



**Leadership**  
Development



# Amplifying Our Voice: Leading Boldly for Our Students, Our Professions, and Our Union

**Fiduciary Responsibilities and Association Policies to Support the Ethical Culture of Your Association**

**Doug Taylor**

**Treasurer-Indiana State Teachers Association**

# COMPETENCY: STRATEGY AND FISCAL HEALTH

- NEA Leadership Competency progression level:
  - Level 1: Foundational
- NEA Leadership Competency theme:
  - Promotes stewardship and financial integrity of the organization

## NEA Strategic Goal and NEA Organizational Priority:

- NEA Strategic Goal
  - building the capacity of the local, state and national union to ensure the success of public education.
- NEA Organizational Priorities
  - Early Career Educator
  - Supporting Professional Excellence

# Session Goals

- Participants will understand their fiduciary responsibilities as a leader in their local and state organizations.
- Participants will know specific policies that support an ethical culture.
- Participants will be aware of the importance of internal audits for their local associations.

# Introductions

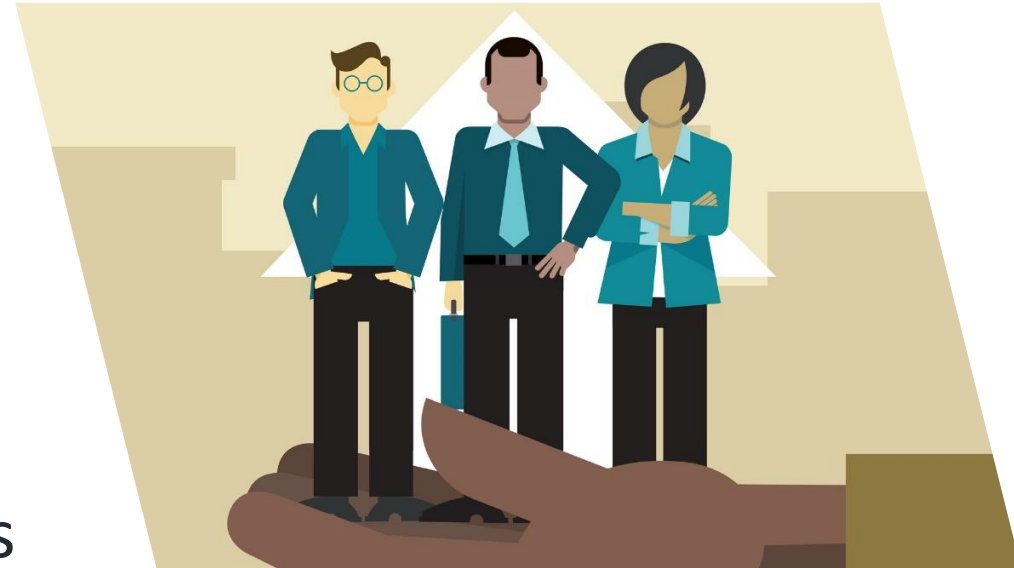
- Doug Taylor, Treasurer, Indiana State Teachers Association
- Who is in the room?
  - Current Local or State Association roles
  - Educator role
  - Length of service
- Doug Taylor
  - State treasurer
  - Teach 5<sup>th</sup> graders reading
  - 27 years experience

# Agenda

- Tone at the Top
- Fiduciary Responsibilities
- Code of Ethical Conduct
- Conflict of Interest Policy
- Whistleblower Policy
- Audit Committee
- Wrap up and Evaluation

# Tone at the Top

- An organization's leadership creates the tone at the top – an ethical (or unethical) atmosphere in the workplace
- The tone of the leaders at the top has a significant effect on others
- Governance officers and board of directors are responsible for setting the proper tone



# Fiduciary Responsibilities

- As a leader who has been elected or appointed to represent others, you have legal and ethical obligations:
  - Act in the best interest of the association
  - Use good faith and honesty when making decisions
  - Exercise all of the skill, care and diligence that a prudent person would exercise when acting on behalf of the association
  - The board should strive to make the best or right decisions in all situations



# Fiduciary Responsibilities

The board's fiduciary role reflects the board's obligation to protect and enhance the assets of the association

Relies on each leader or board member adhering to the standards of conduct which are:

- Duty of Care
- Duty of Loyalty
- Duty of Obedience

# Duty of Care

- Obligation to be reasonably informed
- To act in good faith
- Attend meetings
- Ask good questions
- To be diligent when making decisions
- Do not disclose confidential information

# Duty of Loyalty

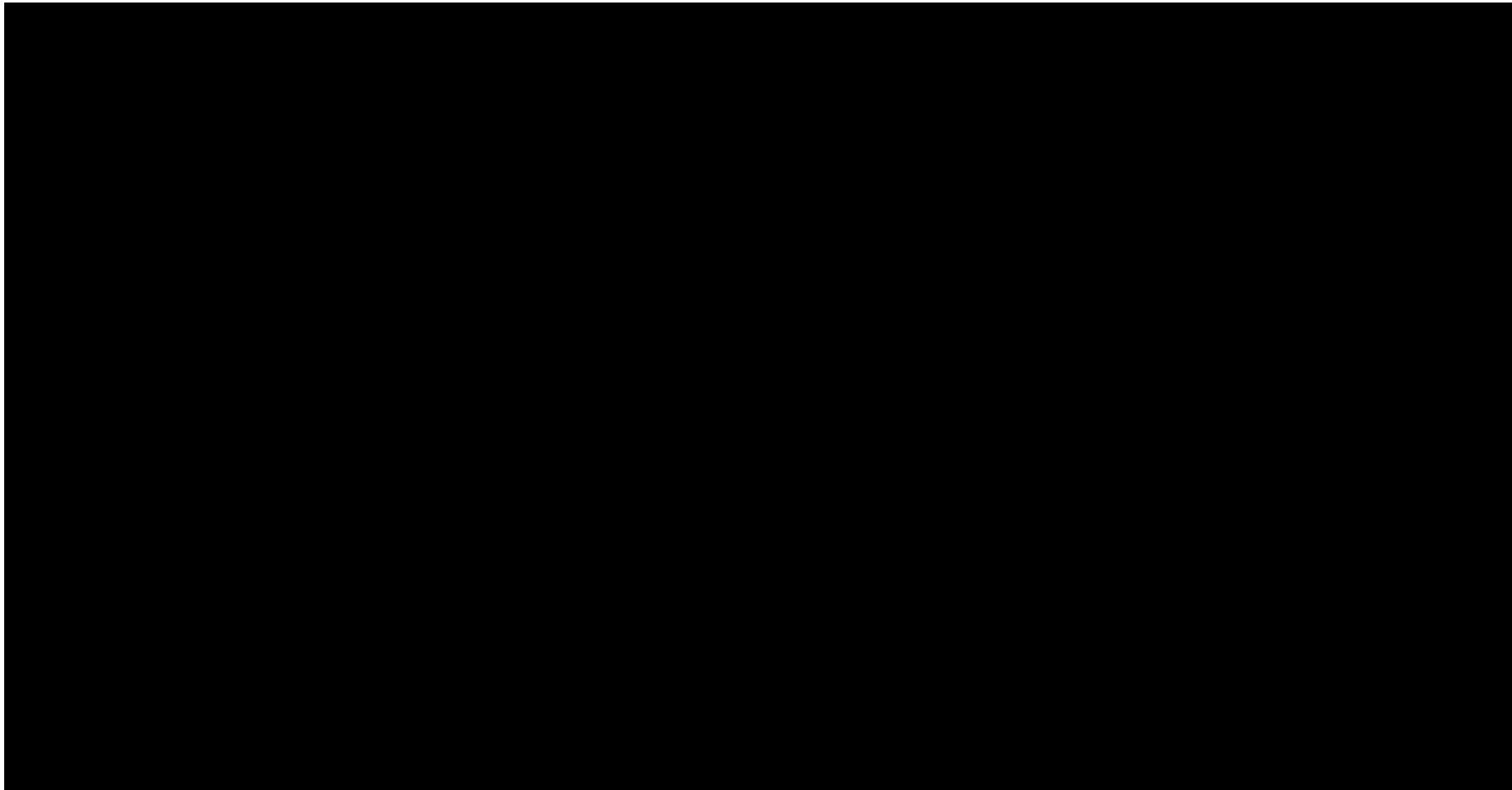
- Act on behalf of the good of the organization
- Do not act on behalf of your:
  - Personal interests
  - Professional interests
  - Special constituency interests
- Comply with the organizations conflict of interest policy
- Make the interests of the association primary focus
- Commitment in your board work

# Duty of Obedience

- Make decisions that conform to your associations mission
- Comply with applicable federal, state, and local laws
- Adhere to your organization's bylaws and other governing documents



# Fiduciary Responsibilities



# Fiduciary Responsibilities

- Consider the impact of these duties on your work as a leader.
- How can you bring this discussion back to your local to create a more ethical culture?

# Policies that support an ethical culture

- Code of Ethical Conduct
- Conflict of Interest Policy
- Whistleblower Policy





# Code of Ethical Conduct



A code of ethics is:

- A guide of principles designed to help professionals conduct business with honesty and integrity
- May outline:
  - The mission and values of the organization
  - How professionals are supposed to approach problems
  - The ethical principles based on the organization's core values
  - The standards to which the professional is held

# Code of Ethical Conduct



- Appropriate fiduciary responsibilities
- Disclose conflicts of interest
- Comply with applicable rules and regulations
- Respect confidentiality
- Provide members with complete, accurate and appropriate information (Transparency)
- Carry out activities professionally, with honesty and integrity
- Not knowingly be a party of any illegal activity
- Report violations of the code



*"First rule—what happens in accounting stays in accounting."*

# Conflict of Interest



- Leadership and board members
- Annual review of policy
- Annual education of the board members

# Conflict of Interest Policy

- Policy
  - Statement of principle
  - Standards
  - Enforcement process
- Questionnaire
  - Connected to an entity which stands to gain or lose financially
  - Sold goods or services to organization
  - Employment
  - Participant





# Whistleblower Policy

**Whistleblower policies** are critical tools for protecting individuals who report activities believed to be illegal, dishonest, unethical, or otherwise improper.

# Whistleblower Policy

## **Policies outline:**

- Process/procedure to follow for handling reporting
- Drafted to cover both employees and officials
- Assigned officer/staff reports out to the other officers/leaders
- Protection of the person(s) that reported or gave evidence
- Reports are made to officer/leadership



# Dilemmas

1. A board member with building access uses the company's meeting space to hold an unrelated business meeting for her personal consulting business. The meeting is conducted after hours, while the building is not in use. The board has authorized open access to the building for all board members.

What is the potential breach of duty and how could it be corrected?

What could you do to address this situation?

# Dilemmas

2. A board member is part owner of a printing business which she has not disclosed to the board. The board member has insider information regarding the meetings and events to be held for the association in the next year. The board member has her partner prepare a bid for services and submit the bid to the association. The bid comes in below other vendors due to information the board member provided to her business partner. The association votes to approve the board member's printing business.

Which duty is violated? What change in facts could result in a positive situation for the board member?

# Dilemmas

3. A board member also sits on the board of an organization that has some common interests with the association. The “other” organization has just taken a vote of non-support of a very controversial legislative issue on the next election’s ballot. At the following association meeting, discussion of the issue ensues and it is discovered that the association needs to support the legislative issue for financial reasons. The board member attempts to sway other members to vote against supporting the legislation because she strongly believes the other organization has a higher stake in the outcome. And after all, she has a duty of loyalty to the other organization.

What duties are violated by the board member? Is there a fact change that would resolve any violation?

# Audit

- An audit is an official inspection of an individual's or organization's accounts, typically by an independent body.
- Locals can have an internal audit committee to perform this function.
- States usually hire an auditing firm to conduct a thorough review.



# State Audit Committee Responsibilities

- Report to board annually
- Review and understand financial statements
- Make recommendations around the auditing firm and the services they provided
- Review the audit and management letter
- Evaluate the Auditing firm's performance
- Request to engage independent counsel or financial experts if needed
- Participate in necessary training to fulfill duties

# Local Audit Committee Responsibilities

- Review and understand local finances and treasurers reports
- Conduct a review of the local's
  - procedures and controls
  - monthly reconciliations
  - documentation of expenses and reimbursements
- Report to local board and members annually
- This committee should not include the treasurer or other members who are responsible for paying and tracking bills.

# Wrap Up

Thanks for your participation today!

Doug Taylor, ISTA Treasurer

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# Session Outcomes

The content from this session can be used in the following ways in your current position/role:

- To educate leadership on their fiduciary responsibilities of care, loyalty and obedience.
- To educate leadership on the importance of applying the Code of Ethical Conduct and Conflict of Interest policies when they serve in leadership positions.
- To educate leadership on the importance of internally auditing their organizations financials annually.



# Closing & Thanks for Attending

- Please complete the evaluation for this breakout session by using the NEA Summit Mobile App!
- Please visit the Leadership Development Resources website at [www.nea.org/leadershipdevelopment](http://www.nea.org/leadershipdevelopment)