



What is Conflict of Interest?

Conflict of interest is difficult to define, yet many people think they know it when they see it. The legal definition of conflict of interest, usually set out in state laws governing nonprofit corporations, is very specific and covers relatively few situations. Most conflicts fall into a gray area where ethics and public perception are more relevant than statutes or precedents.

Conflict of interest arises whenever the personal or professional interests of organizational leaders – hired personnel or staff persons – are potentially at odds with the best interests of NASW. Such conflicts are common: A board member performs professional services for an organization, or proposes that a relative or friend be considered for a staff position. Such transactions are perfectly acceptable if they benefit the organization and if the board made the decisions in an objective and informed manner. Even if they do not meet these standards, such transactions are usually not illegal. They are, however, vulnerable to legal challenges and public misunderstanding.

Loss of public confidence and a damaged reputation are the most likely results of a poorly managed conflict of interest. Because public confidence is important to NASW, steps have been outlined to avoid even the appearance of impropriety. These steps include:

- ◆ Adoption of an association-wide conflict of interest policy that prohibits or limits business transactions with organizational leadership and staff and requires persons to disclose potential conflicts.
- ◆ Disclosing conflicts when they occur so that persons making a decision are aware that another person's interests are being affected.
- ◆ Requiring individuals to withdraw from decisions that present a potential conflict.
- ◆ Establishing procedures, such as competitive bids, that ensure that the organization is receiving fair value in the transaction.

How Do We Safeguard Against a Conflict of Interest?

When the personal or professional concerns of an individual affect his or her ability to put the welfare of NASW before personal benefit, conflict of interest exists. NASW leadership and staff are likely to be affiliated with many organizations in their communities, both on a professional and a personal basis, so it is not unusual for actual or potential conflict of interest to arise.

Why must we be concerned about conflict of interest?

Service in NASW carries with it important ethical obligations. NASW serves the good of the whole membership, and when leadership and staff fail to exercise reasonable care in their oversight of the organization, they are not living up to members' trust. In addition, board members have a legal responsibility to assure the prudent management of an organization's resources. In fact, they may be held liable for the organization's actions. A 1974 court decision known as the "Sibley Hospital case" set a precedent by affirming that board members can be held legally liable for conflict of interest because it constitutes a breach of their fiduciary responsibility.

Does conflict of interest involve only financial accountability?

No. Conflict of interest relates broadly to ethical behavior, which includes not just legal issues but considerations in every aspect of governance. According to the INDEPENDENT SECTOR, there are three levels of ethical behavior: obeying the law; decisions where the right action is clear, but one is tempted to take a different course; and decisions that require a choice among competing options. The third level of behavior can pose especially difficult ethical dilemmas for NASW leadership and staff.

What can we do to prevent conflict of interest situations?

Self-monitoring is the best preventative measure. Institute a system of checks and balances to circumvent an actual or potential conflict of interest, beginning with well-defined operating policies on all matters that might lead to conflict. Create a carefully written conflict of interest policy based on the needs and circumstances of the organization. Ask each leader and staff member to agree in writing to uphold the policy. A conflict of interest policy should be reviewed regularly as part of board self-assessment.

What should be included in a conflict of interest policy?

A policy on conflict of interest has three essential elements:

1. **Full Disclosure** – Leaders and staff members in decision-making roles should make known their connections with groups doing business with the organization. This information should be provided annually.

2. ***Board Member and Other Leaders' Abstention from Discussion and Voting*** – Board members and other leaders who have an actual or potential conflict of interest should not participate in discussions or vote on matters affecting transactions between the organization and the other group.
3. ***Staff Member Abstention from Discussion and Decision-making*** – Staff members who have an actual or potential conflict should not be substantively involved in decision-making affecting such transactions.

What are some examples of actual and potential conflict of interest?

- ◆ A staff member who hires a spouse as the coordinator of member services without advertising the position or involving others in the decision-making process.
- ◆ A member of CCNLI who advocates for her boss, who is a NASW member, to be slated for a chapter leadership position.
- ◆ A board member who gets paid an honorarium to speak about the Chapter's legislative advocacy activities.

Should an organization contract with a board member for professional services, such as legal counsel or accounting?

Attorneys, accountants, and other professionals can contribute valuable expertise to a board. Due to the potential for conflict of interest, their contributions should be voluntary. If a competitive bidding process results in the selection of that board member's firm, a board member who is associated with a firm competing for a contract should abstain from discussion and voting in the selection process. He or she should also disclose the affiliation and abstain from voting on future board actions connected with that firm's contract with the organization.

NASW CONFLICT OF INTEREST POLICY FOR VOLUNTEER LEADERS

Introduction

When NASW volunteer leaders act in their official capacities, their actions and decisions should be based on what they honestly and reasonably believe to be in the best interests of the Association. Legally and ethically, this is what is expected of each volunteer leader. It is also what is expected by Association members and other constituencies. If the judgment of an Association official is influenced by an outside interest, the Association may suffer harm directly from an ill-advised decision. But the Association can be harmed equally, if not more so, by the creation of a perception among members and others of inappropriate decision-making. Especially for a membership organization, reputation is an invaluable asset. Therefore, even if a volunteer leader believes that he or she can exercise independent judgment despite a conflict, and even if the official in fact does so, the perception by others that another interest or relationship may inappropriately influence the leader's judgment can be injurious to the Association.

It should be emphasized that conflicts of interest are not necessarily illegal or unethical, nor should they be interpreted as reflecting upon the integrity of any Association official or volunteer. Rather, it is the manner in which a conflict is addressed which determines the propriety of the situation

This policy is intended to supplement, but not to replace, any state or federal laws governing conflict of interest applicable to non-profit and charitable organizations.

Definitions

A. Conflict of Interest

A conflict of interest exists when a volunteer leader has a direct or indirect business, professional, or personal interest or relationship that might influence, or might be perceived to influence, the judgment or actions of the leader when serving the Association. Conflicts of interest may arise under numerous scenarios, including but not limited to:

1. Serving as an officer, director or executive employee of another nonprofit organization which operates in the same areas of concentration, program or significant interest to NASW.
2. Receiving gifts, favors, or compensation (e.g., consulting fees, speaking or writing honoraria, etc.) or anything of value from a company or other entity offering products or services to NASW or related to the interests of the Association.

3. Doing business with NASW or having a relationship with any company or organization doing business or wishing to do business with NASW. This may include ownership – direct or indirect – of a financial or other interest in an organization supplying goods or services to NASW. In addition, it may include a relationship in which the volunteer leader or member of his or her family serves as an officer, director, employee, partner, trustee or controlling stockholder of an organization that does with business with NASW.

Disclosure

It is understood that from time to time board members and leaders may have personal, familial or business relationships with other organizations or decision-making executives in those organizations. In such cases, there may be an actual or potential conflict of interest.

The most fundamental concept in the area of conflicts of interest is disclosure. Association leaders subject to this Conflict of Interest Policy must disclose all actual or potential conflicts of interest. It should be noted that the definition of conflict of interest adopted in this Policy includes any relationship that might influence or that might be perceived to influence the actions or decisions of an NASW volunteer leader. Therefore, even if one believes that a relationship or other circumstance will not affect one's judgment or conduct, if in theory it could do so, then it should be disclosed.

Those covered by this Policy will have the burden of defending any decision not to disclose and, therefore, should err on the side of disclosure. A Conflict of Interest Disclosure Statement is attached to this Policy. This form should be signed by national and chapter board members, leaders, and staff. Forms that are returned will be kept confidential.

In addition, disclosure should be made as situations arise on the Disclosure form which is then provided to the President of the Association, with a copy to the Executive Director and General Counsel. The information will be reviewed with the Executive Committee of the Board of Directors, which will respond to the disclosing party as to whether the conflict, if one exists, impairs the volunteer leader's involvement in decision-making.

All those covered by this Policy have an obligation to bring to the attention of the President or Executive Committee any conflict or perceived conflict of any other Association official also subject to this Policy.

Covered Volunteer Leaders

The following persons are subject to the NASW Conflict of Interest Policy:

- a. Boards of Directors of National, Chapters and NASW subsidiaries
- b. Staff of National and Chapters
- c. Committee Chairs of National and Chapters
- d. Section and Task Force Chairs of National

Review of a Conflict or Perceived Conflict

- Once a conflict of interest arises, in addition to disclosure, prior to a resolution on the extent of the conflict, the volunteer leader or staff with the conflict should use his/her best judgment as to whether and to what extent he/she should not participate in deliberations, voting, decision making, and other participation with respect to the matter or person at issue and any related activities.
- The Executive Committee shall review a statement of conflict (i.e., a written description prepared by the volunteer leader or staff that outlines the nature and scope of the conflict of interest) in executive session at a regular or special meeting in person or by telephone.
- In reviewing a statement of conflict, the Executive Committee shall consider the best interests of the Association as the sole criteria.
- The Executive Committee may request additional information in its deliberations on a statement of conflict.
- After full review, if it is determined that the volunteer leader or staff has a conflict or a conflict may be perceived by others from the relationship, with a majority of Executive Committee members present and voting, the Executive Committee may require: full recusal on discussions and votes on certain relevant matters.
- Other action may include resignation from the NASW office or position or resignation from the conflicting position or relationship.
- When the volunteer leader's vote on future matters is restricted, meeting minutes shall reflect that the volunteer leader has made a disclosure of conflict and has not voted on a matter in which there might be a conflict.

Violation of This Policy

A failure to disclose a conflict or potential conflict of interest or to follow the recommendations or directions of the President and Executive Committee shall constitute a violation of the conflict of interest policy. Violations of this policy may result in removal from an Association office or position and, in extreme cases, referral to NASW's Committee on Inquiry. Recommendations for such action shall be made by the Executive Committee to the Board of Directors. Such action shall be considered in Executive Session and the proceedings shall remain confidential. The member shall be requested to provide a written statement of position for Board consideration.

Board or Staff Member's Signature

Date