



**\*\*\*IMPORTANT NOTE: PLEASE READ\*\*\***

In drafting this policy, CAPLAW consulted the 2007 Head Start Reauthorization Act, the new Form 990 for the fiscal year ending December 31, 2008, OMB Circular A-110, OMB Circular A-122, the Federal Acquisition Regulations (federal procurement regulations) and whistleblower policies. This policy has not been approved by any outside authority, such as the Internal Revenue Services or the Department of Health and Human Services.

You should review this policy thoughtfully and modify it as necessary to meet the individual needs of your organization and to comply with any applicable state law requirements and grant terms and conditions. This policy is modeled after a policy originally drafted for a Massachusetts CAA and, as a result, may contain some information specific to Massachusetts laws. Thus, we strongly recommend that when working with this policy, you consult with an attorney from your state that is well versed in the laws affecting CAAs.

This policy is an evolving document since the laws affecting this policy as cited above are constantly changing. We will update this policy as necessary and will post revised versions as soon as we possibly can so we strongly recommend checking the CAPLAW website, [www.capl原因.org](http://www.capl原因.org), for such updates on a regular basis.

Lastly, we would greatly appreciate your contacting us either by email at [caplawinfo@caplaw.org](mailto:caplawinfo@caplaw.org) or by phone at (617) 357-6915 with feedback your organization may have regarding this policy, modified versions of this policy or other policies that you would be willing to share with the CAA community.



**Sample Conflict of Interest Policy for CAA/Head Start Grantee Board of Directors**

*Please read the policy below. This policy is designed to both safeguard the best interests of Community Action Agency and comply with various state and federal laws, such as the Internal Revenue Code and the Head Start Act, governing conflicts of interest. Due to differing requirements of these laws, some transactions are outright prohibited and others may be permitted, but only under certain circumstances described below.*

If you have any questions, you may contact \_\_\_\_\_ at [janedoe@caa.org](mailto:janedoe@caa.org) or 617-555-0000. After you have completed reading it, please list any information that is required to be disclosed by the policy, sign it, and return it to \_\_\_\_\_.

***Disclosures are required for the period beginning on September 1 of the year preceding the year the Board member signs this policy.***

**IMPORTANT NOTE:** This policy does not require the disclosure of assistance or services provided by CAA to Board members or their Immediate Family members, such as Head Start, if such individuals are not given preference in obtaining such assistance or services and they are provided on similar terms as for any other applicant for CAA programs.

1. **Prohibited Transactions.** No member of the Board of Directors of Community Action, Inc. (“CAA”), or a member of his or her “Immediate Family,” may have a “Financial Interest” in the purchase, sale, contract for, rental, or lease of goods, space or services, or any other transaction, including loans and grants, by or with CAA or any of its Head Start delegate agencies.

(a) **“Financial Interest”** means (i) a material financial interest in the purchase, sale, rental, contract, lease, loan, or other transaction, including commission or fee, share of proceeds, prospect of promotion, profit participation or any other material financial reward; and/or (ii) any of the following interests in or associations with an entity providing or receiving such goods, space, services, loans, or grants:

- Sole ownership, or ownership of 5% or more stock;
- Partnership of 5% or more or beneficial interest of 5% or more; or
- Employee or independent contractor, if his or her position at or compensation from the entity is determined by revenues from or business with CAA, or its subsidiaries or delegate agencies.

“Immediate Family” includes:

- Spouse
- Parent
- Child (including adopted)
- Sibling
- Father-in-law, Mother-in-law
- Brother-in-law, Sister-in-law
- Son-in-law, Daughter-in-law

2. **Employment and compensation.** No CAA Board member, nor a member of his or her Immediate Family, as defined above, shall be an employee of CAA or any of its Head Start delegate agencies. No CAA Board member may be compensated for his or her regular service on the CAA Board of Directors or for providing services to CAA. However, Board members may be reimbursed for actual reasonable, necessary, and documented expenses incurred, consistent with policies adopted by the Board of Directors.

3. **Gifts to Board members.** CAA Board members are prohibited from soliciting or accepting gifts, money, or gratuities, other than those of nominal value, from:

- Persons receiving benefits or services under any CAA program;
- Persons or organizations performing services for or providing goods or space to CAA; or
- Persons who are otherwise in a position to benefit from the actions of a CAA employee, officer, or Director.

“Nominal value” is \$50 or less per instance and \$150 or less per calendar year.

4. **Disclosures required by law.** CAA is required to disclose to the state and federal governments certain information concerning relationships and transactions between and among its Board members, their family members (including Immediate Family members as defined by Section 1(b) and ancestors, grandparents and grandchildren), and entities with which they are associated and CAA or its subsidiaries or delegate agencies (“Related Party Transactions”). Board members should list these disclosures at the end of this Policy. Information to be disclosed includes the following:

- Has CAA made a grant award or contribution to any organization with which its Board members have a relationship?
- Do any CAA Board members have a family or business relationship with any other CAA Board member?
- Do any CAA Board members have a family or business relationship with any CAA employee?

- *A “business relationship” does not include a relationship between (1) attorney and client, (2) medical professional (including psychologist) and patient, or (3) priest/clergy and penitent/communicant.*

- Are any CAA Board members, either personally, through family members, or through entities with which they are associated, involved in, or do they intend to become involved in, any other transactions or relationships with CAA, its subsidiaries or delegate agencies (other than as an CAA Board member) that are not mentioned elsewhere in this policy?
- Here are some examples of situations you should disclose (these are in addition to disclosures required elsewhere in this policy):
  1. You are a board member of a nonprofit organization that receives funding from CAA.
  2. You are a board member of a nonprofit organization that provides funding to CAA.
  3. You or a family member is an employee of a business or organization that receives revenue or funding from CAA.
  4. Your grandchild is a vendor, or has an ownership interest in, a vendor with which CAA does business.

5. **Continued disclosure obligation and disclosure of other potential conflicts of interest.** If, after signing this policy, a CAA Board member becomes involved, or intends to become involved, in a Prohibited Transaction, employment, compensation, or gift, as defined above, or becomes aware of such an existing transaction or status, the Board member must promptly notify the CAA Chairperson.

In addition to those Prohibited Transactions, gifts, and employment or compensation described above, Board members are required to promptly disclose to the CAA Chairperson any Related Party Transactions in which they are, or intend to become, involved.

6. **Procedure for addressing transactions.** The following process should be followed for all Prohibited and Related Party Transactions:
- (a) An *ad hoc* committee of Board members composed entirely of individuals who have no involvement with any Related Party Transactions (“Independent Board Members”), who are appointed by the Chairperson of the CAA Board of Directors and approved by the Board of Directors shall review, in consultation with the CAA President/CEO, all Related Party Transactions of Board members, including those that may be prohibited pursuant to Paragraph 1 of this Policy.
  - (b) The Board committee, with the advice of legal counsel as necessary, shall determine whether a Related Party Transaction is a Prohibited Transaction, as defined by paragraph 1 of this policy and any other applicable requirements.
  - (c) If the Board committee determines that the transaction is prohibited, then the Board committee shall recommend either (i) not to enter into the transaction or (ii) to require the resignation of the Board member associated with the Prohibited Transaction.

- In making this determination, the Board committee shall determine whether, all factors considered, the transaction under consideration is fair and reasonable to, and is in the best interests of, CAA. The Board committee shall review, where appropriate, information concerning alternatives to the transaction; comparable transactions entered into by other parties and organizations; and/or independent appraisals, and any other relevant factors.
  - For this purpose, a "transaction" may include an ongoing business, contractual, or grant relationship.
- (d) If the Board committee determines that the Related Party Transaction is not prohibited, then it shall also determine whether, all factors considered, the transaction under consideration is fair and reasonable to, and is in the best interests of, CAA.
- In making this determination, the Board committee shall review, where appropriate, information concerning alternatives to the transaction; comparable transactions entered into by other parties and organizations; and/or independent appraisals, and any other relevant factors.
  - For this purpose, a "transaction" may include an ongoing business, contractual, or grant relationship.
- (e) The Board committee shall report its determinations and recommendations from paragraphs (c) and (d) to the full Board of Directors.
- (f) At a meeting of the Board of Directors or Board committee, a Board member who is associated with the transaction at issue may state his or her views, and shall respond to questions, as to any Related Party Transaction, including Prohibited Transactions, in which he or she is involved, but only Independent Board members shall be present for and participate in deliberations or voting as to any Related Party or Prohibited Transactions.
- (g) The Independent Board Members shall vote whether to adopt the Board committee's recommendations regarding the transaction at issue. If the Board committee recommends that the Board member be required to resign from the Board, and the Independent Board Members approve such recommendation, then such action shall be treated as removal for cause under the CAA by-laws. The basis for any such vote shall be documented in the minutes of the meeting at which action is taken, and those minutes shall be approved at the next meeting of the Board of Directors.

