

Conflict of Interest Guide Sheet

Financial Grant Management Requirement

The U.S. Department of Justice (DOJ) awards federal funds and requires the recipients of those funds to use them in the best interest of the award program. The decisions related to the awarded funds must be free of undisclosed personal and organizational conflicts of interest. Per [2 C.F.R. § 200.112](#), "The Federal awarding agency must establish conflict of interest policies for Federal awards. The non-Federal entity must disclose in writing any potential conflict of interest to the Federal awarding agency or pass-through entity in accordance with applicable Federal awarding agency policy."

Important Information to Know

What is a conflict of interest?

A conflict of interest occurs when an employee or volunteer has a personal or business interest that conflicts with their professional obligations or responsibilities to the organization.

What are the two types of conflicts of interest?

Conflict of interest can happen in the form of conflict in fact or conflict in appearance.

Conflict in fact occurs when the employee or volunteer of a grantee or subgrantee is responsible for decisions, approval, recommendations, or disapproval concerning any of the following people or groups:

- ▶ An immediate family member.
- ▶ A spouse/partner.
- ▶ An organization in which they are serving as an officer, director, trustee, partner, or employee.
- ▶ Any person or organization with whom they are negotiating or who has an arrangement concerning prospective employment, has a financial interest, or for other reasons can have less than an unbiased transaction.

Conflict in appearance occurs when an employee or a volunteer of a grantee or subgrantee takes actions that create the appearance that they are:

- ▶ Using their official position for private gain.
- ▶ Giving special treatment to any person.
- ▶ Losing complete independence or objectivity.
- ▶ Making an official decision outside official channels.
- ▶ Affecting, in a negative way, the public's confidence in the integrity of the government or the program.

What is an example of a conflict of interest?

Below are two case examples of conflicts of interest. In example 1, the executive director used her position to provide her husband with a contract from a federal award. The executive director should not be involved in the procurement process, as the grant recipients are required to have a fair and transparent process for their subrecipient decisions and their vendor selection.

Case example 1: Conflict of interest during the procurement process

Background	Conflict of Interest Identified	Type of Conflict	Potential Result
The executive director of a nonprofit spearheads a \$175,000 contract for QRST Technology to oversee the tracking of meals provided to low-income families.	The executive director's husband is the manager and co-owner of QRST Technology, which is currently struggling financially.	Conflict in fact—the executive director of the nonprofit has a spouse who benefits from the contract.	The awarding agency launches an investigation to determine if the procurement process was fair and transparent. This could result in loss of public trust due to a civil suit.

Case example 2: Conflict of interest from a no bid contract

Background	Conflict of Interest Identified	Type of Conflict	Potential Result
The agency's new award has \$50,000 for a consultant. The assistant commissioner states that the request does not have to be posted for bids and provides a reputable organization and a contract is awarded.	The contract was awarded to LCCI Consulting and the owner of the organization is the assistant commissioner's cousin.	Conflict in fact and conflict in appearance— the assistant commissioner has a family member who benefits from the contract.	Another local consulting firm submits a complaint that they also provide the same services and did not have an opportunity to bid. An investigation is launched on the contract.

In example 2, the assistant commissioner used his position to hire his cousin as the consultant on a new federally awarded project.

How This Applies to Your Grant

Recipients and subrecipients of grant funds should have a conflict of interest policy in place to maintain compliance with DOJ's requirements. The grantee or subgrantee should have written conflict of interest policies that:

- ▶ Require all employees, volunteers, and board members to review and agree to abide by them.
- ▶ Identify what constitutes a conflict of interest for the organization.
- ▶ Define the process for disclosing conflicts and how to resolve them.
 - ♦ If a conflict of interest is disclosed, and the organization wants to proceed with contracting with that person or organization because they are the only one on the island that provides that type or quality of service, they should discuss the situation with their grant managers.
- ▶ Prohibit employees and volunteers from asking for or accepting gifts, favors, gratuities, or anything of monetary value from contractors or subcontractors.
 - ♦ If employees or volunteers can accept items, they must be of insignificant value and clearly defined in the policy.
- ▶ Advise employees, volunteers, and board members to disclose any potential conflicts of interest.
- ▶ Adopt practices that exclude individuals who have real or potential financial interest in the companies under consideration from the selection process.

- ▶ Require employees, volunteers, and board members to sign a conflict of interest statement.

- ♦ A conflict of interest statement is a written document that discloses any potential conflict and is enclosed in an organization's conflict of interest policy.
- ♦ A great practice is to have employees sign a conflict of interest statement on an annual basis to ensure that they are knowledgeable of the requirements in the policy.

- ▶ Incorporate an annual training for staff and volunteers to reduce risk of noncompliance.

Samples of Conflict of Interest Policies

Conflict of interest policy development tools are available on the websites of several reputable organizations. Below are three examples of policies for non-profits and government agencies:

- ▶ [Small or new non-profit organization](#)
- ▶ [Large non-profit organization](#)
- ▶ [Government agency](#)

The small or new non-profit organization's conflict of interest policy provides a simple and easy to use documents as a guide for organizations working on developing a policy to fit their needs. The large non-profit organization conflict of interest policy is more complex and generally utilized for organizations with affiliates or a more complex structure. The government agency conflict of interest is an example of Health Resources and Service Administration's Federal Financial Assistance Conflict of Interest Policy, which can serve as a starting point for government entities.

References

National Council of Nonprofits. (n.d.) Conflicts of Interest. <https://www.councilofnonprofits.org/tools-resources/conflicts-of-interest>

DOJ Grants Financial Guide. (2020). Grant Fraud, Waste, and Abuse. <https://www.ojp.gov/funding/financialguidetodoj/iii-postaward-requirements#ytg3wm>

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