

## Does Your Nonprofit Have a Conflict of Interest Policy?

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A Conflict of Interest Policy that is effectively communicated and enforced ensures that decisions about the operations of a nonprofit organization and the use of its assets are made solely in terms of benefit to the organization and not to individuals with positions of authority within the organization.

It is significant that IRS Form 990 *Return of Organization Exempt from Income Tax* includes the following questions on the annual tax return:

### Part VI Section B. Policies

<b>12a</b>	Did the organization have a written conflict of interest policy? <i>If "No," go to line 13</i> . . . . .	<b>12a</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>b</b>	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	<b>12b</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>c</b>	Did the organization regularly and consistently monitor and enforce compliance with the policy? <i>If "Yes," describe in Schedule O how this was done</i> . . . . .	<b>12c</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Defining the Policy

In general, a Conflict of Interest Policy should define the individuals to whom the policy pertains; areas where potential conflicts of interest may arise; the disclosure policy, procedures and records and the individual responsible for maintaining the records.

### Carrying Out the Policy

Each member of the Board of Directors and key staff members should receive and review a copy of the policy. A Conflict of Interest Questionnaire should be completed annually. The questionnaire should be signed by the individual affirming that they:

- have received a copy of the conflict of interest policy
- have read and understand the conflict of interest policy
- have agreed to comply with the conflict of interest policy

An administrator should be designated to ensure that all questionnaires are completed, signed and submitted timely. The questionnaires should be maintained by the administrator in a central location within the organization.

### Enforcing the Policy

Effective communication with Board members and key staff regarding the purpose of the policy and the importance of adhering to it is essential in ensuring that the policy is clearly understood and properly carried out. Proper implementation and enforcement of the policy will help to ensure that all decisions being made, and transactions entered on behalf of the organization are made in its best interest.

For assistance with your organization's Conflict of Interest Policy please contact me.