

## STANDARD OPERATING PROCEDURE

### CONFLICT OF INTEREST POLICY BOARD OF DIRECTORS

#### I. PURPOSE

- A. It is the policy of the North Central Texas Trauma Regional Advisory Council (NCTTRAC) to identify conflicts of interest involving NCTTRAC and related parties, as well as to identify situations which may give rise to the appearance of a conflict of interest and to address such conflicts and situations in a manner that will fully protect the integrity and reputation of NCTTRAC, as well as related parties.
- B. The purpose of this conflict of interest policy is to protect NCTTRAC's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of NCTTRAC, might result in a possible excess benefit transaction or may give the appearance of undue influence from outside parties.
- C. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

#### II. DEFINITIONS

- A. **Conflict of Interest** – A "conflict of interest" arises when a person in a position of authority in an organization, such as a director, officer, expert volunteer, or senior staff member, may benefit personally from a decision he or she could make.
- B. **Interested Person** – Any principal officer, director, committee member, or senior staff member with delegated authority, who has a direct or indirect financial interest, as defined below, is an interested person.
- C. **Financial Interest** – A person has 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 NCTTRAC has a transaction or arrangement,
  - 2. A compensation arrangement with NCTTRAC or with any entity or individual with which NCTTRAC has a transaction or arrangement. Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.
  - 3. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which NCTTRAC is negotiating a transaction or arrangement.
- D. A financial interest is not necessarily a conflict of interest. A person who has a financial interest may have a conflict of interest only if the Executive Committee of the Board of Directors (Executive Committee) decides that a conflict of interest exists.

#### III. PROCEDURE

- A. **Distribution of Policy and Procedure** – This policy shall be presented and discussed annually for the information and guidance of directors, officers, and senior staff who are serving or employed by NCTTRAC.
  - 1. Annually a *Disclosure and Attestation Statement* shall be furnished to and completed by each Officer, Director, and senior staff members.
  - 2. Any new Officer, Director, or senior staff shall be advised by the Communications & Information Manager of this policy and furnished a disclosure statement upon undertaking the duties of such office.

- B. **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 Executive Committee. NCTTRAC's *Disclosure and Attestation Statement* is provided for this purpose.
- C. **Determining Whether a Conflict of Interest Exists** – After disclosure of the financial interest and all material facts to the Executive Committee, and after any discussion with the interested person, he/she shall leave the meeting while the potential of a conflict of interest is discussed and determined.
  - 1. The notes of the Executive Committee meeting shall state that this procedure was followed and the Executive Committee's determination.

**IV. PROCEDURES FOR ADDRESSING THE CONFLICT OF INTEREST**

- A. An interested person may make a presentation to the Executive Committee, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- B. After exercising due diligence, the Executive Committee shall determine whether NCTTRAC 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.
- C. If a more advantageous transaction or arrangement avoiding a conflict of interest is not reasonably possible under circumstances, the Executive Committee shall determine by a majority vote of the disinterested members, whether the transaction or arrangement is in NCTTRAC's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, it shall make its decision as to whether to enter into the transaction or arrangement.

**V. VIOLATIONS OF THE CONFLICTS OF INTEREST POLICY**

- A. If the Executive Committee or the Executive Director has reasonable cause to believe a 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.
- B. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the Executive Committee determines that the member has failed to disclose an actual or possible conflict of interest, appropriate disciplinary and corrective action shall be taken.

**VI. RECORDS OF PROCEEDINGS**

- A. The Executive Committee's update to the Board of Directors related to the determination of a conflict of interest shall contain:
  - 1. The names of the persons who disclosed or otherwise were found to have an actual or possible conflict of interest,
  - 2. The nature of the financial interest or other conflict,
  - 3. Any action taken to determine whether a conflict of interest was present,
  - 4. The Executive Committee's decision as to whether a conflict of interest in fact existed.
- B. The minutes of the Board related to the transaction in question shall contain:

1. The names of the persons who were present for discussions and votes relating to the transaction or arrangement,
2. The content of the discussion, including any alternatives to the proposed transaction or arrangement,
3. A record of any votes taken in connection with the proceedings.

**VII. COMPENSATION**

- A. A voting member of the Board who receives compensation for services from NCTTRAC, directly or indirectly, is precluded from voting on matters pertaining to their own compensation.
- B. Any voting member of the Board or any committee whose jurisdiction includes compensation matters and who receives compensation for services from NCTTRAC, directly or indirectly, either individually or collectively retains the ability to provide information to any committee regarding compensation matters.

**VIII. ANNUAL STATEMENTS**

- A. Each Officer, Director, or senior staff member in a position where potential conflicts may arise shall annually sign a *Disclosure and Attestation Statement* which affirms such person has:
  1. Received a copy of the *Conflict of Interest Policy*,
  2. Read and understands the policy,
  3. Agreed to comply with the policy,
  4. Completed a *Disclosure and Attestation Statement*.
- B. Such statements will be kept on file by the Communications & Information Manager.

**IX. ANNUAL REVIEW**

- A. To ensure NCTTRAC operates in a manner consistent with its tax-exempt purposes and does not engage in activities that could jeopardize its tax-exempt status or its reputation, an annual review shall be conducted by the Finance Committee and, at a minimum, will include the following subjects:
  1. Whether compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.
  2. Whether partnerships, joint ventures, and arrangements with management organizations conform to NCTTRAC's written policies, are properly recorded, and do not result in private inurement, impermissible private benefit, or in an excess benefit transaction.
  3. Whether any identified conflict of interest was dealt with according to these policies and procedures.

**X. USE OF OUTSIDE EXPERTS**

- A. When conducting the annual review as provided for above, NCTTRAC may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Executive Committee of its responsibility for ensuring that periodic reviews are conducted.