

Tip Sheet: Conflict of Interest Policy

Conflict of interest policies apply to staff and volunteers of an organization. Board members, for example, are expected to place the interests of the organization ahead of their personal or professional interests. Conflict of interest arises when the personal or professional interests of a Board member are potentially at odds with the best interests of the organization. Conflict of interest is related to:

- Ethics
- Public trust
- Public perception
- Effective management of an organization's resources
- Board and committee members may wear many different hats. They are valued in part because of their associations with many organizations in their communities, both on a professional and personal basis. For that reason, it is not unusual for actual or potential conflicts of interest to arise. A poorly managed conflict of interest can result in:
 - A loss of public confidence
 - A damaged reputation
 - Financial loss
 - Threat of lawsuits

There is value in taking steps to avoid even the appearance of impropriety. Potential conflict of interest could involve decisions related to family members, agency partnerships (such as shared staff or facilities) or grant applications made by a Board member's organization. A discussion of potential conflict of interest, how to address it when it arises, and the reasons for doing so is a valuable way of raising awareness among Board members and alerting them to the need for a transparent decision-making process.

For example, the public may have a perception of conflict of interest if an organization does not seem open to having others join it. Making it easy for community organizations and individuals to become

members is one way of showing that the organization is not a “closed shop”. Membership fees and the membership process can sometimes be seen as a way of keeping certain groups and individuals out. Taking a proactive, inclusive approach to membership might mean inviting others to join and participate. Any organization benefits from a diversity of members.

A Conflict of Interest policy should be inclusive of staff and volunteers. These policies should also be incorporated into human resource policies for employees. Such a policy includes:

- Disclosure of potential conflicts at the time of joining the organization
- Disclosure of conflicts as they arise
- Withdrawal from discussions or decisions that present an actual or potential conflict
- Resignation or leave of absence if asked to conduct business transactions with the organization
- Avoiding discussion of proposals with applicants or engaging in deals
- You may ask Board members and staff to complete a form disclosing any potential conflicts of interest or you may have them simply sign an agreement that they will abide by the conflict of interest policy. See the pages following the sample Conflict of Interest policies for samples of both these forms.

Avoiding Conflict of Interest: Scenarios

- A Board member has expertise in a particular area where the association would like assistance. Due to the potential conflict of interest, that Board member is asked to provide assistance on a volunteer, unpaid basis.
- A Board member is asked to resign from the Board for the duration of a project where that member will be paid to provide a special service to the organization. This is acceptable if the individual has been selected as the result of a competitive bidding process and has been considered to be the most appropriate candidate for the work.
- The Board is requested to have a representative on an external committee or an advisory committee. The request is assessed to determine whether it is appropriate, taking into consideration issues of confidentiality, information sharing and the mandate of the Board and the organization as a whole.

Managing a Declaration of Conflict of Interest

The following are ways to deal with a declared conflict of interest.

Quorum

By-laws can include, in their definition of a quorum, a statement such as: “When a Board member leaves the room because of a potential conflict of interest, the voting can proceed ‘as if a quorum is present’ even if one person is absent.”

Voting

Examples of ways to deal with voting when there are potential conflicts:

- Break down one motion into smaller motions so that Board members can vote on those motions where they do not have a conflict of interest. Record the motions as they are approved and note that the Board member leaves the room when a specific motion is presented.
- Vote on each decision separately so that the Board member having the potential conflict can leave during that discussion.
- Table discussion where there may be conflicts of interest to the beginning of the next meeting so that the Board member who is involved can arrive after the discussion has taken place.

Motion to Withdraw

Boards often place the onus on Board members to declare potential conflicts of interest when they arise. However, if a Board member does not acknowledge a potential conflict, and other members are concerned about it, a motion can be made for that person to leave the room and not participate in the discussion or decision.

Questions to think about

- Is our Conflict of Interest policy adequate?
- Is the policy discussed with Board members?
- Is the process of dealing with potential conflict of interest situations followed?

Note: This tip sheet and accompanying samples have been adapted from the *Community Adult Learning Program Operating Requirements Toolkit* (2003) and made available by the Community Learning Network.

SAMPLE #1 CONFLICT OF INTEREST POLICY

- A Board member must declare the nature and extent of any potential conflicts of interest before discussion on a motion. That member will be excused from voting on that motion and must leave the room during the discussion and vote.
- A Board member must refrain from influencing the Board's decisions on the issues where there is potential conflict of interest.

SAMPLE #2 CONFLICT OF INTEREST POLICY

Board members and staff must avoid any conflict of interest regarding their responsibility to the association. They are in a conflict of interest if they can benefit financially or materially from an association activity.

- Board members and staff must disclose the nature and extent of their involvement with other organizations, other associations or vendors.
- Staff members involved in decision-making roles must also make known their relationships with groups or individuals doing business with the association.
- Board members and staff must not engage in any private business or personal services with the association except in cases where competitive opportunity and equal access to information can be assured.
- Board members will not receive remuneration of any type for the performance of their duties for the association.
- Board members and staff must not use their positions to obtain employment for themselves or family members with the association.
- Board members who have an actual or potential conflict of interest must not participate in discussions or vote on decisions between the association and that group.
- Board members may only apply for employment with the association after they have been off the Board for a minimum of 6 months.

SAMPLE

ACKNOWLEDGEMENT FORM

Acknowledgement of Conflict of Interest Policy

I have read, understood and agree to abide by the conflict of interest policies of the
Albertaville Nonprofit Organization.

Signature

Date

SAMPLE

DISCLOSURE FORM: POTENTIAL CONFLICT OF INTEREST
(signed annually)

Name:
Address:
Contact information:
Employer(s):
Volunteer involvement with other groups or organizations:
Membership on other Boards:
Affiliation with other not-for-profit or related for-profit organizations:
<p>I authorize the use and disclosure of this information for the purpose of avoiding conflict of interest.</p> <p>_____ Signature</p> <p>Date</p> <p>Note: Information provided will be used for the sole purpose of avoiding conflict of interest.</p> <p>Its use and retention will conform with information management policies.</p>