

# COMMUNITY ASSOCIATIONS INSTITUTE

## 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. Insure 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 Community Associations Institute.**

# CODE CLARIFICATION DOCUMENT

## A. Authority

The Code derives its authority from the Community Associations Institute (CAI). CAI's Board of Trustees has established a minimum standard of professional ethical performance for those individuals who receive recognition or designations from CAI.

Those individuals or entities that have received professional designations from CAI are subject to this Code. Those designations include: PCAM<sup>®</sup>, AMS<sup>®</sup>, LSM<sup>®</sup>, and AAMC<sup>®</sup>.

## B. Definitions

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

**1. Manager**—a singular term which shall apply to all of the following persons or entities providing or offering some form of property or financial or administrative or consulting services to one or more clients:

- a. A single practitioner functioning as a client employee, or
- b. A single practitioner employed by a firm contracted by one or more clients, or
- c. A principal or supervisory staff member for a firm which is contracted by one or more clients, or
- d. A firm, which is contracted by one or more clients, whether it is organized as a corporation, partnership, or other entity.

Because the Code is designed to establish a standard of conduct for the practice of managing community associations, 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.

**2. Client**—a singular term applying to one or more community association properties (condominium, homeowner association, cooperative, PUD, PRD, etc.) and their governing body. The client may employ the Manager directly or be under some form of independent contract with the Manager.

## C. Amplification

*CAI to further explain and define the Code of Ethics provides the following information.*

**The following explanations correspond to the numbered paragraphs in the Professional Manager Code of Ethics:**

1. *Current standards or practices* are those numbered one through fifteen in the Code. Managers who practice in states with legislative requirements must comply with those laws. Managers shall not discriminate in any relationship, with any individual or firm, based upon race, color, religion, sex, national origin, familial status, or handicap and shall comply with all federal, state and local laws concerning discrimination. Managers shall not engage in any form of price fixing, anti-trust, or anti-competition with other Managers or Vendors.

2. *Continuing professional education* requirements are consistent with that Manager's designation. While CAI membership is not mandatory, the Manager must satisfy the designation requirement in order to use said designation. Additionally the Manager has a duty to remain informed on relevant matters affecting the industry.

3. *Act in the best interests of the client; Not make any inaccurate or misleading representations or statements to a prospective client; Not knowingly misrepresent facts to benefit the Manager;* the manager has a fiduciary duty/responsibility to the client and should at all times act in the best interests of the client. Managers should avoid exaggeration, misrepresentation, concealment, and knowingly distributing misinformation.

4. *Undertake only those engagements that they can reasonably expect to perform with professional competence;* the Manager shall provide accurate information within his area of expertise and refrain from the unauthorized practice of other professions. No manager should provide any service or advice that is outside his or her field of competence which includes dispensing of professional advice that falls under the auspices of other disciplines such as legal representatives, engineers and contractors.

5. *Exercise due care and exhibit planning and supervision as specified in the written management agreement, job description, or duly adopted Board policies.* The intent of this statement is for the Manager to make a good faith effort to operate within the framework of the applicable employment/agent relationship and to abide by the terms of said agreement. Any failure of the Manager to fully comply with this requirement shall not be considered relevant unless the failure is material and/or willful.

6. *Disclosure of any possible conflict of interest* is the key here. An example may be of assistance. A Manager (individually or through a company) may have financial interest in a service contractor, supplier, or professional firm that is being considered by that Manager's client. 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 Manager's related entity is not a violation of the Code, provided ample disclosure was given.

7. *Provide written disclosure to the client of any compensation, gratuity or other form of remuneration from individuals or companies who act or may act on behalf of the client.* Written disclosure shall be made to the client by the Manager, confirming receipt of all commissions, rebates, discounts, payments, or other benefits received in excess of \$200.00 annually by the Manager from any vendor or vendor related client.

8. CA I recognizes that *insuring that homeowners have timely notice or that their appeal rights are protected* is limited by the extent that the Manager can influence his or her client. Thus, a Manager who makes reasonable efforts to properly advise the client has complied with this standard, even if the client chooses to reject the Manager's advice.

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.* This standard does not require the Manager to carry fidelity insurance unless an AAMC company or required by the contract. The change is based upon any decrease in contractually disclosed/required coverage and/or fidelity bond coverage.

10. If the Manager is responsible for *handling funds* for a client, that client must have at least one, independent cash account. This standard does not preclude a Manager from initially depositing payments into

a central account with funds promptly distributed to individual client accounts, nor does it prohibit a central disbursement or payroll account that is promptly reimbursed by each client's individual cash account. When a Manager's engagement has ended for a client, all funds must be returned to the client the earlier of:

- the time limit under state statute, or
- the time limit in the existing management agreement, or
- within 30 days of the end of the Manager's engagement (see also #12)

The Manager shall 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. *Original records, files, and books* are those items that were given to the Manager at the beginning of his or her engagement or were developed by the Manager and/or the client during the period of the Manager's engagement. This definition may be further expanded by the management agreement. Unless provided in such an agreement or otherwise, the Manager has no obligation to provide the client with client-related computerized data unless the client owns the computer and software and such data can be separated from that data and software which are proprietary to the Manager. For example, if the Manager is a company that maintains homeowner information on its central computer, the Manager shall provide a printout of the homeowner information for the client, but need not provide that data via disk or tape. Those items that the Manager brought to and used during the engagement, such as operation or procedure manuals, remain the property of the Manager. While the Manager must turn over all records, files, and books, he or she may retain photocopies of those key materials that might be necessary for the Manager in dealing with post-engagement client-related matters. Return of these items should be consistent with the schedule outlined in #10 above. The Manager shall maintain a *duty of confidentiality to all current and former clients*, commencing the effective start date of the relationship and continuing through infinity.

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. Shall conduct themselves in a professional manner when acting in the scope of their employment. Self-explanatory.

14. Subject to all Federal, State and Local statutes, laws and ordinances.

15. Work products that are posted on the internet, e-mailed, presented as part of an education session or industry related networking exchange are not considered proprietary unless they are clearly labeled as proprietary documents or subject to further protection under the copyright or registration. Lists of clients along with their contact and confidential contract information that are maintained by a Management Company are considered proprietary.

#### **D. Future**

The Board of Trustees may expand application of this Code, and CAI reserves the right to update, or amend both the Professional Manager Code of Ethics and the Code Clarification Document. Any such revision, updating or amendment shall be promptly promulgated to CAI Manager members and, after due notice, will apply to all members subject to the Code.

#### **E. Disciplinary Action**

After an internal investigation and hearing as provided in CAI's Ethics Enforcement Procedures Policy, a Manager 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.