



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

Board Bulletin

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Conflicts of Interest: Part 3 of 3

In this final issue of the conflict-of-interest series, remember these three words: proactive policy protects. Proactive policy protects. Recent headlines from Oklahoma newspapers should reinforce the need for strict adherence to conflict-of-interest policies. The increased public scrutiny of nonprofit organizations - on a state and national level - by agency regulators, watchdog groups, and donors makes it even more important for boards to make every effort to keep business activities transparent. When a conflicting interest arises, how should boards handle the situation so as not to alienate individuals while clearly upholding the law?

Proactive Policy Protects

Conflict-of-interest policy must address the proper procedures for disclosure, meeting participation of the interested individual, and recording of related activities in the meeting minutes.

◆ **Proper Disclosure of Interest** - Health centers should have a "Conflict-of-Interest Disclosure Statement" that provides proof that each person covered under the policy (board members, senior management team) has read and is familiar with the organization's conflict-of-interest policy. This form should have a section requiring prompt reporting of any situation that might involve or appear to involve a board member (or relatives) in any potential conflict of interest with the organization. It is also helpful to explain what constitutes a direct or indirect conflict of interest for clarification. Each board member and staff person covered by the policy must sign, initial and date the statement and the completed form should be kept in a confidential file as determined by policy. The "Conflict-of-Interest Disclosure Statement" should be completed as part of a new board member packet, when senior staff changes, and updated annually for existing members and staff.

◆ **Meeting Participation** - Policy should outline the process for handling disclosed interests and identify who is responsible for reviewing the disclosure statements. Whomever is identified - the compliance officer or board committee members - must have a thorough understanding of conflict-of-interest laws and policy to advise the board. Always seek legal counsel when necessary to avoid unwanted legal action and give consideration to reputation. When a disclosure of an interest is made, the interested individual may be asked to respond to board questions or allowed to provide a brief presentation. However, the interested individual must leave the meeting during the detailed discussion of, and vote on, the situation that results in the conflict of interest. By leaving the meeting during the actual discussion and decision-making, all perceived influence from the interested person (body language, mere presence) is eliminated.

◆ **Meeting Minutes** - Policy should outline what information will be included in the meeting minutes. While meeting minutes should not be too detailed, it is important to document the names of the individuals making a disclosure of interest, the nature of the conflict, and the extent the interested individual participated in the meeting relative to the conflicting interest. It is advisable to document that the final decision was the most advantageous to the health center including any alternatives to the existing arrangement that were proposed. The names of board members involved in the discussion should be listed and the vote recorded.

Failure to Disclose

Policy should also address what happens when board members fail to disclose conflicting interests. Unfortunately, no board is immune from having self-serving individuals. When this happens, the entire decision-making process of the health center comes into question if the issue is not addressed immediately. The board must take prompt action to prevent individual board members from receiving personal gain at the expense of the health center and protect the organization's reputation from being tarnished.

For more on this subject, read *Managing Conflicts of Interest* (BoardSource, www.boardsource.org).

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

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