication to such Designee requesting a showing of good cause why such revocation should not occur. Based on information provided by a state or other regulatory agency, as well as information submitted by the Designee, the Chairperson of the Designation Ethics Committee shall have the discretion to decide if the Designee's designation(s) shall be revoked or whether the matter should be reviewed in accordance with these Procedures.

**2. Invalid Application Information**

The awarding of an AMS, LSM, or PCAM designation or re-designation or AAMC accreditation or re-accreditation is dependent upon truthful and non-misleading application information and affirmations made by the applicant and subsequent Designee.

CAI reserves the right to take disciplinary action at any time if determined under these Procedures that the application or affirmation contains substantive information that is incorrect, invalid, misleading, or fraudulent. All communications and other relevant information regarding the cause for such disciplinary action shall remain in the Designee's file for relevant follow-up should the Designee reapply after a suspension period.

**3. Failure to Properly Re-designate**

There are requirements for each Designee to retain his or her designation. Proof of meeting those requirements is requested of the Designee on a scheduled basis. The Designee has an obligation to be aware of those re-designation requirements and to provide the information requested by CAI to demonstrate compliance.

After reasonable attempts are made to obtain information from the designee, CAI reserves the right to revoke the designation for failure to meet current re-designation requirements.

**4. Non-Payment of AMS, LSM, PCAM, or AAMC Fees**

In the event a Designee has not made timely payments of AMS, LSM, PCAM, or AAMC fees after reasonable notices and attempts to contact the designee, the designation shall be suspended.

**5. Conviction of a Felony**

If a Designee (or the PCAM designee responsible for an AAMC member) is convicted of a felony or enters a "no contest" or "guilty" plea regarding any felony, the designation shall be revoked immediately by the CAI Chief Executive Officer in consultation with the Chair of the Designation Ethics Committee. The revocation shall be subject to written communication to such Designee requesting a showing of good cause why such revocation should not occur. Notwithstanding such revocation, CAI's Chief Executive Officer and the Designation Ethics Committee shall have the discretion to decide if the revocation should be reviewed in accordance with these Procedures. Notice of such action shall be provided to the Designee, the Designation Ethics Committee, and the local CAI Chapter President.

**6. Failure to Cooperate**

If a Designee (or the PCAM responsible for an AAMC member) fails to cooperate by not providing or withholding requested documents, destroying documents, or refusing to answer questions or cooperate with the investigation or inquiry, the Chairperson, after consultation with CAI's Legal Counsel and Chief Executive Officer, may recommend suspending the designation(s) immediately until such time as the requested information is provided or a final decision is reached. Should the Designee's actions of withholding information or documents impede or

obstruct the investigative process, thereby prohibiting the appropriate investigative body from accomplishing its task, CAI shall have the right and privilege to revoke the designations in accordance with Section F.4., above.

#### ***I. Use of Designation(s)***

No individual or company that has had a designation suspended or revoked or has resigned, regardless of cause, may use the designation in any fashion during the term of the suspension or revocation. CAI is committed to taking whatever action is required, including legal action, should this provision be violated.

#### ***J. Reinstatement Provisions***

1. An individual or company ("Former Designee") who has had a designation suspended may apply to CAI for reinstatement, subject to these Procedures. The Former Designee understands that CAI gives no assurance of reinstatement by accepting a request.
2. The CAI Designation Ethics Committee or a Review Panel will review and recommend to CAI's Board of Trustees approval or rejection of a reinstatement request, taking into consideration these factors:
  - a. The original cause(s), facts, and circumstances surrounding the decision to suspend the designation;
  - b. The Former Designee's current situation; and
  - c. How the Former Designee has addressed the original reason(s) for suspension of designation.
3. No reinstatement request will be considered unless the Former Designee meets all current reinstatement qualifications as outlined in the relevant designation (i.e. AMS, PCAM) reinstatement application and has met continuing education standards during the suspension period as if no loss of designation had occurred.

CAI National Staff has no obligation to issue reminders regarding reinstatement requirements or time limits. Each Former Designee shall have received a copy of these Procedures and, therefore, is appropriately advised.

#### ***K. Application of Procedures***

1. A Designee is subject to the Code of Ethics Procedures in effect when the Complaint is received.
2. A Former Designee is subject to the reinstatement provisions in effect when a request for reinstatement is received.
3. CAI reserves the right to amend these Procedures as it determines is appropriate.
4. Should a court determine that one or more of these Procedures are unenforceable, the rest of the Procedures remain in force.

### *L. Confidentiality*

All investigations and deliberations under these Procedures are conducted in confidence, with all written communications sealed and marked "Personal and Confidential," and they are conducted objectively, without any indication of prejudice. The rules of evidence and other legal requirements of trials or similar proceedings are not applicable.

Only the following persons should be advised of a Complaint, Inquiry, Hearing, or Appeal:

- The Chairperson, Vice-Chairperson, and members of the Designation Ethics Committee;
- The Review Panel;
- The Hearing Panel;
- The Appeal Panel;
- The Subject Designee(s);
- Others who may have to be contacted as part of the investigation; and
- The Chief Executive Officer of CAI, CAI's Legal Counsel, and such CAI national staff members as are determined by the Chief Executive Officer of CAI to be essential in order to carry out the purposes of these Procedures.

The Complainant's identity shall remain confidential until such time that the complaint is considered subject to ethical review under these procedures.

All persons involved in the conduct of an Inquiry also shall exercise their best efforts not to reveal the identity of the Complainant, unless it is determined by the Chairperson as important to the review of any particular Complaint or Inquiry, and to maintain integrity, impartiality, and confidentiality of the process.



## **Model Code of Ethics for Community Association Board Members**

The following Model Code of Ethics for Community Association Board Members is not meant to address every potential ethical dilemma; it is offered as a basic framework that can be modified and adopted by any common-interest community. It was approved by the CAI Board of Trustees on January 29, 2009.

Board members should:

- Strive at all times to serve the best interests of the association as a whole, regardless of their personal interests.
- Use sound judgment to make the best possible business decisions for the association, taking into consideration all available information, circumstances, and resources.
- Act within the boundaries of their authority as defined by law and the governing documents of the association.
- Provide opportunities for residents to comment on decisions facing the association.
- Perform their duties without bias for or against any individual or group of owners or non-owner residents.
- Disclose personal or professional relationships with any company or individual who has or is seeking to have a business relationship with the association.
- Conduct open, fair and well-publicized elections.
- Always speak with one voice, supporting all duly adopted board decisions—even if the board member was in the minority regarding actions that may not have obtained unanimous consent.

Board members should not:

- Reveal confidential information provided by contractors or share information with those bidding for association contracts, unless specifically authorized by the board.
- Make unauthorized promises to a contractor or bidder.
- Advocate or support any action or activity that violates a law or regulatory requirement.
- Use their positions or decision-making authority for personal gain or to seek advantage over another owner or non-owner resident.
- Spend unauthorized association funds for their own personal use or benefit.
- Accept any gifts—directly or indirectly—from owners, residents, contractors or suppliers.
- Misrepresent known facts in any issue involving association business.
- Divulge personal information about any association owner, resident or employee that was obtained in the performance of board duties.
- Make personal attacks on colleagues, staff or residents.
- Harass, threaten or attempt through any means to control or instill fear in any board member, owner, resident, employee or contractor.
- Reveal to any owner, resident or other third party the discussions, decisions and comments made at any meeting of the board properly closed or held in executive session.



## SECTION 4

# Unethical Conduct

## Where Can Unethical Conduct Occur?

How well a code of conduct is complied with depends primarily on employees' and members' understanding of it. The secondary source of enforcement is by peers or team members and, ultimately, by a disciplinary proceeding for those who fail to comply with the code.

Prevention is the best defense against an ethics complaint or allegation of misconduct. Prevention can come through a number of ways:

- Subordinates            How supervisors treat employees
- Coworkers                How peers and teams interact
- Business partners       Limits on employee gifts and events
- Customers                Board guidelines for employees

Consultants are also a big part of the ethics process. The management or board–consultant relationship can be one of the greatest sources of ethical issues in the association industry. Violation of your code of conduct with vendors and business partners may come as:

- Demonstrating unethical behavior with your board or employees—exerting undue influence with a chairperson or key board member.
- Offering gifts, gratuities or preferred services from vendors for obtaining new contacts or service.
- Participating in major social events or events where a great deal of cost is involved and allowing the vendors to pay for that expense.

Most of your vendors and business partners have your best interests at heart; however, conflicts and mixed messages often arise from miscommunication. Communicating your code of ethics is the key!

When an employee or team member is not sure whether he or she is facing an ethical dilemma, have them consider the following questions:

- Which option will do the most good and produce the least harm?
- Which option best respects the rights of all members and stakeholders?
- Which decision or option treats everyone in the company EQUALLY?
- Which option serves the whole community and not just some of the employees or members?

## **Ethical Decision Making**

Ultimately, the supervisor or head of the company should lead his or her employees through the ethical process. As with any organization, regardless of size, the faster you respond, the easier the corrective action can be.

Be sure to:

- Recognize the ethical issue
- Get the facts
- Evaluate alternative action
- Make the decision on the ethical issue
- Act on the decision

## Case Studies: Ethical Dilemmas

Below are some examples of actual ethical violations that have occurred in the community association industry and that were investigated by the CAI Designations Ethics Committee. The names of the individuals and entities have been changed for these examples.

# case study #1

## Cooper Management

Mary Ann Johnson, a former employee of Cooper Management, was accused of unethical behavior.

### Problems Identified

- **Improper use of assets:** Cooper Management alleges that Johnson used points earned from the association credit card for her personal vacation.
- **Fraud:** In addition, she purchased personal items on the association's debit card—specifically, she ordered some patio furniture for her home when the association was ordering furniture for the common-area pool, to obtain a better price. Johnson reimbursed the funds to the association upon receipt of the furniture.
- **Petty Cash:** Further, she received funds from petty cash, which she used for her own personal use.
- **Professional Development:** Johnson was also accused of not reimbursing Cooper Management for the advances she received for her professional and membership expenses.

The evidence reviewed included copies of the receipts for items purchased and the debit card statement identifying the specific transactions. Cooper Management had in place a code of ethical conduct for employees, which detailed the use of management company equipment, acceptance of gifts and items received as gratuities from clients, check signing by manager, and a policy on the use of the client debit cards by their managers.

## Conclusion

The question in this case is, was Johnson violating ethics or just using poor judgment? Let's review.

- In terms of using points earned via the association's credit card for her personal vacation, Johnson was most likely in violation of an ethical standard. The points earned on the association credit card or the value of those points did not belong to Johnson—they should have been the asset of the association. In this case, the management company did have a policy on the use of credit cards belonging to the association and should have included any perks the card may have offered and listed the fact that they belonged to the association. In the case of the patio furniture purchase, Johnson combined her furniture order with the association's to reduce the cost for her own pool furniture. She paid for her portion of the furniture and did not use association funds. This act showed poor judgment; however,

there was no violation of an ethical principle in the Cooper Management policy. (Because this can be a temptation for managers, it is recommended that you include some type of wording on this subject in the company policy.)

- In terms of using petty cash, Johnson was using funds that did not belong to her; they were the property of the association. In this scenario, we do not know whether the funds were reimbursed to petty cash. It could be called poor judgment if she simply borrowed funds and then reimbursed them, or it could be a question of theft if the funds were used and not returned.
- With regard to the reimbursement to Cooper Management of the membership and professional fees, there was no verbiage included in the company handbook or policy. (This is another example of an item that should be included in your handbook for all employees to review.)

## case study #2

### **Village Oaks Master Planned Community**

At issue in this example is whether an action constitutes a performance problem or an ethics violation. And if the latter, did the new manager have an obligation to report his or her predecessor? (Both are PCAMs.)

A new manager (PCAM) finds some problems with the books and records of the Village Oaks Master Planned Community Association, where he is now employed by the board. Another PCAM held the job immediately prior for approximately five years. Before that time, an independent professional management company was in charge of the large-scale community, which has on-site management and is still under development and control by the original developer.

### **Problems Identified**

- Audit: The association never engaged a CPA to provide an audit, even though the declaration specifically states that the association shall make available to the membership an audit by June 30 of each year.
- Annual meeting: No minutes from prior annual meetings existed. Some notices were found, and some staff had attended the meetings.
- Board meetings: Board meetings were not being held in compliance with the governing documents.
- Decisions of the board: There was virtually no documentation on decisions made since the third-party management company maintained corporate records.
- Contracts: The association did not have copies of the current contracts for most contractors, including major contracts. No evidence existed that contracts had ever been bid.

- Corporate files: These were found in disorganized piles or boxes. Different associations (separate corporations) within a project had no distinct differentiation in files.
- Owner files: These files had missing approved or disapproved modification requests.
- Budget: No formal budget had been documented or adopted. The last budget found was for three years prior and was incomplete.
- Personnel: No personnel files were in place, pay practices were inconsistent with laws, hourly employee timesheets were completed in advance of the end of pay periods and no personnel policies had been documented.
- Committees: Some had their own bank accounts (using the association's employer identification number, or EIN), and there was no reporting or information to the board or membership.
- Financial: Bank accounts had not been reconciled, no current or accurate financial reports were available and the chart of accounts did not make sense.
- Miscellaneous: Work was being performed or services were being provided for non-association business or responsibilities (for the developer, utility company, golf course, etc., because all were part of same community).

## Conclusion

This case provides examples of both performance issues and potential ethics violations. The ethics violations, if they existed, come from the PCAM Code of Ethics: "Comply with current bylaws, standards, and practices as may be established from time to time by CAI subject to all federal, state, and local laws, ordinances, and regulations in effect where the manager practices."

As outlined in this case, there were several violations of the requirements in the declaration as well as some violation of laws (personnel related). One could argue that the violations of the requirements in the declaration were not the manager's fault because the board is ultimately responsible for the declaration; however, the PCAM Code of Ethics specifically states that PCAMs shall comply with current bylaws, etc.

In summary, this is a very good example of thoroughly evaluating the claims before stating and acting as if there has been an ethics violation.

## case study #3

### Oakridge Office Condominiums

Oakridge Office Condominiums, based in Washington, DC, alleges that Jake Jones, PCAM (their former manager), is guilty of unethical behavior.

### Problems Identified

- Reserve transfer: Jones withdrew more than \$50,000 from the association's reserves account without the board of directors' approval. (These funds were deposited into the association's operating account.)
- Collection of special assessments: Jones did not collect the shortfall in delinquent special assessments as required by management contract. These funds were necessary to pay for \$155,000 in common area repairs.
- Additional services: Jones charged a fee of 10% for oversight of work his firm did.
- Filing taxes: Jones did not file appropriate corporate taxes in accordance with the management agreement, so the corporate tax status of the association had been forfeited.

Evidence provided to substantiate this case included:

- Bank account statement and signature card
- Management agreement
- Special assessment—contract warranties
- Tax authority communication

### Response to Allegations

In his defense Mr. Jones provided a response to each allegation.

- **Withdrew more than \$50,000 from the association's reserves account without the board of director's approval.** Jones states that the management contract indicates that the board would assign a liaison to communicate with him. Jones indicated that the board president was that liaison and that the president did sign the contract for repairs. Jones advised the president in writing that there were insufficient funds in the operating account to make the down payment to contractor. Jones states that the board asked counsel whether this expenditure should be paid by loan or by reserves.
- **Did not collect the shortfall in special assessments to pay for the \$155,000 in repairs as required by management contract.** Jones responds that the special assessment amounts were not paid by association members as a lump sum but rather as 12 monthly payments. As such, the contractor was to receive a 50% deposit due mid-October, but only approximately \$26,000 would have been paid by association members by the end of

October. There were not enough funds in the operating account to pay the deposit.

- **Jones charged a fee of 10% for oversight of work his firm did.** Jones provides that his management contract allows for this fee.
- **Did not file appropriate corporate taxes in accordance with the management agreement, so the corporate tax status of the association had been forfeited.** Jones acknowledges that the board hired a new CPA firm midyear. He provided a letter from that firm indicating that he acknowledged that this was a “miscommunication” and easily corrected.

## Conclusion

- The source documents, such as minutes, board policies or resolutions did not contain language to prohibit the manager from accessing reserve accounts. If it is the board’s intention to limit access, it should include these restrictions in the management agreement or in a documented board decision. This did not constitute an ethical violation, however; Jones is cautioned that in the future, he should remove reserve funds only after receiving appropriate board documentation in writing. In this instance, both parties are encouraged to use written documents to clarify actions and responsibilities.
- Similar to the first allegation, there are no supporting documents to define how the board expected the manager to collect special assessments.
- Although the board was surprised by the additional charges, a supervision fee of 10% is allowed under the management contract.
- In the case of the corporate taxes, the management contract—“Scope of Work,” section 10b—indicates that Jones will prepare “corporate personal property tax.” This is an oversight in the execution of the terms of the contract but may not be willful misconduct in performance of duties. This is a good example of the importance of understanding the scope of services identified in the management document. Failure to fulfill the agreements can be considered an ethical violation.

## case study #4

### Green Management—Maggie Clark

At issue in this example is whether a former employee for one management company, now employed by another management company, has violated ethical standards.

Maggie Clark was previously employed by Green Management; however she is now employed by ABC Management. Green Management alleges that she has violated ethical standards by soliciting board members of associations who have contracts with Green Management and contacting a Green Management employee.

## **Problems Identified**

- Solicitation: Clark sent solicitation letters to specific board members whose associations have signed contracts with her prior employer, Green Management.
- Recruiting: Clark contacted a current Green Management employee about a new position with ABC Management.
- Proprietary information: Clark used employee and customer information she had access to while employed with Green Management.

Specific allegations against Clark included:

- Failed to comply with current bylaws, standards and practices established by CAI.
- Failed to conduct herself in a professional manner (at all times) when acting in the scope of her employment.
- Used the propriety work product of Green Management without their expressed written permission.

Documents supporting the allegations against Clark included:

- State Uniform Trade Secrets Act
- Letter to two board members one year after leaving Green Management
- E-mail from former board member to current board member discussing transmittal and introduction letter

## **Conclusion**

After reviewing the information provided, there were not enough facts or actions taken by Clark that supported a direct violation of the Code of Ethics.

When a decision is made to pursue a violation of a Code of Ethics it is imperative that the allegations tie directly back to the provisions of the Code and the evidence supports the claim(s). In this scenario there was an expectation that the reviewing body would come to the same conclusions Green Management had; however, Green did not present sufficient information to support their claims.

Had Clark sent letters directly to her former board members and solicited them, or had she used knowledge of competitive pricing, the outcome of this ethics violation might have been very different. Additionally, she should exercise caution in using proprietary information such as contacts or bidding forms developed with her previous management company and/or board to avoid ethics violations with her current employer.

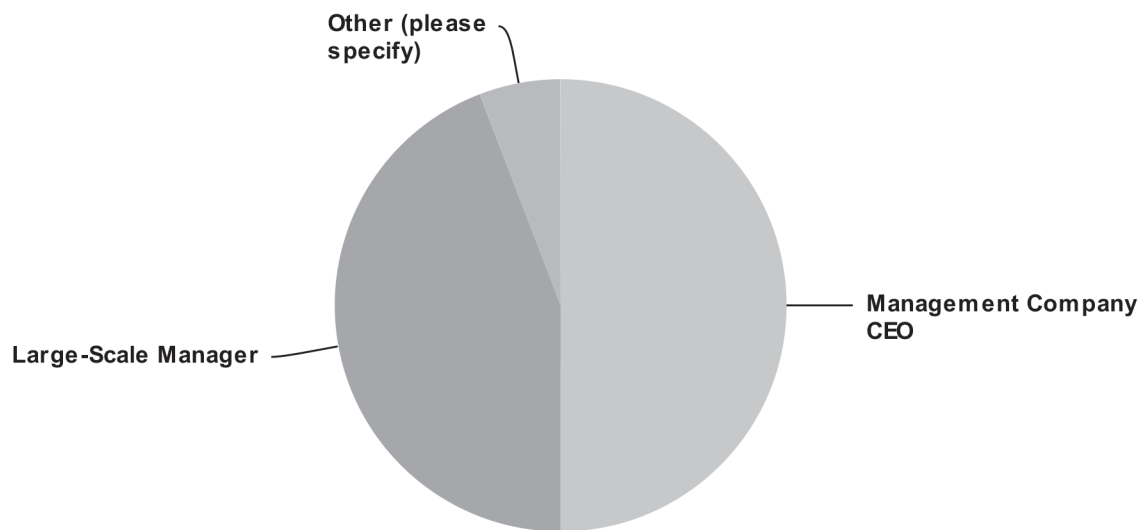


## SECTION 5

# Best Practices Ethics Survey\*

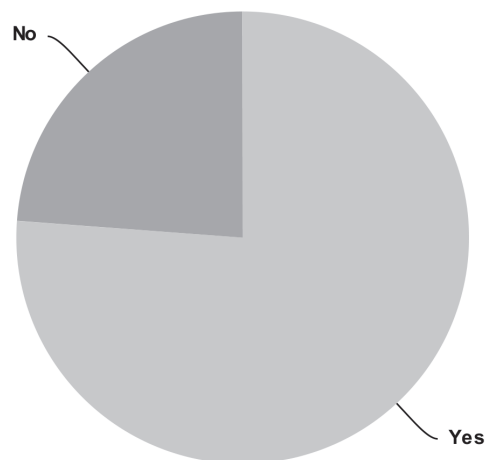
In February 2013, the Foundation for Community Association Research invited management firm CEOs and large-scale managers to participate in a survey about how a code of ethics is used in their operations. Among total respondents, 51% were management company CEOs, 44% were large-scale managers, and 5% were "other."

## I am a



Among survey respondents, 76% held their AMS or PCAM designation and 24% did not.

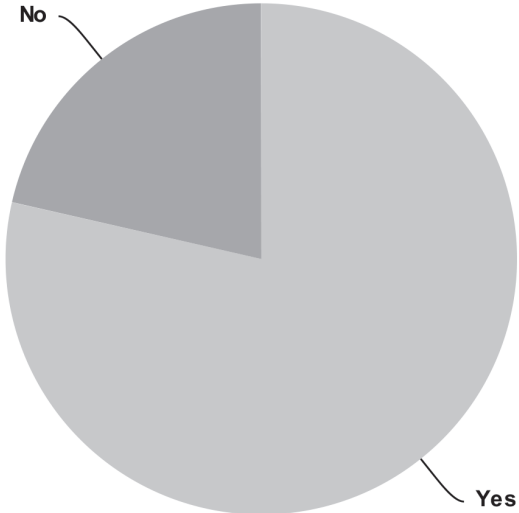
## Are you an AMS and/or PCAM?



\*For complete survey results, please visit [www.cairf.org/ethics\\_poll.pdf](http://www.cairf.org/ethics_poll.pdf)

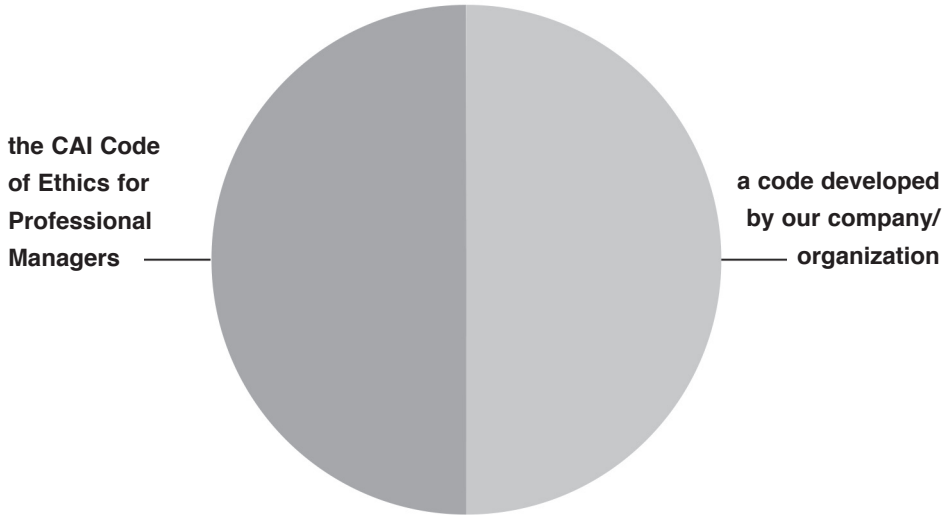
Similarly, 78% said they did have a code of ethics for their organization and 21% indicated they did not.

**Do you have a code of ethics for your organization?**



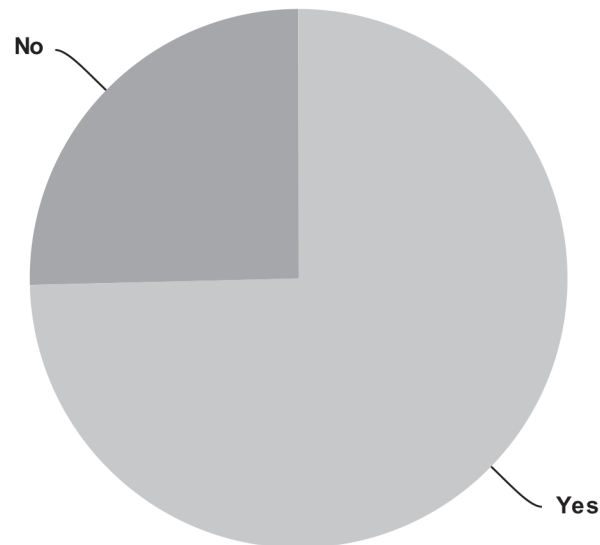
Of those who did operate with an adopted code of ethics, the group was split: about 50% use the CAI code of ethics for professional managers and the other 50% use a code developed by the company or another organization.

**The code of ethics we use is**



The next area we addressed was how these executives used the code of ethics in different areas: 75% said they use the code of ethics when they do a new employee orientation.

**Do you use a code of ethics in your new employee orientation?**

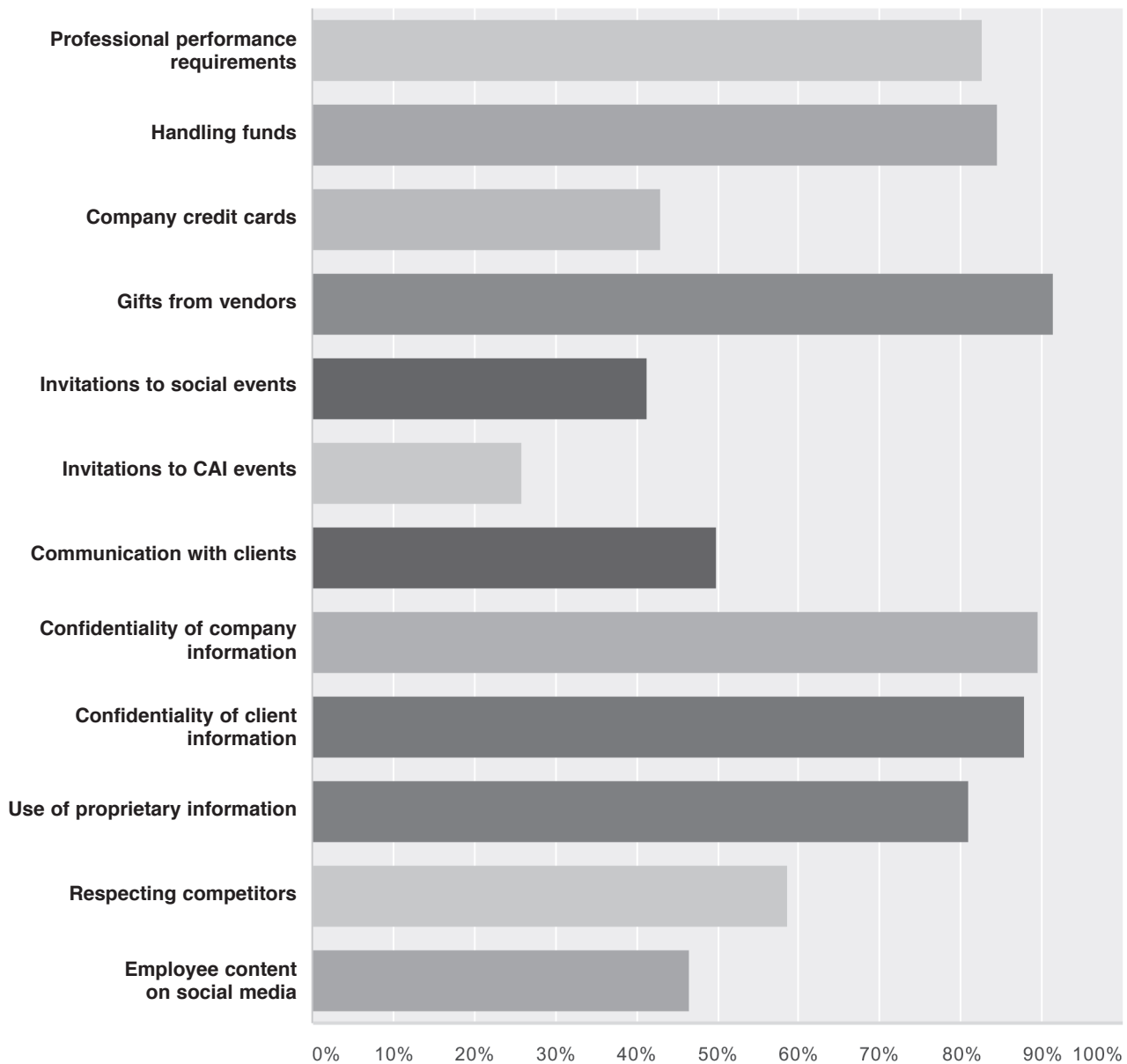


It is interesting to note that more than half of respondents did not review the code of ethics with their management staff on any regular schedule, and they only reviewed the code of ethics with their administrative or accounting teams as needed.

As you would expect, the large-scale managers primarily focused on the ethical behavior of the volunteer board members for their community association; on the other hand, management company CEOs generally had a policy in place that focused on the behavior of their employees.

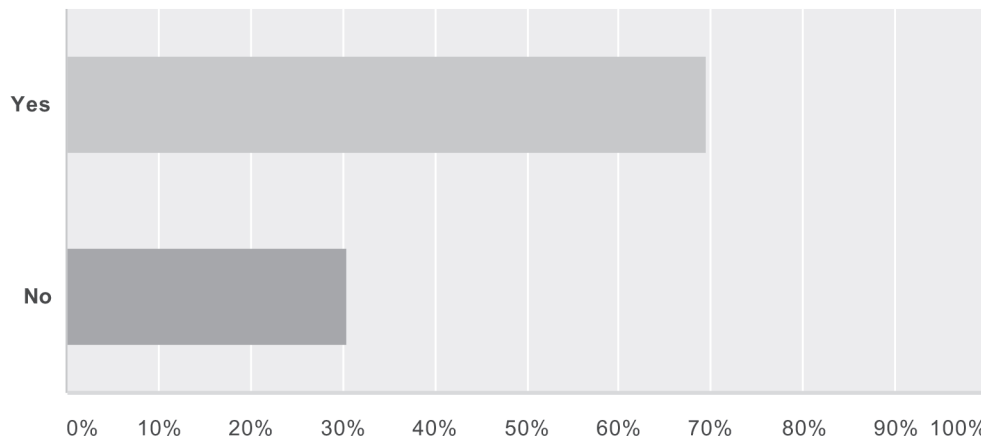
In all instances, the most popular areas covered by the code of ethics were professional performance requirements, gifts from vendors or business partners and the confidentiality of company or community information.

### Which of the following are covered by your code of ethics procedure?



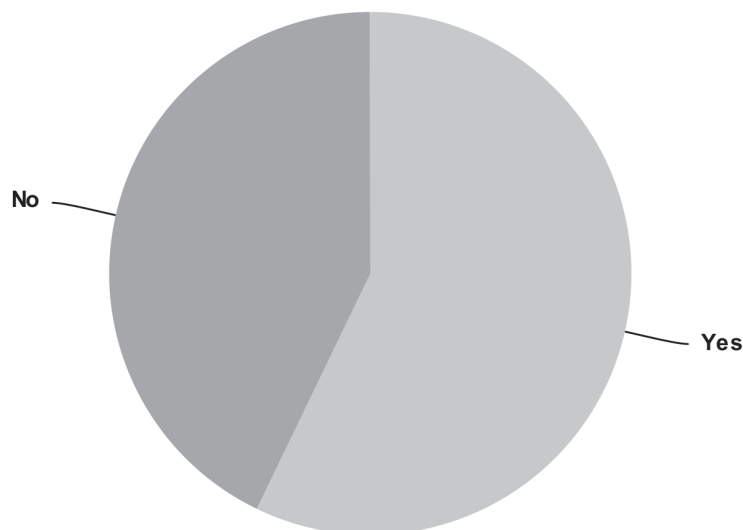
The group overwhelmingly agreed that having a code of ethics was important, and many of the organizations had an established procedure or protocol for how to report or address potential ethical violations.

**Do you have a protocol to address potential/reported conflicts of interest?**



More than half of the respondents indicated they did conduct some ethics education for their volunteer leaders.

**Do you provide any ethics education for volunteer leaders?**



You can see by reviewing the specific survey results that while we have made great strides in ethics education, improvement is still needed and additional attention to ethics would benefit the industry.

The complete survey results can be reviewed at [www.cairf.org/ethics\\_poll.pdf](http://www.cairf.org/ethics_poll.pdf).

## SECTION 6

# Best Practices—Solutions

The following best practices are specific examples of how associations or management companies have addressed ethics.

### **Ewa by Gentry Policy Resolution: Code of Ethics**

#### *Ewa by Gentry (Ewa), Hawaii*

Ewa's Code of Ethics is addressed in two separate and distinct documents: (1) board and committee members, and (2) the employee manual. The board document is filed as a resolution, and every new director is asked to sign it. The resolution is provided below as an example.

The employee manual is signed by every employee when hired and then as changes are made. The document contains a standard of conduct section that lists behaviors as separate line items.

Several things led Ewa to develop the resolution and standard of conduct:

1. A board member was micromanaging a department employee who subsequently quit and filed a hostile environment claim against the community.
2. The developer's representative on the board was paying certain employees to help after hours, creating salary issues with other community employees.
3. Other board members were approaching board representatives for personal agenda support.
4. As the community became larger, the board realized that behaving and governing like a small community was no longer working, and it implemented changes that strengthened it as an advisory board with a CEO.
5. The bylaws did not specify that directors were required to sign a code of ethics.

### **EWA BY GENTRY COMMUNITY ASSOCIATION**

#### **POLICY RESOLUTION NO. 10**

#### ***CODE OF PROFESSIONAL ETHICS AND RESPONSIBILITIES FOR BOARD AND COMMITTEE MEMBERS***

WHEREAS, Article III, Section 13 of the Bylaws of Ewa by Gentry Community Association provides that the Board of Directors shall have all powers and duties necessary for the administration of the affairs of the Association; and

WHEREAS, the Board of Directors deems it necessary and appropriate to establish a Code of Professional Ethics which sets forth certain rules of conduct for use by the Board of Directors and Association Committees in carrying out their duties and responsibilities consistent with the governing documents and committee charters; and

WHEREAS, it is the intent that this policy resolution shall be applicable to Board and Committee operations until such time as it is amended or rescinded by a majority vote of the Board of Directors;

NOW, THEREFORE BE IT RESOLVED THAT the EWA BY GENTRY COMMUNITY ASSOCIATION does hereby establish and adopt the Code of Professional Ethics as follows:

## **I. GENERAL STANDARDS**

### ***A. Representation***

1. Directors and committee members shall represent the interests of the entire community in exercising his/her duties. All decisions made on behalf of the Association must be made with the best interests of the Association in mind.
2. Directors and committee members may not misrepresent facts in order to achieve any measure of personal gain, or gain for any other person or special interest group.
3. Directors and committee members may not represent the Board or committee they serve in written or verbal communications with members or other entities unless authorized by an affirmative vote of the majority of the Board or committee.
4. Directors and committee members may make no promise or representation of anything not approved by a majority of the Board of Directors to any person, contractor, subcontractor or supplier.
5. Directors and committee members may never exercise authority as a Board member or committee member except when acting in a Board or committee meeting or as delegated by the Board or its President.

### ***B. Due Professional Care***

1. Directors and committee members must exercise due professional care in the performance of duties.
2. Directors and committee members must observe the business judgment rule by exercising the same degree of care and skill as normally used by others in a similar position and business.
3. Directors and committee members shall undertake only those responsibilities and assignments that they can reasonably expect to perform with competence.
4. Directors and committee members must endeavor to familiarize themselves with Association business, have a working knowledge of the governing documents and rules and regulations, and regularly attend scheduled meetings. Members shall participate by voting on issues before the board or committee.
5. Directors and committee members agree to abide by all published rules and regulations of the Association and are responsible for setting a standard and a tone for behavior that is in the best interest of the Association.

6. Directors and committee members will not divulge confidential matters relating to attorney/client privilege.
7. Directors and committee members will not interfere with a contractor implementing a contract in progress. All communications with contractors will go through management or be in accordance with policy.
8. Directors and committee members will not interfere with the system of management established by the Board, to wit that day-to day supervision of the General Manager is performed by the Community Manager, the General Manager supervises all employees.
9. Directors and committee members will respect and maintain the confidentiality of a property owner's file and the personnel records of any employee.

### *C. Professional Courtesy*

1. Board and committee members will exhibit professional courtesy to all Association members and community association management professionals, and shall not engage in any writing, publishing, or speech making that defames any other member of the Board, committees, staff or resident of the community.
2. Board and committee members shall not interfere or supervise association or management company employees, unless a contract exists with a management company that authorizes such actions.
3. Board and committee members may not interfere with contractual relationships between community management professionals and contractors.
4. Board and committee members will protect the confidentiality of the personal information of other Board members, committee members, residents, employees and management professionals.

### *D. Use of Association Funds*

1. No director or committee member may use or encumber Association funds or property for their personal use or benefit.
2. Directors and committee members may be reimbursed for expenses incurred on behalf of the Association provided the expenses are approved by the Board of Directors in advance, and receipts are submitted by the party seeking reimbursement.

## **II. CONDUCT AT MEETINGS**

### *A. Communication*

1. The language used at Association and committee meetings will be considerate and professional at all times. Personal attacks or use of profanity is prohibited.
2. Board and committee members will respect and support the majority decisions of the Board and committees.



3. Approach all Board and committee issues with an open mind, and be prepared to make the best decisions for the community.
4. Do nothing to violate the trust of those who elected or appointed members to the Board or of those we serve.

#### ***B. Rules of Order***

1. Board and committee members will follow parliamentary procedure as appropriate for a small body or organization.

#### ***C. Attendance***

1. Any member of the Board of Directors or committee who has three (3) consecutive unexcused meeting absences shall automatically resign their position on the Board or committee.

### **III. CONFLICTS OF INTEREST**

#### ***A. General***

1. Directors or committee members must not allow any outside influence to interfere with exercising their duties in the best interest of the Association.
2. Any director or committee member that may have a potential conflict of interest with regard to a business transaction must disclose, in writing, the potential conflict to the other directors or committee members.
3. Any director or committee member that has an actual conflict of interest with regard to a business transaction must disclose, in writing, the conflict to the other directors or committee members and abstain from voting on the issue or exerting any influence on the other voting members of the Board or committee.

#### ***B. Related Entities***

1. Any engagement of a company or individual that is related to any Board or committee member, or any relative of a Board or committee member, must be properly disclosed prior to any such engagement. The disclosure shall be in writing and the related member shall abstain from voting on issues affecting the company or individual.
2. A Board or committee member who is also engaged in the practice of another profession shall not provide these other professional services to the Association while serving as a Board or committee member if the performance of such services is likely to result in a potential or actual conflict of interest.

## **IV. GIFTS AND CONTRIBUTIONS**

### ***A. Gifts***

1. It shall be the policy of the Association to discourage the acceptance by directors and committee members of gifts, entertainment, or other favors from existing or prospective clients, vendors, or suppliers.
2. Gifts of nominal value (worth less than \$150.00) given as a token of friendship or upon special occasions such as a holiday are acceptable.
3. Cash gifts of any amount are not acceptable.
4. Any gift intended to influence a decision by a board or committee member, or to create an atmosphere of indebtedness toward the bearer is not acceptable.

### ***B. Contributions***

1. The Association will not make any contributions to any political parties or political candidates.

## **V. UNLAWFUL ACTIVITY**

### ***A. General***

1. Any Board or committee member under investigation for a felony offense shall request a leave of absence from their Association duties during the investigation or trial period.
2. Any Board or committee member convicted of a felony offense will voluntarily resign from his or her position.
3. Drug, alcohol, or substance use or abuse will not be tolerated prior to, or during meetings or anytime on the common areas of the Association.

## **VI. ENFORCEMENT**

### ***A. Complaints***

1. Complaints against any Board or committee member, which allege conduct inconsistent with the foregoing resolution, must be made in writing to the President of the Board of Directors. If the complaint is against the President, complaints will be submitted to the Vice President or the Community Manager.

### ***B. Review Period***

1. The Board President, Vice President, or Community Manager, after ascertaining the validity of the complaint, shall convene an executive meeting within thirty (30) days of receipt of a complaint to discuss the alleged activity with the accused member.
2. The Board shall attempt to gather all facts relevant to the alleged misconduct. Once satisfied that the information presented is sufficient to make a determination in the matter, the Board will excuse the accused member and decide what action, if any, may be appropriate to resolve the matter.

*C. Findings*

1. The Board shall issue its written finding with respect to the alleged misconduct within seven (7) days after the executive session held pursuant to Section B, Number 2, above.

*D. Sanctions*

1. Should the Board find that a breach of the Association's Code of Ethics was committed by a Board or committee member, the Board may impose appropriate sanctions, consistent with the Bylaws of the Association. Such sanctions could include censure or removal of the member from the Board or committee.

This resolution is adopted this 27th day of July, 2005, at an open Board meeting where a quorum of the Board was present and is effective immediately.

I have read and agree to abide by this Code of Ethics:

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Name	Board/Committee Position	Date
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## **Hammersmith Management Company Code of Business Conduct and Ethics**

Hammersmith Management, located in Denver, Colorado, created their own code of ethics and enforcement procedures that expand on those offered by CAI.

### **HAMMERSMITH MANAGEMENT CODE OF BUSINESS CONDUCT AND ETHICS PLAIN LANGUAGE SUMMARY SHEET JANUARY 2010**

- A. Scope: Applies to ALL Hammersmith employees
- B. Purpose: To maintain our core value of integrity
- C. Ethical standards: Do's and don'ts

#### *Do's*

- Perform your work objectively and effectively
- Deal fairly, honestly, and ethically at all times and with all people
- Make decisions regarding vendors based upon quality and value
- Foster appropriate relationships
- Report to your supervisor lunches, meals, and golf that you are invited to
- Encourage vendors to participate in company programs (golf tournament, sponsorships, etc.)
- Tell a vendor who offers a gift that it must go through our company relationship coordinator (CRC), that it must be accessible to every team member who serves our clients, and, further, that the CRC will distribute the gift
- Protect the company's assets
- Report violations of ethical standards
- Comply with all laws, both in letter and in spirit
- Ask first, act later

#### *Don'ts*

- Don't accept a gift, cash, gift card, tickets, etc., from a vendor
- Don't take advantage of a vendor by accepting lunch, dinner, and golf invitations excessively
- Don't give anyone favorable treatment because of anything other than their value to our clients
- Don't disclose confidential information, except when specifically authorized
- Don't work for a competitor, customer, supplier, vendor, etc., while working for the company
- Don't act first, ask later, in matters of ethics and business conduct

## HAMMERSMITH MANAGEMENT, INC., CODE OF BUSINESS CONDUCT AND ETHICS

### *A. Scope.*

This Code of Business Conduct and Ethics applies to all Hammersmith Management employees, as well as to employees of each subsidiary of Hammersmith Management. All of the above referred to herein collectively as the "Covered Parties." Hammersmith Management and its subsidiaries are referred to herein collectively as the "Company."

### *B. Purpose.*

The Company is proud of the values with which it conducts business. It has and will continue to uphold the highest levels of business ethics and personal integrity in all types of transactions and interactions. To this end, this Code of Business Conduct and Ethics serves to (1) emphasize the Company's commitment to ethics and compliance with the law; (2) set forth basic standards of ethical and legal behavior; (3) provide reporting mechanisms for known or suspected ethical or legal violations; and (4) help prevent and detect wrongdoing.

Given the variety and complexity of ethical questions that may arise in the Company's course of business, this Code of Business Conduct and Ethics is not meant to be all-encompassing. There will be situations that occur that are not directly referenced in this Code. Confronted with ethically ambiguous situations, the Covered Parties should remember the Company's commitment to the highest ethical standards and seek advice from supervisors, managers, or other appropriate personnel to ensure that all actions they take on behalf of the Company honor this commitment. When in doubt, remember Warren Buffett's rule of thumb:

"I want employees to ask themselves whether they are willing to have any contemplated act appear the next day on the front page of their local paper—to be read by their spouses, children, and friends—with the reporting done by an informed and critical reporter."

### *C. Ethical Standards.*

#### **1. Conflicts of Interest.**

A conflict of interest exists when a person's private interest interferes in any way with the interests of the Company. A conflict can arise when a Covered Party takes actions or has interests that may make it difficult to perform his or her work for the Company objectively and effectively. Conflicts of interest may also arise when a Covered Party, or members of his or her family, receives improper personal benefits as a result of his or her position at the Company. Loans to, or guarantees of obligations of, Covered Parties and their family members may create conflicts of interest. It is almost always a conflict of interest for a Covered Party to work simultaneously for a competitor, customer, or supplier.

Conflicts of interest may not always be clear-cut, so if you have a question, you should consult with your supervisor or manager or, if circumstances warrant, the chief financial officer or chief legal officer of the Company. Any Covered Party who becomes aware of a conflict or potential conflict should bring it to the attention of a supervisor,

manager, or other appropriate personnel, or consult the procedures described in Section E of this Code.

All employees of the Company, and subsidiaries, shall disclose any material transaction or relationship that reasonably could be expected to give rise to such a conflict to the Chief Executive Officer of the Company. No action may be taken with respect to such transaction or party unless and until such action has been approved by the Company.

## **2. Corporate Opportunities.**

Covered Parties are prohibited from taking for themselves opportunities that are discovered through the use of corporate property, information, or position without the consent of the Board of Directors of the Company. No Covered Party may use corporate property, information, or position for improper personal gain and no employee may compete with the Company directly or indirectly. Covered Parties owe a duty to the Company to advance its legitimate interests whenever possible.

## **3. Fair Dealing.**

Covered Parties shall behave honestly and ethically at all times and with all people. They shall act in good faith, with due care, and shall engage only in fair and open competition, by treating ethically competitors, suppliers, customers, and colleagues. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present employees of other companies is prohibited. No Covered Party should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair practice.

The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships, not to gain unfair advantage with customers. No gift or entertainment should ever be offered or accepted by a Covered Party or any family member of a Covered Party unless it is offered through the Company. All such gifts or entertainment must come through a single point of contact within the Company and that single point of contact will be designated as the Company Relationship Coordinator. The Company Relationship Coordinator shall make certain that all such gifts or entertainment are: (1) made available to everyone within the Company, (2) consistent with customary business practices, (3) not excessive in value, (4) not construed as a bribe or payoff, and (5) not in violation of any laws or regulations.

As a way to clarify what is meant by being made available to everyone within the Company, the intent here is to afford everyone within the Company the opportunity to participate. For example, if there are tickets offered to a sporting event through the Company Relationship Coordinator, the Company Relationship Coordinator will make the determination about how to distribute the tickets. It could be done through a random drawing, it could be based upon rewarding someone who did an exceptional job, etc. Vendors may request a specific individual, but there will be no guarantee that a particular individual will participate. Covered Parties must discuss with their supervisors, managers, or other appropriate personnel any and all proposed gifts or entertainment that have been offered directly to a Covered Party and which did not come through the

Company Relationship Coordinator.

The Company acknowledges that a reasonable amount of golf and/or dining can be an integral part of a sound working relationship and can create good will while not giving an unfair advantage to a Covered Party and further that this is consistent with customary business practices as long as they are not excessive in value or in frequency. In order to monitor the frequency and value of these occasions, any Covered Party that will be golfing or dining with suppliers, partners, etc., is required, either by written memo or e-mail to notify their immediate supervisor of such occasion prior to its occurrence. As part of that notification, the Covered Party must state where the golf/dining is to take place, who is to be in attendance, as well as what entity paid for what.

Any Covered Party and/or vendor, supplier, etc., that the Company, in its sole discretion, determines is being excessive as to this policy will be notified in writing of the Company's determination and will be required to meet the Company's guidelines or will be subject to disciplinary action up to and including dismissal (in the case of a Covered Party), up to and including removal from the Company's vendor list (in the case of a vendor, supplier, etc.).

#### **4. Confidentiality.**

Covered Parties must maintain the confidentiality of confidential information entrusted to them, except when disclosure is authorized by an appropriate legal officer of the Company or required by laws or regulations. Confidential information includes all non-public information that might be of use to competitors or harmful to the Company or its customers if disclosed. It also includes information that suppliers and customers have entrusted to the Company. The obligation to preserve confidential information continues even after employment ends.

#### **5. Protection and Proper Use of Company Assets.**

All Covered Parties should endeavor to protect the Company's assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on the Company's profitability. Any suspected incident of fraud or theft should be immediately reported for investigation. There will be no reprisal or retribution against any Covered Party of reporting other persons' actual or possible violations of this Code. Reports may be made orally or in writing. The anonymity of communications about violations or potential violations will be protected to the fullest extent possible. However, the Company's need to take appropriate action with respect to the alleged violation must be recognized, which may involve the disclosure of the information and its source or sources.

The Company's equipment should not be used for non-Company business, though incidental personal use is permitted.

The obligation of Covered Parties to protect the Company's assets includes its proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks, and copyrights, as well as business, marketing and service plans, engineering and manufacturing ideas, designs, databases, records, salary information, and any unpublished financial data and reports. Unauthorized use or distribution of this information would violate Company policy. It could also be illegal and result in civil or criminal penalties.

## **6. Compliance with Laws, Rules, and Regulations.**

Obedying the law, both in letter and in spirit, is the foundation on which the Company's ethical standards are built. In conducting the business of the Company, the Covered Parties shall comply with applicable governmental laws, rules, and regulations at all levels of government in the United States and in any non-U.S. jurisdiction in which the Company does business. Although not all Covered Parties are expected to know the details of these laws, it is important to know enough about the applicable local, state, and national laws to determine when to seek advice from supervisors, managers, or other appropriate personnel.

### ***D. Waivers.***

There will be no waivers of this Code. All decisions made by the Company's Chief Executive Officer will be the final word.

### ***E. Violations of Ethical Standards.***

#### **1. Reporting Known or Suspected Violations.**

All Covered Parties should talk to supervisors, managers, or other appropriate personnel about known or suspected illegal or unethical behavior. No retaliatory action of any kind will be permitted against anyone making such a report in good faith, and the Company will strictly enforce this prohibition.

#### **2. Accountability for Violations.**

If the Company or its designee determines that this Code has been violated, either directly, by failure to report a violation, or by withholding information related to a violation, the offending Covered Party may be disciplined for non-compliance with penalties up to and including removal from office or dismissal. Such penalties may include written notices to the individual involved that a violation has been determined, censure by the Company, demotion or re-assignment of the individual involved, and suspension with or without pay or benefits. Violations of this Code may also constitute violations of law and may result in criminal penalties and civil liabilities for the offending Covered Party and the Company. All Covered Parties are expected to cooperate in internal investigations of misconduct.

### ***F. Compliance Procedures.***

We must all work together to ensure prompt and consistent action against violations of this Code. In some situations, however, it is difficult to know if a violation has occurred. Because we cannot anticipate every situation that will arise, it is important that we have a way to approach a new question or problem. These are the steps to keep in mind:

- Make sure you have all the facts. In order to reach the right solutions, we must be as informed as possible.
- Ask yourself: What specifically am I being asked to do? Does it seem unethical or improper? Use your judgment and common sense. If something seems unethical or improper, it probably is.
- Clarify your responsibility and role. In most situations, there is shared responsibility. Are your colleagues informed? It may help to get others involved and discuss the problem.



- Discuss the problem with your supervisor. This is the basic guidance for all situations. In many cases, your supervisor will be more knowledgeable about the questions, and he or she will appreciate being consulted as part of the decision-making process.
- Seek help from Company resources. In rare cases where it would be inappropriate or uncomfortable to discuss an issue with your supervisor, or where you believe your supervisor has given you an inappropriate answer, discuss it locally with your office manager or your human resources manager.
- You may report ethical violations in confidence without fear of retaliation. The Company in all circumstances prohibits retaliation of any kind against those who report ethical violations in good faith.
- Ask first, act later. If you are unsure of what to do in any situation, seek guidance before you act.

### *G. Conflict of Interest*

The basic policy of the Company is to deal fairly and justly in all relationships. The following actions are considered to be in conflict with the Company's interest and a violation of trust and will lead to disciplinary action, up to and including discharge.

1. Release to any party outside the Company's employ any data or information of a confidential nature relating to the Company's business or to use such knowledge for personal benefits, including transmitting proprietary company information from HMI, clients, and/or vendors to any person who is not employed by HMI. Any transmittal including personal e-mail, fax, mail, and/or ship-to is a violation of this policy which may lead to disciplinary action up to and including termination.
2. Acceptance of gifts, fees, services, or loans (except services or loans from a bank or other recognized leading institution in the normal course of business) in any form from any party soliciting business from the Company or which have established business relations with the Company. Meals and social invitations that are customary and proper under the circumstances are exceptions.
3. To devote time, effort, or knowledge in an attempt to develop or influence business for some other firm (competitive or otherwise).
4. The Company considers it undesirable for any employee to have outside employment, which may adversely affect the manner in which they perform their work for HMI. An employee who engages in outside employment without first having obtained the approval of the Company to engage in such employment may be terminated.

### *H. Disciplinary Action*

Employee conduct and performance form the bases for HMI's goals of continuous high-quality service and growth while maintaining a positive image with the community. Teamwork and a winning attitude are necessary to maintain the high standards of HMI and to support these goals.

Employees are expected to maintain acceptable levels of work performance and personal conduct. Work performance includes good attendance and timely reporting to work.

## **Additional Resources**

### ***Books Available from CAI***

*Avoiding the Con in Construction: How to Plan for Hassle-Free Home Building, Renovation & Repair*, by Kia Ricchi, 2010.

*Community Association Leadership: A Guide for Volunteers*, 2010.

*Conflicts of Interest: How Community Association Leaders Honor Their Duties*, by Tonia C. Sellers, ESQ., & Jay S. Lazega, ESQ., 2004.

*From Good to Great: Principles for Community Association Success*, 2009.

*On-Site Managers: How to Find the Right Community Association Professional*, by Thomas Burgess, PCAM, & Pam Washburn, PCAM, 2005.

*Standards of Care: A Survey of State Standards*, by Marc D. Markel, ESQ., & Jeffrey D. Roberts, ESQ., 2013.

*Volunteer Immunity: A Survey of State Laws*, by Marc D. Markel, ESQ., & Jeffrey D. Roberts, ESQ., 2013.

For more information or a CAI Press catalog, please call (888) 224-4321 (M–F, 9–6:30 ET) or visit [www.caionline.org/shop](http://www.caionline.org/shop).

### ***Best Practices Reports (available at [www.cairf.org](http://www.cairf.org)):***

*Community Harmony & Spirit*

*Community Security*

*Energy Efficiency*

*Ethics*

*Financial Operations*

*Governance*

*Green Communities*

*Reserve Studies/Management*

*Strategic Planning*

*Transition*

### ***Web Resources***

*Complete Guide to Ethics Management: An Ethics Toolkit for Managers.*

<http://managementhelp.org/businessethics/ethics-guide.htm>

Josephson Institute: <http://josephsoninstitute.org>

Management Ethics: <http://managementethicszone.blogspot.com>

## About the Foundation for Community Association Research

The Foundation provides authoritative research and analysis on community association trends, issues and operations. Our mission is to inspire successful and sustainable communities. We sponsor needs-driven research that informs and enlightens all community association stakeholders—community association residents, homeowner volunteer leaders, community managers and other professional service providers, legislators, regulators and the media. Our work is made possible by your tax-deductible contributions.

Your support is essential to our research. Visit [www.cairf.org](http://www.cairf.org) or e-mail [foundation@caionline.org](mailto:foundation@caionline.org).



## About Community Associations Institute (CAI)

Community Associations Institute (CAI) is an international membership organization dedicated to building better communities. With more than 33,000 members, CAI works in partnership with 60 chapters, including a chapter in South Africa, as well as with housing leaders in a number of other countries, including Australia, Canada, the United Arab Emirates and the United Kingdom. CAI provides information, education and resources to the homeowner volunteers who govern communities and the professionals who support them.

CAI members include association board members and other homeowner leaders, community managers, association management firms and other professionals who provide products and services to associations. CAI serves community associations and homeowners by:

- Advancing excellence through seminars, workshops, conferences and education programs, most of which lead to professional designations for community managers and other industry professionals.
- Publishing the largest collection of resources available on community association management and governance, including website content, books, guides, *Common Ground*<sup>™</sup> magazine and specialized newsletters.
- Advocating on behalf of common-interest communities and industry professionals before legislatures, regulatory bodies and the courts.
- Conducting research and serving as an international clearinghouse for information, innovations and best practices in community association development, governance and management.

We believe homeowner and condominium associations should strive to exceed the expectations of their residents. We work toward this goal by identifying and meeting the evolving needs of the professionals and volunteers who serve associations, by being a trusted forum for the collaborative exchange of knowledge and information, and by helping our members learn, achieve and excel. Our mission is to inspire professionalism, effective leadership and responsible citizenship—ideals reflected in associations that are preferred places to call home. Visit [www.caionline.org](http://www.caionline.org) or call (888) 224-4321.





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