

<b>PROCEDURE # 1.1a</b>	<b>EFFECTIVE DATE</b>	<b>REVISED DATE</b>
<b>TITLE: Conflict of Interest Procedure</b>	<b>January 1, 2014</b>	
<b><u>ATTACHMENT TO</u></b>	<b>REVIEW DATES</b>	
<b>POLICY #: 1.1</b>	1/1/2015; 7/1/2019	
<b>POLICY TITLE: CONFLICT OF INTEREST</b>		
<b>CHAPTER: GENERAL MANAGEMENT</b>		

**I. PROCEDURES**

**Duty to Disclose:** Each Covered Person has a duty to disclose to the Board the existence of a Financial Interest and all related material facts.

**Disclosure of Financial Interests:**

- (a) Each Covered Person shall submit in writing to the Entity's Chief Executive Officer an Annual Financial Interest Disclosure Statement (Attachment A) listing all Financial Interests and affirming compliance with the Conflict of Interest Policy.
- (b) Each Covered Person shall update his/her Annual Financial Interest Disclosure Statement each year on the date designated by the Board for updating, and promptly when any new Financial Interests or potential Conflicts of Interest arise. The Chairperson of the Board shall review and become familiar with all submitted Financial Interest Disclosure Statements and updates in order to guide his/her conduct regarding the disclosed information. The Vice Chairperson of the Board shall review and become familiar with the Financial Interest Disclosure Statement submitted by the Chairperson of the Board.
- (c) The Board of Directors may request that a Covered Person(s) appear before the Board or submit written information to supplement or to answer questions regarding information disclosed on the Annual Financial Interest Disclosure Statement.

**Addressing Financial Interests and Conflicts of Interest - Board Deliberation.**

After disclosing the Financial Interest, together with any additional oral or written presentation of material or discussion requested by the Board, the Interested Person shall leave the Board meeting while the Board discusses the information and votes regarding how to manage the Conflict of Interest and whether or not to grant a waiver. The Interested Person shall not take part in the Board's due diligence deliberations.

**Appointment of Disinterested Person.**

If the Board determines it is advisable, the Board may appoint a disinterested person to conduct further investigation regarding the reported Financial Interest and Conflict of Interest and make a report back to the Board.

**Board Vote.**

The Board, after exercising due diligence regarding the reported Financial Interest and Conflict of Interest, shall, by vote, make a determination as to whether or not the Entity can obtain a more advantageous transaction, arrangement, proceeding or other matter with reasonable efforts from another person or entity that would not involve the Interested Person, and the Financial Interest is so substantial as to be likely to affect the integrity of the services which the Entity may expect from the Interested Person. The Interested Person shall not take part in the Board's due diligence deliberations or any vote on how to manage the Conflict of Interest and whether or not to grant a waiver.

**Notice to Interested Person.** If the Board determines, by majority vote of disinterested members, that it may, with reasonable efforts, obtain a more advantageous transaction, arrangement, proceeding or other matter from another person or entity not involving the Interested Person.

**Granting a Conflict of Interest Waiver.**

If the Board determines that it is not able, with reasonable efforts, to obtain a more advantageous transaction, arrangement, proceeding or other matter from another person or entity not involving the Interested Person, and that the Financial Interest is not so substantial as to be likely to affect the integrity of the services which the Entity may expect from the Interested Person, the Board may vote to waive the potential Conflict of Interest and proceed with the proposed transaction, arrangement, proceeding or other matter and the Interested Person's participation in the matter.

- (a) A Conflict of Interest Waiver shall be made in writing and signed by the Chairperson of the Board on the Entity's Conflict of Interest Waiver form (Attachment B).
- (b) The Conflict of Interest Waiver may restrict the Interested Person's participation in the matter to the extent deemed necessary by the Board. Further, the Conflict of Interest waiver may cover all matters the Interested Person may undertake as part of his/her official duties with the Entity, without specifically enumerating such duties. All Conflict of Interest Waivers shall be issued prior to the Interested Person's participation in any transaction, arrangement, proceeding or other matter on behalf of the Entity.

**Factors for Consideration When Granting a Waiver.**

In making a determination as to whether a Financial Interest is substantial enough to be likely to affect the integrity of the Interested Person's services to the Entity, the Board shall consider, as applicable:

- (a) The type of interest that is creating the disqualification (e.g. stock, bonds, real estate, cash payment, job offer or enhancement of a spouse's employment);
- (b) The identity of the person whose Financial Interest is involved, and if the interest does not belong directly to the Interested Person, the Interested Person's relationship to that person;
- (c) The dollar value of the disqualifying Financial Interest, if known and quantifiable (e.g., amount of cash payment, salary of job to be gained or lost, change in value of securities);
- (d) The value of the financial instrument or holding from which the disqualifying Financial Interest arises and its value in relationship to the individual's assets;

- (e) The nature and importance of the Interested Person's role in the matter, including the level of discretion which the Interested Person may exercise in the matter;
- (f) The sensitivity of the matter;
- (g) The need for the Interested Person's services; and
- (h) Adjustments which may be made in the Interested Person's duties that would eliminate the likelihood that the integrity of the Interested Person's services would be questioned by a reasonable person.

#### **Waivers Supported by Michigan Law.**

Michigan law specifically provides support for granting a waiver of a Conflict of Interest arising under the following Conflict of Interest exception scenarios:

- (a) A community mental health services program ("CMHSP") Board member may be a party to a contract with a CMHSP or administer or financially benefit from that contract, if the contract is between the CMHSP and the Entity;
- (b) A CMHSP Board member may also be a member of the Entity Board, even if the Entity has a contract with the CMHSP;
- (c) A CMHSP Board may approve a contract with the Entity, if a CMHSP Board member is also an employee or independent contractor of the Entity; and  
CMHSP public officers (e.g., Board members, officers, executives and employees) may also be Board members, officers, executives and employees of the Entity, even if the Entity contracts with the CMHSP, subject to any prohibition imposed by the Michigan Department of Community Health in that regard.

#### **Policy Enforcement**

If the Board has reasonable cause to believe that a Covered Person has failed to disclose actual or potential Financial Interests or Conflicts of Interest, the Board shall inform the involved Covered Person of the basis for such belief, and afford the Covered Person an opportunity to explain the alleged failure to disclose. If, after hearing the Covered Person's response and after making such further investigation as may be required, the Board determines that the Covered Person has in fact failed to disclose an actual or potential Financial Interest or Conflict of Interest, the Board shall take appropriate corrective action.

#### **Records of Proceeding**

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

- (a) The names of Covered Persons who disclosed or otherwise were found to have a Financial Interest, the nature of the Financial Interest, any due diligence investigation of the Financial Interest and potential Conflict of Interest, and the Board's decision with regard to the matter. If a written waiver of a Conflict of Interest is granted, a copy of the written waiver shall be attached to the minutes of the meeting at which it was granted.
- (b) The names of all persons who were present for discussion and votes related to the transaction or arrangement involved in the Financial Interest, a summary of the content of the discussion, including any alternatives proposed to the transaction or arrangement, and a record of any vote taken in connection with the matter.

- (c) If the Board grants a waiver of a Conflict of Interest, the waiver shall be in writing and shall be signed by the Chairperson of the Board, and shall describe the Financial Interest, the proceeding, transaction or matter to which the Financial Interest applies, the Interested Person's role in the proceeding, transaction or matter, and any restriction on the Interested Person's participation in the proceeding, transaction or matter.

**Compensation Committees**

- (a) A voting member of the Board or any Board committee whose scope of authority includes compensation matters and who receives compensation, directly or indirectly, from the Entity, is precluded from voting on matters pertaining to his/her own compensation from the Entity.
- (b) No voting member of the Board or any Board committee whose scope of authority includes compensation matters and who receives compensation, directly or indirectly, from the Entity, is prohibited, individually or as part of a group, from providing information to the Board or any committee regarding compensation.

**Annual Financial Interest Disclosure Statement**

Annually, on a date to be determined by the Board, each Covered Person shall complete, sign and date a Financial Interest Disclosure Statement. The Financial Interest Disclosure Statement affirms that the signor:

- i. Has received a copy of this Policy;
- ii. Has read and understands this Policy;
- iii. Has agreed to comply with this Policy;
- iv. Has disclosed on the Financial Interest Disclosure Statement all Financial Interests which the signor currently may have; and
- v. Will update the information on the Financial Interest Disclosure Statement promptly should a new Financial Interest arise, by completing a new Financial Interest Disclosure Statement.