A policy governing conflicts of interest is a very important tool for a Cornell Cooperative Extension Board of Directors to adopt. The policy should be in writing and reviewed by the board and Cornell every few years. This policy should be included along with other volunteer policies that new board members receive upon starting their terms and reviewed annually as part of the beginning of the year start-up and orientation meeting. Board members are often unaware that a situation or relationship they are involved in could be perceived as a conflict of interest by others. The purpose of the policy then is to raise awareness and contribute to the development of a culture of open communication and candor so potential conflicts are discussed openly and directly.

The policy should do the following things for the board member and the association:

1. Require those with a conflict, or who suspect they may have a conflict, to disclose the conflict/potential conflict.

2. Prohibit board members from voting on any matter that gives rise to a conflict between their personal interests and the associations interests.

3. Outline the process that the Board will utilize to manage conflicts and make a determination about whether or not a situation rises to the level of a conflict.

Potential Conflict of Interest Policy for Cornell Cooperative Extension Associations
(Adapted from IRS Document Appendix A from Form 1023)

The following can be used as a starting point but we encourage local adaptation and to encourage a board committee to take the lead on developing your approved local policy.

Article I – Purpose
The purpose of the conflict of interest policy is to protect the interest of the CCE Association of ________ when it is contemplating a policy decision, transaction or program arrangement that might provide private benefit to an officer or member of the Board of Directors. This policy is intended to supplement but not replace any applicable State or Federal laws governing conflict of interest laws that apply to tax exempt organizations.

Article II – Definitions
A. Interested Parties – Any member of the Association Board of Directors is considered an interested party.
B. Financial Interest – A person is said to have a financial interest if the person has, directly or indirectly, through business, investment, or family:

1. An ownership or investment interest in any entity with which the Association has a transaction or arrangement.

2. A compensation arrangement with the Association or with any entity or individual with which the Association has a transaction or arrangement.

3. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Association is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under Article III, Section B, a person who has a financial interest may have a conflict of interest only if the appropriate decision makers decide that a conflict of interest actually exists in that case.

Article III – Procedures

A. Duty to Disclose – In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the full board so that they can consider the disclosure in light of the issue before the board.

B. Duty to Disclose – After disclosure of the issue and all of the material facts, and after any discussion with the interested party, he/she shall leave the board meeting allowing the board to make a determination and vote. It is the remaining board members who will make the determination.

C. Involvement of Cornell Extension Administration – If it is determined that counsel is required from Extension Administration and the State Extension Specialist is not present, the board may decide to postpone a decision on the matter until such time that Cornell can be consulted. If on the other hand action is required at the time of the meeting the Board should be cautious and ask the person of interest to abstain from voting on the issue at hand.

D. Procedures for Addressing the Conflict of Interest

1. An interested person may make a presentation to the full board, but after the presentation he/she shall leave the meeting during the discussion of, and the vote on, the potential conflict of interest.

2. The Board President, or presiding Officer for that meeting, shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

3. After exercising due diligence, the governing body shall determine whether or not the Association 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, the board shall determine by a majority vote of the disinterested board members whether the arrangement or transaction is in the best interest of the Association and whether it is fair and reasonable. In conformity with the above determination the board shall make its decision as to whether to enter into the transaction or arrangement.
E. Violations of the Conflict of Interest Policy

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

2. If, after hearing the member’s response and after making further investigation as warranted by circumstances, the board shall determine whether or not the member has failed to disclose an actual or possible conflict of interest and take appropriate disciplinary and corrective action. The Cornell Cooperative Extension State Extension Specialist should be consulted when a board determines that correction or disciplinary action is called for.

ARTICLE IV – Records of Proceedings

A. The minutes of the Board meeting where a conflict of interest issue has been addressed shall contain:

1. The names of the person(s) who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial or other interest, any action taken to determine whether a conflict was present, and the Board’s decision as to whether a conflict of interest exists.

1. 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.

Article V – Compensation

A. Any Board Member who receives compensation, directly or indirectly, from the Association for services is precluded from voting on matters pertaining to that member’s compensation.

Article VI – Annual Declaration

Each Board member shall annually sign a statement which affirms that they have received a copy of this conflict of interest policy, have read it and understand it, have agreed to comply with the policy and understands that the Association is tax exempt and to maintain this status it must engage in activities within the boundaries of the mission of the CCE system.

Developed by the CCE State Extension Specialists
April, 2013