



# ARCHDIOCESE OF WASHINGTON

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## CONFLICT OF INTEREST POLICY

A. Purpose. The purpose of this Policy is to protect the interest of the Archdiocese of Washington ("Archdiocese") when it is contemplated that the Archdiocese may enter into a transaction and/or arrangement that might benefit the private interest of an Archdiocesan Board member or executive staff member of the Archdiocese. The Archdiocesan Board members and executive staff members (1) acknowledge their duty to ensure that the activities of the Archdiocese do not improperly benefit private individuals; and (2) recognize that they could potentially become subject to penalty excise taxes should they fail to adhere to the procedures described in this document. Any such person who may have a potential conflict must follow the procedures set forth below. This conflict of interest policy is intended to supplement but not replace any applicable state laws governing conflicts of interest applicable to the Archdiocese.

B. Basic Principles. Directors and employees have a duty of loyalty and fiduciary responsibility to the specific entity they serve and to the Archdiocese. The duty of loyalty means that in matters related to their board and employment activities, directors and employees will act in the best interests of the entity they serve and the Archdiocese, and will respect the confidentiality of information gained in the course of their activities. The duty of fiduciary responsibility means that directors and employees will avoid voting or advising on matters in which they have a direct or indirect financial interest or in which the potential for a conflict of interest otherwise exists.

### C. Definitions.

(1) Archdiocese. References to the Archdiocese include all of its councils, corporations, committees, schools, parishes, or other affiliated entities.

(2) Archdiocesan Board. Archdiocesan Board includes the Archdiocesan Pastoral and Finance Councils, the Corporate Members, Board of Directors or Trustee of any

Archdiocesan Corporation, Parish Councils and Finance Councils or related entities such as parent teacher organizations or any committee to which power has been delegated by the Archbishop, Pastor or another Archdiocesan entity.

(3) Conflict of Interest. A conflict of interest may be in either appearance or fact or both. A potential conflict of interest exists when one is in a position to use their status to influence decisions for their personal advantage or for the advantage of family members or other controlled entities.

(4) Covered Person. A covered person is anyone who meets the definitions in this section as a member of an Archdiocesan Board and/or Executive Staff.

(5) Direct Financial Interest. A direct financial interest is the receipt of consideration.

(6) Disinterested Person. A disinterested person is a person who has no direct or indirect financial interest affected by the proposed arrangement or transaction; is not in an employment relationship subject to the direction or control of any person benefiting from the arrangement or transaction; is not receiving compensation or other payments subject to approval by any such person; and does not benefit or will not benefit from any arrangement or transaction which will be approved by any such person.

(7) Executive Staff. Executive staff includes the president, executive director, pastor, principal, chief financial officer, controller, accountant, purchasing director, and heads of major divisions or departments within the entity. These individuals are subject to this policy and reporting obligations as well as the conflict of interest policies in the Archdiocesan Employee Manual.

(8) Indirect Financial Interest. An indirect financial interest exists if a party transacting business with the Archdiocese is an entity:

(a) in which a covered person or a member of his/her immediate family has a material financial interest. (A person who holds more than a five percent (5%) interest in an entity is considered to have a material financial interest in that entity.) A person who leases or

sells to an entity or acquires from it any interest in real estate or personal property worth more than \$10,000 is considered to have a material financial interest in that entity.

(b) with which a covered person or a member of his/her immediate family has a substantial business relationship; or

(c) of which a covered person or a member of his/her immediate family is an officer, director or general partner.

(9) Immediate Family. Immediate family includes any individual who is a dependent of a covered person and/or living within the household of a covered person. It includes such person's spouse, children, parents, siblings, mothers and fathers-in-law, sons and daughters-in-law and brothers and sisters-in-law.

(10) Interested Person. Any Archdiocesan Board member or executive staff member who has a direct or indirect financial interest, as defined herein, is an interested person.

#### D. Procedures

(1) Duty to Disclose. In connection with any actual or potential conflict of interest, an interested person must disclose the existence of his or her financial interest conflict and all material facts to the appropriate Archdiocesan Board considering the proposed transaction or arrangement. If there is a question as to whether or not disclosure is required, it should be disclosed so a determination may be made.

(2) Determining whether a Conflict of Interest Exists. After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he or she shall leave the Archdiocesan Board meeting. The disinterested Archdiocesan Board members shall decide if a conflict of interest exists.

#### (3) Procedures for Addressing the Conflict of Interest.

(a) An interested person with a conflict of interest may make a presentation at the Archdiocesan Board meeting, but after such a presentation, he or she shall

leave the meeting during the discussion of, and the vote on, the proposed transaction or arrangement.

(b) The Archdiocesan Board shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

(c) After exercising due diligence, the Archdiocesan Board shall determine whether the Archdiocese can with reasonable efforts obtain a more advantageous transaction or arrangement from a disinterested person or entity that is not related to an interested person.

(d) If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the Archdiocesan Board shall determine by a majority vote of the disinterested members whether the transaction or arrangement is in the Archdiocese's best interest, and if so, may decide to enter into the transaction or arrangement.

(4) Violations of the Conflicts of Interest Policy.

(a) If the Archdiocesan Board has reasonable cause to believe that a person has failed to disclose potential conflicts of interest, it shall inform the person of the basis for such a belief and afford the person an opportunity to explain the alleged failure to disclose.

(b) If, after hearing the response of the person and making such further investigation as may be warranted by the circumstances, the Archdiocesan Board determines that the person has, in fact, failed to disclose a potential conflict of interest or acted contrary to a decision of the Board in the matter, it shall take appropriate disciplinary and corrective action, possibly including but not limited to removal from position, repayment of gains and imposition of fines.

E. Records of Proceedings.

The minutes of the Archdiocesan Board shall contain:

(1) The names of the persons who have disclosed or otherwise have been found to have a financial interest or issue conflict, the nature of the interest or issue conflict, any action taken to determine whether a conflict of interest was present, and the Board's decision as to whether a conflict of interest in fact existed; and

(2) The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the contents of the discussion, including all material facts, any alternatives to the proposed transaction or arrangement and the basis for the determination that the proposed transaction is in the best interest of the Archdiocesan entity (which would include at least three competitive bids), and a record of any votes taken.

F. Compensation Committees. A voting member of any committee the jurisdiction of which includes compensation matters and who receives compensation, directly or indirectly, from the Archdiocese for services is precluded from voting on matters pertaining to his or her own compensation.

G. Annual Statements. A copy of this policy shall be furnished to the Archdiocesan Board members and executive staff members. The Archdiocesan Board members and executive staff members shall be advised of the policy upon undertaking their respective duties. Each Archdiocesan Board member and executive staff member shall annually sign a statement which affirms that such person:

- (1) Has received a copy of the conflict of interest policy,
- (2) Has read and understands the policy, and
- (3) Has agreed to comply with the policy.

The Annual Statements should be submitted to the appropriate Archdiocesan Board. This will ordinarily be accomplished by having them collected by the chief executive (pastor, president, executive director) and presented to and reviewed by the finance council/committee of the entity.

H. Periodic Reviews. To ensure that the Archdiocese operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, or result in sanctions or penalties, periodic reviews shall be conducted annually by the finance council/committee or its equivalent. They shall, at a minimum, include the following subjects:

(1) Whether compensation for services to any Board members and executive staff member are reasonable. The test for reasonableness is whether compensation for services exceeds the amount that would ordinarily be paid for similar services, by similar enterprises, under similar circumstances existing at the time the contract for services is made. This review need not be made for amounts paid to (a) a 501(c)(3) organization, or (b) compensation paid to an employee receiving direct and indirect economic benefits of \$80,000 or less, unless he or she is a family member of an Archdiocesan Board member or officer. The review shall be made based on appropriate data as to comparability, in accordance with applicable IRS standards, and the basis for the decision shall be documented.

(2) Whether loans to the Archdiocese and Archdiocesan entities are made on terms that are reasonable and are the result of arm's-length negotiations. Loans by the Archdiocese and Archdiocesan entities to Board members or employees are prohibited.

(3) Whether transactions with third-party service providers conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the Archdiocese's charitable purposes and avoid impermissible private benefit.

I. Use of Outside Experts. In conducting the periodic reviews provided for in Section H, the Archdiocesan Board may use outside advisors, but need not do so unless required by IRS regulations. If outside experts are used, their use shall not relieve the Archdiocesan Board of its responsibilities for ensuring that periodic reviews are conducted.