

## WRITING A CONFLICT OF INTEREST POLICY

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The focus on legislating improved accountability in the nonprofit sector require that you should have a written conflict of interest policy. The following content should be included:

- A definition. What will you – and maybe more importantly, your community – consider a conflict of interest? Is it only something where a director has a potential for financial gain? Will you include dual loyalties?
- A written commitment to avoid conflicts of interest. Think about also including “potential and perceived” conflicts since “reality” is 9/10 perception.
- An iteration of who is covered by the terms of the policy. Is it just the board, the board and staff, committee members, volunteers?
- A requirement that people disclose any conflicts. If you included potential and/or perceived conflicts above, they would be included in this requirement for disclosure.
- A clear statement of how and when disclosure should be made. The IRS Form 990 asks if everyone completes a written disclosure once a year and if individuals actually facing a potential for conflict make a verbal disclosure at the time that is then noted in the minutes. One policy to consider is to ask for disclosures at every meeting when the agenda is presented.
- A clarification of instances where a director or other covered individual would be permitted to engage in business transactions with the organization. For instance, family foundations are legally allowed to hire family members and pay reasonable compensation for services that are necessary to operations such as legal and accounting services. However, if your organization chooses to go this route your policy statement should also include the conditions that would cover such an engagement, such as what is reasonable compensation and whether other bids must be entertained.
- A statement of the protocols that must be followed if such defined business relationships will be permitted. For instance, a director might be expected to recuse him or herself from both discussions around the relevant topic and the voting, with note made of this in the board minutes. (Check out your state laws. This may currently be required.)
- An assertion regarding confidentiality, e.g., that what is said in the boardroom will remain in the boardroom and/or that neither client records nor donor names will be “borrowed,” bartered or sold.
- A commitment to review this policy on a regular basis.
- An indication of to whom the implementation of this policy will fall, e.g., the governance committee.