

# **Tapestry Public Charter School Policy Manual**

## **Financial Conflict of Interest Policy**

Adopted: 2/8/2016

Revised:

The Tapestry Public Charter School Board adopts the following policy, effective on the date of adoption by the Board.

<b>Sections:</b>	<b>I. PURPOSE</b>
	<b>II. DEFINITIONS</b>
	<b>1. Interested Person</b>
	<b>2. Financial Interest</b>
	<b>III. PROCEDURES</b>
	<b>1. Duty to Disclose</b>
	<b>2. Determining Whether a Conflict of Interest Exists</b>
	<b>3. Procedures for Addressing the Conflict of Interest</b>
	<b>4. Violations of the Conflict of Interest Policy</b>
	<b>IV. RECORDS OF PROCEEDINGS</b>
	<b>V. ANNUAL STATEMENTS</b>
	<b>VI. PERIODIC REVIEWS</b>
	<b>VII. USE OF OUTSIDE EXPERTS</b>

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### **I. PURPOSE**

The purpose of the financial conflict of interest policy is to protect Tapestry Public Charter School's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or member of the Commission or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing financial conflict of interest applicable to government, nonprofit, and charitable organizations.

### **II. DEFINITIONS**

#### **1. Interested Person**

Any Board member, principal officer, or member of a committee with Board-delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

#### **2. Financial Interest**

A person has financial interest if the person has, directly or indirectly, through business, investment, or family an actual or potential:

- a) Ownership or investment interest in any entity with which the Board has a transaction or arrangement;
- b) Compensation arrangement with the Board or with any entity or individual with which the Board has a transaction or arrangement;
- c) Potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Board is negotiating a transaction or arrangement; or

- d) Prior compensation arrangement with any entity and/or individual with which the Board is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial (consumables less than \$25 or promotional items less than \$25).

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the Board or appropriate committee decides that a conflict of interest exists.

### **III. PROCEDURES**

#### **1. Duty to Disclose**

In connection with any actual, potential, or possible financial conflict of interest, an interested person must disclose the existence of the financial interest in a public Board meeting and be given the opportunity to disclose all material facts to the Board and members of committees with Board-delegated powers considering the proposed transaction or arrangement.

#### **2. Determining Whether a Financial Conflict of Interest Exists**

After disclosure of the actual, potential, or possible financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the Board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board members or committee members shall decide if a conflict of interest exists. However, should the potentially interested Board member decide to follow the voluntary recusal procedure detailed below, a determination of whether a conflict of interest truly exists is unnecessary and may be waived.

#### **3. Procedures for Addressing the Financial Conflict of Interest**

- a) A potentially interested person may make a presentation at a Board meeting disclosing the potential conflict of interest and opt to voluntarily recuse him or herself from any discussion and/or subsequent Board vote regarding the subject of the potential conflict of interest. Such action would eliminate the need for the Board to further address whether a conflict of interest truly exists. This procedure is unavailable to address potential conflicts of interest regarding transactions and/or compensation arrangements with interested Board members who are proffering their outside services or products for use by the Board.
- b) An interested person may make a presentation at the Board or committee meeting, 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.
- c) The Board Chair or committee chair shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- d) After exercising due diligence, the Board or committee member shall determine whether the Board 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.
- e) If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board or committee shall determine by a majority vote of the

disinterested Board members whether the transaction or arrangement is in the Board'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 of arrangement.

#### **4. Violations of the Financial Conflicts of Interest Policy**

- a) If the Board or committee 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 Board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action. Disciplinary and corrective action may include censure and referral of the matter to outside authority for additional action.

#### **IV. RECORDS OF PROCEEDINGS**

The minutes of the Board and all committees with Board-delegated powers shall contain:

- a) The names of the persons who disclosed or otherwise were found to have a financial interest in connection with a possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the Board's or committee's decision as to whether a conflict of interest in fact existed.
- b) 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 the votes taken in connection with the proceedings.

#### **V. ANNUAL STATEMENTS**

Each Board member, principal officer, and member of a committee with Board-delegated powers shall receive a copy of this policy on an annual basis and affirm that such persons:

- a) Have received a copy of the financial conflicts of interest policy;
- b) Have read and understand the policy; and
- c) Have agreed to comply with the policy.

#### **VI. PERIODIC REVIEWS**

To ensure the Board operates in a manner consistent with its legislative purposes and does not engage in illicit or improper activities, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a) Whether any compensation arrangements and benefits provided to members of the Board for their outside services determined not to be a conflict of interest by the Board following the procedures above are reasonable, based on competent survey information and the result of arm's length bargaining.
- b) Whether partnerships, joint ventures, and arrangements with management organizations conform to the Board's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further legislative purposes and do not result in inurement, impermissible private benefit, or an excess benefit transaction.

**VII. USE OF OUTSIDE EXPERTS**

When conducting the periodic reviews as provided for in Article VI, the Board may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of its responsibility for ensuring periodic reviews are conducted.