In Brief

ETHICS ADVISORY GROUP

GFOA Develops Model Employment Agreement for Finance Officers

BY SHAYNE C. KAVANAGH

One of the focuses of the GFOA Ethics Advisory Group is making it easier for finance officers to resist pressure to act unethically. Research has shown that direction from authority figures can have a powerful influence over one's behavior, including pushing people into behaviors they know are wrong.[1] One strategy to counteract this is popularizing employment contracts for finance officers. A contract can provide protections like severance pay and guard against capricious termination. With these protections in place, finance officers may feel better supported in resisting suggestions to behave unethically from people in positions of power.

GFOA's Model Employment Agreement can help provide protection to finance officers who may be pressured to act unethically

The GFOA model employment contract will probably be most relevant to finance directors, chief financial officers, and other executive-level finance staff.

Therefore, GFOA has developed a model employment contract for finance officers. The contract is based on the International City/County Management Association (ICMA) model agreement for city managers. We worked with a professional

recruiter—Heidi Voorhees from GovHR, who has extensive experience with public finance officers—to customize the ICMA agreement to offer realistic provisions for finance officers. Some of the most salient features of this agreement include:

- Definitions of how the employee can be terminated
- Provision of severance pay for termination, other than for illegal conduct
- Recognizing the employee's commitment and requirement to uphold the GFOA Code of Ethics

Employment agreements are not common among public finance offers—yet. But GFOA believes the concept has great potential for CFOs, finance directors, and other executive-level finance staff for the following reasons:

- Employment agreements are not uncommon among finance officers in some segments of GFOA members. For example, it is not unusual for the CFOs of school districts to have employment agreements. GFOA sees no reason why finance officials for other types of local governments, like cities and counties, shouldn't have the same support for ethical behavior.
- Some GFOA members who work for general purpose governments have these agreements and have found them beneficial. For example, one such finance officer told GFOA: "It is extremely unusual for finance officers in my state to have an employment agreement, but I do. It has definitely given me a higher level of comfort, since I report to the elected mayor and city council."
- These agreements benefit the government board of local governments. Finance officers must give governing boards their best professional advice. An employment contract gives finance officers additional support for providing that advice.

As our profession seeks to make these agreements more commonplace, Voorhees shared some astute advice.

First, it is easier to secure an employment agreement in some situations than in others. These positions can be the starting point for making employment agreements more widespread:

- Finance officers moving long distances to take a job: "I am being asked to move my family and completely change my life—I need some assurances."
- Finance officers entering a position that historically has had a lot of turnover: "A history of high turnover in this position makes me hesitant to take the job, but an employment contract would ease those concerns."
- Finance officers hired directly by elected officials will probably find it easier to argue for an employment contract.

Second, the actual agreement the finance officer secures may not include everything in the GFOA model agreement, but the model provides candidates with prepared language to start with on topics like severance, etc. What hiring authorities do not want to have to do is pay out a contract—for example if a finance director has a three-year agreement and the government wants to fire them in 18 months, the government will not want to be tied to a situation where the director leaves with another 18 months of pay. A more acceptable provision would be a severance provision, which still provides some protection. The GFOA agreement is intended to be reasonable and realistic, and to avoid overreaching into the kind of provisions the recruiter warned against.

Finally, Voorhees reminded GFOA that finance directors are in high demand, so they are in a unique position to negotiate. We believe we should use this opportunity to strengthen our profession and build even stronger support for ethical behavior.

Download the Employment Agreement at **gfoa.org/materials/model-employment-agreement**

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1 The most well-known research is the Milgram experiments on obedience. See: en.wikipedia.org/wiki/Milgram_experiment.