



Conflict of Interest/Duality Tool V

Nonprofit Boards, in general

When the personal or professional concerns of a board member or a staff member affect his or her ability to put the welfare of the organization before personal benefit, conflict of interest exists. Nonprofit board members are likely to be affiliated with many organizations in their communities, both on a professional and a personal basis, so it is not unusual for actual or potential conflict of interest to arise.

Board service in the nonprofit sector carries with it important ethical obligations. Nonprofits serve the broad public good, and when board members fail to exercise reasonable care in their oversight of the organization they are not living up to their public trust. In addition, board members have a legal responsibility to assure the prudent management of an organization's resources.

Source: Adapted from, BoardSource, [1828 L Street NW Suite 900, Washington DC 20036-5114](http://www.boardsource.org)

Early Childhood Iowa Area Boards

Acknowledging and managing potential conflicts of interest is also a challenge for Early Childhood Iowa Area (ECIA) boards (Boards). Because members are “legislated”, representing the health, human services, education, faith, business and consumer perspectives, they bring local expertise to the community board. Individuals volunteer to serve on Boards because they have personal and professional knowledge, experience, and community engagement. Making unbiased, independent decisions on behalf of the Board can be difficult when a colleague, a friend, a family member, another organization, or a business relationship may be affected by or benefit from those decisions.

Defining Conflict of Interest

A conflict of interest occurs when a person with decision-making power may benefit, directly or indirectly, from a decision.

Iowa Code, Chapter 68B defines conflict of interest of a board member as intentional personal benefit for the member and/or spouse. A conviction on a charge of conflict of interest is a serious misdemeanor.

Conflicts of interest include both financial and non-financial concerns. Often, the term *conflict of interest* has a negative connotation. Boards must think of conflicts of interest situations as a natural part of Board operations.

Managing Conflicts of Interest

How the Board manages conflicts of interest and assures open and honest discussion affects all aspects of the Board's operations. Managing conflicts of interest is critical to making good decisions, avoiding legal problems and public scandals, and remaining focused on the Board's mission and vision.

Self monitoring is the best way to prevent conflict of interest situations. It is important for the Board to establish a system of checks and balances to circumvent actual or potential conflicts, beginning with well defined operating policies on all matters that might lead to conflict.

Elements of a Conflict of Interest Policy for an ECIA board:

1. The member must abstain from voting.
 - a. The member must not influence discussion on the issue.
 - b. The member must disclose any known significant reason(s) why the transaction(s) may not be in the best interest of Early Childhood Iowa.
2. Document clear and accurate conflict of interest activity in the minutes.
3. A member abstaining from a vote does not affect the quorum. A majority of eligible remaining members determines the vote.
4. Outline the procedure for addressing a concern brought by another board member or individual in the community. Include:
 - a. The individual that will respond and by what method;
 - b. Involvement of the county attorney or board's legal representative, when applicable; and
 - c. Determine when corrective action on the decision of board is merited.
5. If an appeal to the board is received regarding conflict of interest, follow the board's established policy for appeal.
6. Define how "public perception" will be addressed. Considerations:
 - a. Focus discussion and decisions on vision, mission, community plan, priorities and work toward collaboration.
 - b. Utilize data to make informed funding decisions.
 - c. Focus discussion at board meetings around community support for children ages 0-5 years and their families.
 - d. Follow a documented and consistent process for funding requests from potential program providers.

Steps for Managing Conflicts of Interest:

Because it may be difficult, if not impossible, to avoid conflict of interest situations, the key is to identify and follow a consistent process for addressing them effectively.

1. Annually, ask Board members to sign a statement that identifies conflicts of interest. (Examples - Attachment B)
2. Develop and follow a process for handling conflicts of interest when a conflict of interest situation happens. (Examples - Appendix A)
3. Add or update Board bylaws with the process for handling conflicts of interest.

SAMPLE By-Laws Statement Regarding Conflict of Interest:

Article X – Conflicts of Interest

Section I. Members of the ECI Board are public officials and must comply with the Iowa Public Officials Act, Iowa Code Chapter 68B – Conflicts of Interest of Public Officers and Employees, of the Code of Iowa.

Section II. The "Disclosure of Potential Conflicts of Interest" policy will be reviewed by members at the first board meeting each fiscal year (July). The board member will agree each year as evidenced by signature on the "Conflict of Interest Statement."

Section III. Any member of the ECI Board with a conflict of interest shall abstain from voting.

Appendix A
Sample Conflict of Interest Policy & Procedure
Example #1

**Early Childhood Iowa
Conflict of Interest Policy and Procedures**

The Early Childhood Iowa Area Board (Board) receives funding from the State of Iowa to serve the needs of children prenatal to age five and their families. The Board must review community needs, community programs and resources available, and gaps in services to determine programs and services to fund.

Because of board member's knowledge, connections to the community, and interest in the needs of children prenatal to age five, it may be difficult, if not impossible, to avoid conflict of interest situations.

It can be difficult to make unbiased, independent decisions on behalf of the Board when a colleague, a friend, a family member, another organization, or a business relationship may be affected by or benefit from those decisions.

Early Childhood Iowa Area Board members must:

1. Serve the mission and vision of the Board as a whole rather than any special interest or constituency.
2. Maintain independence and objectivity with a sense of fairness, ethics, and personal integrity.
3. Never accept (or offer) favors or gifts from (or to) anyone who does business with the Board.
4. Avoid the appearance of a conflict of interest.
5. Annually review the conflict of interest policy and procedures at the first Board meeting of the fiscal year. Board members agree to follow the policy and procedures by completing and signing the "Conflict of Interest Statement."
6. Identify matters that are a conflict of interest and not participate in decision making, vote, or use personal influence on the matter. The meeting minutes shall reflect the name and reason the Board member abstained from voting.
7. Identify when another Board member has a perceived conflict of interest and hold the member accountable to disclose the perceived conflict of interest and abstain from voting.

If a conflict is brought to the attention of the Board by either a Board member or a member of the community:

1. The Board chairperson will respond either verbally (if it is brought before that Board at a meeting) or in writing. If outside a meeting, this response will be shared in a board meeting so the situation and a response become part of the official record.
2. When necessary, the opinion of the Board's legal counsel is sought.
3. The Board and its members take the necessary steps to resolve the issue.

The Conflict of Interest Policy and Procedures is shared with all new Board members when the person(s) becomes a member of the Early Childhood Iowa Area Board. The new board member agrees to the policy by signing the "Conflict of Interest Statement."

Date Adopted by Board: _____

Date Revised: _____

Appendix A
Sample Conflict of Interest Policy & Procedure
Example #2

Organization: *Early Childhood Iowa Area Board*
Policy: *Conflict of Interest and/or Duality*
Date Adopted by Board: *10/20/2002*
Date Revisions: *9/18/2011*

DISCLOSURE OF POTENTIAL CONFLICT OF INTEREST

1. A possible/potential conflict of interest on the part of a board member or their spouse will be disclosed to the other members and made a matter of record, through an annual procedure and/or when the interest becomes a matter of board action.
2. A board member or their spouse with a possible/potential conflict of interest on any matter will not vote or use personal influence on the matter. The minutes of the meeting will reflect a disclosure and the abstention from voting.
3. The “Disclosure of Potential Conflicts of Interest” policy will be reviewed by members at the first board meeting each fiscal year. The board member will agree each year as evidenced by signature on the “Conflict of Interest Statement”.

A new board member will be advised of the policy upon becoming a member of the Early Childhood Iowa Area board and agree as evidenced by signature on the “Conflict of Interest Statement”.

Appendix B
Samples Conflict of Interest Statement
(Example #1)

Appendix B
Early Childhood Iowa Area Board
Conflict of Interest Statement

Board member's name: _____

I have read and am familiar with the Early Childhood Iowa Area Board's policy and procedures on conflicts of interest. By signing this statement, I agree to follow these policies and procedures.

Below are potential conflicts of interest based on my professional, personal, and community relationships. If you cannot identify any potential conflicts of interest, write "not applicable" on the line below.

During my service on the Early Childhood Iowa Area Board, neither I, nor to the best of my knowledge, any member of my family will take any action to contravene the conflict of interest policy of this board.

Board member's signature: _____

Date: _____

My Employer: _____

Nature of employer's business:

Other board memberships:

Appendix B
Samples Conflict of Interest Statement
(Example #2)

Appendix B
Early Childhood Iowa Area Board
Conflict of Interest Statement

Board member's name: _____

I read and am familiar with the Early Childhood Iowa Area Board's policy and procedures on conflicts of interest. By signing this statement, I agree to follow these policies and procedures.

I have a potential conflict of interest involving the following organizations:

- ABC Community School District
- Y Child Development Center
- S Family Resource Center
- R Daycare
- Family Planning Center
- Area Education Association
- 939 Substance Abuse Center
- G County Public Health
- Child Care Resource and Referral
- _____
- _____
- _____

I have a potential conflict of interest with the following programs:

- Early Childhood Training Stipends
- Preschool Scholarships
- _____

Board member's signature: _____

Date: _____

My Employer: _____

Nature of employer's business:

Other board memberships: