

## **Conflict of Interest Policy Adopted May 13, 2014**

### **I. Purpose and Application**

The purpose of the conflict of interest policy is to protect the Joseph T. Simpson Public Library [hereafter known as the Organization] when the Organization is contemplating entering into a transaction or arrangement that might benefit the private interest of an interested party or an affiliated party as defined herein, or might result in a possible excess benefit transaction. This policy is intended to supplement, but not replace, any applicable state and federal laws governing conflict of interest applicable to governmental, nonprofit and charitable organizations.

### **II. Definitions**

A. **Interested party** – Any board member, officer, staff member or volunteer (if the volunteer has significant independent decision making power), or member of a committee with governing board delegated powers, who has a direct or indirect financial or non-financial interest as described below, is an interested party.

B. **Affiliated Party** – Any party who serves as a member of the governing body of the interested party, serves as an officer or employee of the interested party, or has a material economic relationship with an interested party. This definition applies to a family member of an interested party, including spouse, ancestors, children, grandchildren, great grandchildren, the spouses of children, grandchildren and great grandchildren and siblings and their spouses.

### **III. Conflict of Interest**

A conflict of interest may exist when the interests or concerns of an interested party or affiliated party may be seen as competing with the interests or concerns of the Organization. There are a variety of situations which raise conflict of interest concerns including, but not limited to, the following.

A. Financial Interests – A conflict may exist where an interested party, or affiliated party, directly or indirectly benefits or profits as a result of a decision made or transaction entered into by the Organization. Examples include situations in which:

The Organization contracts to purchase or lease goods, services, or properties from an interested or affiliated party;

The Organization purchases an ownership interest in or invests in a business entity owned by an interested or affiliated party;

The Organization offers employment to an interested or affiliated party, other than a person who is already employed by the Organization;

An interested or affiliated party is provided with a gift, gratuity or favor, of a substantial nature, from a person or entity which does business, or seeks to do business, with the Organization;

An interested or affiliated party is gratuitously provided use of the facilities, property, or services of the Organization.

B. **Non-Financial Interests** – A conflict may also exist where an interested or affiliated party obtains a non-financial benefit or advantage that the party would not have obtained absent the party's relationship with the Organization, or where the party's duty or responsibility owed to the Organization conflicts with a duty or responsibility owed to some other organization. Examples include situations in which:

An interested or affiliated party seeks to obtain preferential treatment by the Organization for that party's own benefit or to benefit a relative or business associate;

An interested or affiliated party seeks to make use of confidential information obtained from the Organization for that party's own benefit, or for the benefit of a relative, business associate, or other organization;

An interested or affiliated party seeks to take advantage of an opportunity, or enable a relative, business associate or other organization to take advantage of an opportunity, which the party has reason to believe would be of interest to the Organization.

#### IV. **Procedures**

A. **Disclosure** – An interested party is under a continuing obligation to disclose any actual or potential conflict of interest as soon as it is known, or reasonably should be known.

An interested party shall complete a compliance and disclosure statement in the form attached hereto in which the party shall:

1. Affirm that the party has received a copy of the Conflict of Interest Policy
2. Affirm that the party has read and understands the policy
3. Affirm that the party agrees to comply with the policy and
4. Fully and completely disclose the material facts about any actual or potential conflicts of interest. The disclosure statement shall be completed upon the party's association with the Organization, and shall be updated annually thereafter. An additional disclosure statement shall be filed at any time an actual or potential conflict arises.

The disclosure statements of board members and the Executive Director shall be provided to the board President. The President's disclosure statement shall be provided to the board Secretary. Copies shall also be provided to the Executive Director.

The disclosure statements of staff or volunteers with significant decision-making authority shall be provided to the Executive Director.

The Secretary of the board shall file copies of all disclosure statements with the official corporate records of the Organization.

**B. Determining Whether a Conflict of Interest Exists** – Whenever there is a reason to believe that an actual or potential conflict of interest exists, the interested party shall be given the opportunity to disclose all material facts to the board. After any discussion between the board and the interested party, the party shall leave the board or committee meeting while the determination of whether a conflict of interest exists is discussed and voted upon by the remaining board or committee members.

**C. Addressing an Identified Conflict of Interest**

1. An interested party may make a presentation at the board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

2. The board President or committee Chairperson shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

3. After exercising due diligence, the board or committee shall determine whether the Organization can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

4. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested board members whether the transaction or arrangement is in the Organization's best interests, and whether it is fair and reasonable. In conformity with the above determination the board or committee shall make the decision as to whether to enter into the transaction or arrangement.

**D. Violations of the Conflict of Interest Policy**

1. If the board or committee has reasonable cause to believe an interested party has failed to disclose an actual or possible conflict of interest, it shall inform the interested party of the basis for such belief and afford the interested party an opportunity to explain the alleged failure to disclose.

2. If, after hearing the interested party's response and after making further investigation as warranted by the circumstances, the board or committee determines that the interested party failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

## **E. Records of Proceedings**

The minutes of the board and all committees with board delegated powers shall contain:

1. The names of the parties who disclosed or otherwise were found to have a financial or non-financial interest in connection with an actual or possible conflict of interest, the nature of the financial or non-financial interest, any action taken to determine whether a conflict of interest was present, and the decision by the board or committee as to whether a conflict of interest in fact existed

2. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings

## **V. Compensation**

A. A voting member of the governing board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.

B. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.

C. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

## **VI. Periodic Reviews**

To ensure that the Organization operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

A. Whether compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.

B. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Organizations' written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or an excess benefit transaction.

C. When conducting the periodic reviews as provided for above, the Organization may, but is not required to, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.