

CONFLICTS OF INTEREST

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Introduction

In the course of business, situations may arise in which an Agency decision maker has a conflict of interest, or in which the process of making a decision may create an appearance of a conflict of interest. This conflict of interest policy is to protect the AEOA's interest when it considers entering into a transaction or arrangement that might benefit the private interest of a director or employee of the Agency or might result in a possible excess benefit transaction.

All directors and employees have an obligation to:

1. Avoid conflicts of interest, or the appearance of conflicts, between their personal interests and those of the Agency in dealing with outside entities or individuals,
2. Disclose real and apparent conflicts of interest to the Board of Directors (See Appendix 11), and
3. Refrain from participating in any decisions on matters that involve a real conflict of interest or the appearance of a conflict.

What Constitutes a Conflict of Interest

All employees and directors of AEOA owe a duty of loyalty to the Agency. This duty necessitates that in serving the Agency they act solely in the interests of the Agency, not in their personal interests or in the interests of others.

The persons covered under this policy shall hereinafter be referred to as "interested persons."

Interested persons include all members of the Board of Directors and all employees, as well as persons with the following relationships to directors or employees:

1. Spouses or domestic partners
2. Brothers and sisters
3. Parents, children, grandchildren, and great-grandchildren
4. Spouses of individuals listed in 2 and 3

5. Corporations, partnerships, limited liability companies (LLCs), and other forms of businesses in which an employee or director, either individually or in combination with individuals listed in 1, 2, 3, or 4, collectively possess a [35%] or more ownership or beneficial interest
6. Organization or business that employs, or is about to employ, any of the parties indicated here

Conflicts of interest arise when the interests of an interested party may be seen as competing with those of the Agency. Conflicts of interest may be financial (where an interested party benefits financially directly or indirectly) or non-financial (e.g., seeking preferential treatment, using confidential information).

A conflict of interest arises when a director or employee involved in making a decision is in the position to benefit, directly or indirectly, from his or her dealings with the Agency or person conducting business with the Agency. (A potential conflict of interest exists when the director or employee, or his or her immediate family {spouse, parent, child, brother, sister and spouse of parent, child, brother, or sister} owes/receives more than 1% of the benefiting business/profits.)

Examples of conflicts of interest include, but are not limited to, situations in which a director or employee:

1. Negotiates or approves a contract, purchase, or lease on behalf of the Agency and has a direct or indirect interest in, or receives personal benefit from, the entity or individual providing the goods or services.
2. Negotiates or approves a contract, sale, or lease on behalf of the Agency and has a direct or indirect interest in, or receives personal benefit from, the entity or individual receiving the goods or services.
3. Employs or approves the employment of, or supervises a person who is an immediate family member of the director or employee.
4. Sells products or services in competition with the Agency.
5. Uses the Agency's facilities, other assets, employees, or other resources for personal gain.
6. Receives a substantial gift from a contractor/vendor, if the director or employee is responsible for initiating or approving purchases from that contractor/vendor.

Organizational Conflicts of Interest

All organizational relationships shall be identified and disclosed to the Board of Directors and employees who make purchases on an annual basis or as they are made known. Employees who make purchases are responsible for performing a thorough analysis of

potential proposal conflicts of interest to ensure impartiality and objectivity in performance of the contractual objectives.

Each individual contracting situation will be examined on the basis of its particular facts and the nature of the proposed work. AEOA will exercise common sense, good judgment, and sound discretion when evaluating the decision on whether a significant potential conflict exists and, if it does, the development of an appropriate means for resolving it. This evaluation will help prevent the existence of conflicting roles that might bias judgment; and help prevent unfair competitive advantage.

Honoraria Acceptance

An AEOA employee shall not accept an honorarium (money paid for a service) for an activity conducted where agency-reimbursed travel, work time, or resources are used or where the activity can be construed as having a relationship to the employee's position with AEOA; such activity would be considered official duty on behalf of AEOA. A relationship exists between the activity and the employee's position with AEOA if the employee would not participate in the activity in the same manner or capacity if they did not hold their position with AEOA. The employee should make every attempt to avoid the appearance of impropriety.

An employee may receive an honorarium for activities performed during regular non-working hours or while on paid leave if the following conditions are met:

- All expenses are the total responsibility of the employee or the sponsor of the activity in which the employee is participating.
- The activity has no relationship to the employee's AEOA duties.

Nothing in this policy shall be interpreted as preventing the payment to AEOA by an outside source for actual expenses incurred by an employee in an activity, or the payment of a fee to AEOA (in lieu of an honorarium to the individual) for the services of the employee. Any such payments made to AEOA should be deposited to the AEOA account and an appropriate entry should be made coded to the same program or department to which the employee's corresponding time was charged.

Disclosure Requirements

A director or employee who believes that he or she may be perceived as having a conflict of interest in a discussion or decision must disclose that conflict to the group making the decision. Most concerns about conflicts of interest may be resolved and appropriately addressed through prompt and complete disclosure.

Therefore, AEOA requires the following:

1. At the inception of employment or volunteer service to the Agency, and on an annual basis thereafter, the fiscal/accounting department shall distribute a list of all

contractor/vendors with whom the Agency has transacted business at any time during the preceding year, along with a copy of the disclosure statement to all members of the Board of Directors, the Executive Director, members of senior management, and employees with purchasing and/or hiring responsibilities or authority. Using the prescribed form, these individuals shall inform, in writing and with a signature, the Executive Director and the chair of the Audit and Finance Committee of all potential reportable conflicts.

2. During the year, these individuals shall submit a signed, updated disclosure form if any new potential conflict arises.
3. The Executive Director shall review all forms completed by employees, and the Audit and Finance Committee shall review all forms completed by directors and the Executive Director and determine an appropriate resolution in accordance with the next section of this policy.
4. Prior to management, board, or committee action on a contract or transaction involving a conflict of interest, a staff, director, or committee member having a conflict of interest and who is in attendance at the meeting shall disclose all facts material to the conflict of interest. Such disclosure shall be reflected in the minutes of the meeting.
5. A staff, director, or committee member who plans not to attend a meeting at which he or she has a reason to believe that the management, board, or committee will act on a matter in which the person has a conflict of interest shall disclose to the chair of the meeting all facts material to the conflict of interest. The chair shall report the disclosure at the meeting and the disclosure shall be reflected in the minutes of the meeting.
6. A person who has a conflict of interest shall not participate in or be permitted to hear management's, the board's, or the committee's discussion of the matter except to disclose material facts and to respond to questions. Such person shall not attempt to exert his or her personal influence with respect to the matter.
7. A person who has a conflict of interest with respect to a contract or transaction that will be voted on at a meeting shall not be counted in determining a quorum for purposes of the vote. The person having a conflict of interest may not vote on the contract or transaction and shall not be present in the meeting room when the vote is taken, unless the vote is by secret ballot. Such person's ineligibility to vote and abstention from voting shall be reflected in the minutes of the meeting. For purposes of this paragraph, a member of the Board of Directors of AEOA has a conflict of interest when he or she stands for election as an officer or for reelection as a member of the Board of Directors.
8. If required by Federal awarding agencies, AEOA will notify those agencies in writing of any *potential* conflict of interest. (2 CFR Part 200.112, *Conflict of interest*)
9. The Board of Directors will review and sign the Conflicts of Interest policies of the Agency every year.

Resolution of Conflicts of Interest

All real or apparent conflicts of interest shall be disclosed to the Audit and Finance Committee and the Executive Director of the Agency. Conflicts shall be resolved as follows:

- The Audit and Finance Committee shall be responsible for making all decisions concerning resolutions of conflicts involving directors, the Executive Director, and other members of senior management.
- The chair of the committee shall be responsible for making all decisions concerning resolutions of conflicts involving Audit and Finance Committee members.
- The chair of the Board shall be responsible for making all decisions concerning resolutions of the conflict involving the chair of the Audit and Finance Committee.
- The Executive Director shall be responsible for making all decisions concerning resolutions of conflicts involving employees below the senior management level, subject to the approval of the Audit and Finance Committee.

An employee or director may appeal the decision that a conflict (or appearance of conflict) exists as follows:

- An appeal must be directed to the chair of the board.
- Appeals must be made within 30 days of the initial determination.
- Resolution of the appeal shall be made by vote of the full Board of Directors.
- Board members who are the subject of the appeal, or who have a conflict of interest with respect to the subject of the appeal, shall abstain from participating in, discussing, or voting on the resolution, unless their discussion is requested by the remaining members of the board.

Head Start

Under the Head Start Act of 2007, members of the governing body shall have no conflicts of interest with the Head Start agency, receive no compensation for serving on the governing board or for providing services to the agency, and not be employed, nor shall members of their immediate family be employed, by the Head Start agency (including any delegate agency).

Disciplinary Action for Violations of This Policy

Failure to comply with the standards contained in this policy will result in disciplinary action that may include termination, referral for criminal prosecution, and reimbursement to the Agency or to the government, for any loss or damage resulting from the violation. As with all matters involving disciplinary action, principles of fairness will apply. Any employee charged with a violation of this policy will be afforded an opportunity to explain her or his actions before disciplinary action is taken.

Disciplinary action will be taken:

1. Against any employee who authorizes or participates directly in actions that are a violation of this policy.
2. Against any employee who has deliberately failed to report a violation or deliberately withheld relevant and material information concerning a violation of this policy.
3. Against any director, manager, or supervisor who attempts to retaliate, directly or indirectly, or encourages others to do so, against any employee who reports a violation of this policy.

A Board member who violates this policy will be removed from the Board.