

# Doing the right thing

## The very existence

of IREM is due in no small part to ethics—or, rather, the lack of ethics. When IREM was founded in 1933, the property management profession was rife with companies and managers who had questionable business practices. In fact, some of the first requirements for IREM members were established to avoid the commingling of funds, to properly bond the employees who handled money, and to not benefit from using clients' funds without full disclosure.

From today's perspective, those requirements seem almost quaint. These practices are so ingrained into the culture of IREM that it makes one wonder what was really going on prior to the existence of the Institute and those first founding members. Even so, today's property managers may face ethical dilemmas or even be accused of unethical behavior. Fortunately, IREM has robust ethics processes and procedures for ensuring our members and member companies adhere to the IREM Code of Professional Ethics, AMO Code of Professional Ethics ("Code of Ethics"), and our bylaws and policies. The three ethics boards are overseen by volunteers, who are all IREM members, and supported by dedicated staff on the IREM HQ team.

I've had the pleasure of serving as a member and the chair of both the IREM Ethics Inquiry Board ("Inquiry Board") and the IREM Ethics Hearing

and Discipline Board ("Hearing Board"). In that time, I've observed common themes in many ethics complaints ("Complaints") that flow through the process. Let's review the main concerns and discuss what to keep in mind when considering your obligation to your customers, employees, vendors, and to IREM.

## Poor business practices vs. ethics violations

Business practices that you disagree with don't always equate to a Code of Ethics violation. These two scenarios are often confused with each other, but it's important to understand the distinctions for a couple of reasons.

First, if you witness business practices that you think are sloppy and believe that you should file a Complaint, review the appropriate Code of Ethics carefully to better understand if there has been a true IREM ethics violation.

For example, suppose you've recently taken over the management of an asset and discover that financial reports weren't previously delivered

to the owners quarterly—as is your standard practice—but were provided only once per year. That doesn't immediately mean that the former manager was in violation of Article 3, Accounting and Reporting. The IREM Code specifically says that the member will provide reporting to the client "at mutually agreed upon intervals."

It's not uncommon for an owner, especially an unsophisticated one, to want financials only once per year. While we may advise them that it's beneficial to receive updates more often and do everything we can to promote a regular review of the reports, the owner wants what the owner wants.

Or, consider the other side of this scenario. If we have an owner who's uninterested in financial reporting at frequent intervals, it may be in our best interest to produce the financial reports anyway and provide them to the owner.

The ethical issue here is that the unsophisticated owner may not know



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—Kelly Tang, CPM, IEC Property Services Corporation



Ethics keep IREM and the industry on track By Tim Kramer, CPM, ARM

Image: iStock.com/SeventyFour

what they do not know. We are the experts in property management, and we understand the possible consequences of reviewing financial reporting only once per year.

Kelly Tang, CPM, president of IEC Property Services Corporation and 2022 member of the IREM Ethics Appeal Board (“Appeal Board”), points out that this is where your organization’s core values come into play. “If it doesn’t feel right, it isn’t right,” says Tang. He goes on to say that “consistency is key, and the organization’s core values should revolve around sound ethics.” He believes that good policies that apply across the different business lines ensure that everyone receives the same message. If your company policy includes quarterly financial reporting to clients, it’s probably best to stick with that timeline even if the client doesn’t require it.

If faced with this ethical dilemma, perhaps the actual review of those reports with the owner will only be once each year. That client can always review your quarterly reporting at their convenience or send the reports to their accountant. At least if your practices are ever called into question, you’ll be able to show that you’ve provided regular financial reporting on a schedule commensurate with the management agreement, your company policy, or both.

And there’s always a last resort for owners unwilling to accept ethical practices. “Don’t be afraid to cut a bad owner loose,” says Deanne Rymarowicz, legal counsel to the IREM ethics boards and an associate counsel at the National Association of REALTORS®. “If, after explaining the situation, they’re still not getting it, it may be time to review the management agreement and sever that relationship.”

### The obligation to report unethical behavior

As uncomfortable as it may sound, as members of IREM, we have all pledged to report “factual information” to IREM if there’s reasonable cause to believe that another member has violated the Code of Ethics. That’s not to say that if we simply hear that another member may have done something questionable, we are obligated to file a Complaint. The key here is “factual information.”



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—Teika Haymon, CPM, ACoM, Foulger-Pratt Management, LLC, AMO

### Know the Code

Do you know your IREM Code of Professional Ethics? Take some time to refresh your knowledge of the articles, and consider scheduling a training event to review the Code with your team. Remember that all IREM members must adhere to the **IREM Code of Professional Ethics**, and AMO firms must adhere to the AMO Code of Professional Ethics.

“Many Complaints are received that are more personal than factual,” says Teika Haymon, CPM, ACoM, commercial portfolio manager for Foulger-Pratt Management, LLC, AMO, and 2022 chair of the Inquiry Board. If you believe that there may have been an ethics violation, Haymon says “the entire Complaint should be based on facts to avoid it coming across as vindictive or retaliatory.”

The idea is not to be overzealous with policing the Code of Ethics. There must be a balance between maintaining IREM membership as the pinnacle of ethical property management practices and actively looking for opportunities to enforce the Code of Ethics. Having been part of several IREM ethics hearings where both the Complainant and Respondent were IREM members, it’s clear that the burden of self-policing our organization’s ethics is a heavy one, taken very seriously by those involved.

Some may also be concerned that if they file a Complaint on a current or former employee of their own firm, it may somehow implicate their employer or bring unwanted attention to the firm from state or local agencies. The ethics process does not involve reporting out to any regulatory agencies.

However, actions taken against a member’s real estate license could result in the Inquiry Board filing a Complaint. For example, say an IREM member loses their legal right to engage in real estate activities after being convicted of a crime related to property management or “moral turpitude” (behaving in a way contrary to ethics, morals, and justice). In this case, if this information is discovered or brought to IREM’s attention, the Inquiry Board may file a Complaint, which could ultimately result in the individual’s IREM membership being terminated. Termination of IREM membership is always published and includes a summary of the decision and the member’s name and firm—and becomes public knowledge.



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—Deanne Rymarowicz, National Association of REALTORS®

### Misconceptions about the ethics process

Let’s look at some common misunderstandings about the IREM ethics process itself. Rather than detail the entire process (though you are encouraged to review the full process at [irem.org/about-irem/ethics](http://irem.org/about-irem/ethics)), we’ll focus on some intricacies that I have found are commonly misunderstood.

#### > Misconception #1: If the Complaint makes it past the Inquiry Board, the Respondent has been found in violation of the Code of Ethics.

The Inquiry Board does not decide guilt or innocence, nor does it work to prove the case for the Complainant or the defense of the Respondent. In most cases, the burden of showing that a violation occurred is on the Complainant. The role of the Inquiry Board is to determine if the facts presented in the Complaint provide reasonable cause to believe the allegations may be true. Reasonable cause carries a relatively low burden and simply means that there has been a prudent estimation, based on trustworthy information, that an incident has occurred or has been perceived as having occurred.

If you find yourself involved in alleged unethical behavior, and the Inquiry Board has forwarded the case to the Hearing Board, that doesn’t mean there has been a violation or that guilt has been determined. It just means that the Complaint has been vetted and includes facts (not retaliatory details or hearsay) to support that a violation of the Code of Ethics may have occurred.

#### > Misconception #2: My career could be ruined if I’m brought before one of the ethics boards.

If there’s one thing that the ethics boards take very seriously, other than the principle of ethics itself, it’s confidentiality. The process works only if Complainants and Respondents are protected and allowed to come forward or defend themselves when there is reason to believe there has been a violation of the Code of Ethics.

Unless the Inquiry Board, Hearing Board, or Appeal Board decides to publish a letter of censure or a suspension or terminates the Respondent’s membership status, the entire process and all parties involved are dedicated to total confidentiality. Even if the disciplinary action is published and, therefore, public knowledge,

all other details are not published and never discussed or shared outside of the hearing.

#### > Misconception #3: Only IREM members may file Complaints, or only CPMs or ARMs can be named as Respondents.

Nonmembers frequently initiate Complaints. When we, as IREM members, proudly display our affiliation with IREM or our CPM designation, it means that we uphold the highest ethical standards. It also puts those standards on full display for anyone who looks up IREM and what we stand for. For example, if a tenant feels they’ve been wronged, the instructions for filing a Complaint are right there on the IREM website.

It’s also important to remember that even if you are not a CPM, ARM, or ACoM, you are still bound by the Code of Ethics. CPM Candidates, Associate Members, Student Members, and Academic Members can all be named as Respondents in an ethics matter.

IREM’s ethics processes and procedures are our only guarantee that the certifications we work so hard to achieve and maintain truly represent the best and brightest within our industry. The IREM members on the ethics boards are key to that guarantee. “Everyone should sit on one of the ethics boards,” says Haymon. “It’s very beneficial to see how hard we all work to keep ethics at the forefront of what IREM represents.”

**Tim Kramer**, CPM, ARM, is the vice president and director of operations for the management services team at Draper and Kramer, Incorporated, AMO. He’s currently an IREM instructor, serves on the 2022 IREM Board of Directors, and has been a member of the Ethics Committee since 2015. He’s also chaired both the IREM Ethics Inquiry Board and the IREM Ethics Hearing and Discipline Board.

