



Strengthening Oklahoma's Safety Net,
One Community At A Time

Board Bulletin

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Conflicts of Interest: Part 1 of 3

Community health center (CHC) boards are typically made up of individuals that have multiple connections to many facets of the community. That strong sense of community service combined with expertise in varied fields is what makes these members so valuable to the CHCs they govern. However, board members who wear many different community hats must realize that conflicts of interest are inevitable. Knowing this, CHC boards can address the situations before they occur by creating strong conflicts of interest policy - protecting the integrity of the health center *and* the individual board members.

What is a Conflict of Interest?

Conflicts of interest occur when a board member's personal interest collides with the interests of the organization. Conflicts range from the obvious to the perceived and include the following:

- ◆ **Financial** - Usually easy to recognize, financial conflict occurs when a board member stands to receive a monetary benefit from the health center. It can also occur when a board member uses his/her position to steer health center business to a family member or close friend at above-market fees. It is important to note that the conflict becomes impermissible when the benefit is above the market value. In small communities, there may be only one vendor and it may be a relative of a board member. Proper bidding procedures must be followed and vendors' fees must be at or below market rates. Full disclosure of conflicts must be made.
- ◆ **Split Loyalty** - CHC board members must adhere to their 'Duty of Loyalty'. All decisions regarding health center operations must be made with complete allegiance to the health center - not another organization or entity. If a board member muddles their CHC decision-making with concerns about other community members rather than keeping the health center's best interests at heart, that is a conflict of interest. The viability of the CHC must not be jeopardized for the good of another community organization or entity.
- ◆ **Mixing Relationships with CHC Business** - CHC boards must be careful to eliminate any appearance of conflicts of interest. As a result, health centers are adopting bylaws that prohibit family members from serving on the same CHC board. Federal requirements prohibit employees of the center and their spouses, children, parents, or brothers or sisters (blood or marriage) from being board members (HRSA Governing Board Handbook, p. 40). More subtle relationships may create conflicts of interest that are harder to identify. When board members use 'rubber stamp' governance because their allegiance to the CEO takes precedence over the health center, a conflict of interest arises. Trust between the board and the CEO is crucial, but there must be a system of checks and balances in place to safeguard the health center.

Take the High Road

- ◆ **Legal Obligations** - State law varies but most regulate how CHC boards make decisions regarding specific transactions that could present conflicts of interest (*seek legal counsel to ensure compliance*). Federal tax law ensures that non-profits serve the public interest and may not be operated for the benefit of insiders. Federal funding rules must be strictly followed. Board members must fully disclose their relationships to prevent any appearance of a conflict of interest. Law and policy will dictate if the interested board member should recuse himself - that is to disqualify oneself from participating in a decision on that issue.
- ◆ **Upholding Ethical Standards** - With the adverse publicity of recent scandals related to conflicts of interest, many CHC boards are adopting a 'Code of Ethics' to create a corporate culture of integrity, that goes above and beyond what is required by law. This motivates employees and board members to take the high road and truly value ethical behavior. The community is then assured that health center board members are looking after the best interests of the organization and not using the CHC for individual benefit.

To review OPCA's entire *Board Bulletin* series, visit the 'CHC Boards' section of www.okpca.org.

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