Conflict of Interest

Training for Nonprofit Boards of Directors
Context of the Conflict of Interest

- Nonprofits receive funds because they are providing services considered to be charitable and addressing the public good
- Nonprofits are required to have citizen, community boards
- A fundamental role of nonprofit boards is to ensure that public funds are appropriately used
- Avoiding a conflict of interest is inherent in that system of accountability
Conflict of interest is difficult to define, yet many people think they know it when they see it.

The legal definition of conflict of interest, usually set out in state laws governing nonprofit corporations, is very specific and covers relatively few situations.

Most conflicts fall into a gray area where ethics and public perception are more relevant than statutes or precedents.
Conflict of interest arises whenever the personal or professional interests of a board member are potentially at odds with the best interests of the nonprofit.

Such conflicts are common: A board member performs professional services for an organization, or proposes that a relative or friend be considered for a staff position.

Such transactions are acceptable if they benefit the organization and if the board made the decisions in an objective and informed manner.
Conflicts are often related to financial issues.

Conflicts can also relate broadly to ethical behavior (obeying the law; right choice vs. preferred choice; choice among competing options).

Even if they do not meet these standards, such transactions are usually not illegal.

They are, however, vulnerable to legal challenges and public misunderstanding.
Examples from Your World?
Problems for the Agency Exist... 

• Interests are at odds
• There is a potential for interests to be at odds
• There is an appearance of impropriety which can lead to a breach of trust in the agency
• Public perception is altered and the agency reputation is jeopardized
Safeguarding Against Conflicts

- Self monitoring is the best preventative measure.
- Create a carefully written conflict-of-interest policy based on the needs and circumstances of the organization.
- Ask each board and staff member to agree in writing to uphold the policy.
- A conflict of interest policy should be reviewed regularly as part of board self assessment.
Board Member Obligations

- Identify potential areas of conflict
  - Your employer
  - Other boards you sit on
  - Other

- Declare when topic presents a conflict of interest

- Recuse self from decision making on topic
  - Could also recuse self from discussion or be removed by Board.
Board’s Obligation

- Raise perceived conflict of interest if individual board member does not
- Set and review policies
- Establish procedures to address potential conflict
Managing conflict of Interest issues is central to Board members duties of care, loyalty, and obedience

Ensuring transparency

This oversight is core to ethical practices

- Questioning a conflict of interest is a professional duty and not a personal challenge
Board member is a SANE and the agency contracts with her to be a trainer for advocates and other professionals. The agency contracts with several SANE’s, the board member is just one of them.

You are a new board member who knows several SANE’s in the state who wonder why this person gets to do the training and benefit from the trainer contract. You think this is a conflict of interest.
How do you raise this question?
  ◦ Who do you raise it to?
  ◦ Do you raise it at a board meeting or with the ED?
  ◦ Do you raise it when the SANE is not at the meeting?

Does the Board need to develop a policy? Bid procedure?

Does this need to be included in the SANE’s conflict of interest statement?

Is her compensation the same as other contracted trainers? (pro bono?)

Is there a policy in place about future trainings by this SANE, if she/he is approached by other agencies/entities?

What if these trainings receive negative evaluations? Does the Board or should the Board have this information?
Other topics to consider

- Role of the ED as the liaison to the Board
  - The only source of information to the Board
  - Has a duty to fully inform the Board
- Personal relationships between staff and board
- Board members applying for staff positions

- Resources on these and other topics available from several website locations
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Board Source

www.managementhelp.org

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