

Policy #10.23

POLICY TITLE:	BOARD MEMBER CONFLICT OF INTEREST	POLICY # 10.23	REVIEW DATES	
Topic Area:	BOARD GOVERNANCE	<u>ISSUED BY:</u> Chief Executive Officer <u>APPROVED BY:</u> Board of Directors	1/1/2015	12/16/21
Applies to:	LRE BOARD OF DIRECTORS		7/1/2019	6/1/25
Developed and Maintained by:	Chief Executive Officer			
Supersedes:	N/A	Effective Date: 1/1/2014	Revised Date: 6/1/25	

I. PURPOSE

To provide an effective oversight process to protect the interests of the Lakeshore Regional Entity (LRE) when contemplating a transaction, arrangement, proceeding or other matter that might benefit the private interest of an individual or another entity. The Policy accomplishes this objective by defining Conflict of Interest, identifying individuals subject to this Policy, facilitating the disclosure of actual and potential Conflicts of Interest, Financial Interests and Professional Interest and setting forth procedures to manage Conflicts of Interest. This Policy is intended to supplement, but not replace, any applicable state or federal laws governing conflicts of interests in governmental entities or charitable, tax exempt, nonprofit organizations

II. POLICY

It is the policy of LRE to provide a means for any Covered Person to identify and report to the LRE's Board of Directors (the "Board") any direct or indirect Financial Interest, Professional Interest and any actual or potential Conflict of Interest and, based on that information, to permit LRE's appropriate review of such Financial Interests, Professional Interest and Conflicts of Interest and provide a process for the LRE to follow when managing Conflicts of Interest, all in accordance with applicable law.

DUTIES OF COVERED PERSONS:

Duty of Care: Every Covered Person shall act in a reasonable and informed manner and perform his or her duties for the LRE in good faith and with the degree of care that an ordinarily prudent person would exercise under similar circumstances.

Duty of Loyalty: Every Covered Person owes a duty of loyalty to act at all times in the best interest of the LRE and not in the interest of the Covered Person or any other entity or person. No Covered Person may personally take advantage of a business opportunity that is offered to the LRE unless the Board of Directors determines not to pursue that opportunity, after full disclosure and a disinterested and informed evaluation.

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

Conflicts of Interest: No Covered Person may engage in any transaction, arrangement, proceeding or other matter or undertake positions with other organizations that involve a Conflict of Interest, except in compliance with this Policy. Covered Persons should avoid not only actual but the appearance of Conflicts of Interest as well. Every Covered Person shall:

- A. Disclose all financial interests as set out below.
- B. As it relates to action by the Board of Directors, unless a Conflict-of-Interest Waiver has been granted, recuse themselves from voting on any transaction, arrangement, proceeding or other matter in which he/she has a Financial Interest, and not be present when any such vote is taken; and
- C. Comply with any restrictions or conditions stated in any Conflict-of-Interest Waiver granted for the Covered Person's activities.

III. APPLICABILITY AND RESPONSIBILITY

- A. Individuals covered under this Policy include:
 1. Members of the LRE's Board
 2. Members of the LRE Substance Use Disorder (SUD) Oversight Policy Board responsible for planning, approval and monitoring of the region's use of Public Act 2 (PA2) (Liquor Tax) funds
 3. LRE officers,
 4. Members of committees of the Board with delegated authority from the Board, and
 5. LRE employees, independent contractors or agents who are responsible for the expenditure of federal or state government funds in excess of \$100 on behalf of the LRE.
- B. These individuals are collectively referred to in this Policy as "Covered Person(s)."

IV. MONITORING AND REVIEW

This policy will be reviewed annually by the Board of Directors and Chief Executive Officer.

V. DEFINITIONS

BHDDA: Behavioral Health and Developmental Disabilities Administration

Compensation: Direct and/or indirect remuneration, in cash or in kind.

Conflict of Interest: A Conflict of Interest arises when a Covered Person participates or proposes to participate in a transaction, arrangement, proceeding or other matter for the LRE, in which the Covered Person, the Covered Person's Family Member, or an organization in which the Covered Person is serving as an officer, director, trustee or employee has a Financial Interest or Professional Interest of any kind whatsoever.

Covered Person: LRE Board members, SUD-OPB members, Chief Executive Officer or any other individual with a contractual relationship with the LRE.

Family Member: Spouse, parent, children (natural or adopted), sibling (whole or half-blood), father-in-law, mother-in-law, grandchildren, great grandchildren and spouses of siblings, children, grandchildren, great grandchildren, and all stepfamily members, and any person(s) sharing the same living quarters in an intimate, personal relationship that could affect decisions of the Covered Person in a manner that conflicts with this Policy.

Financial Interest: A Covered Person has a Financial Interest if he or she has, directly or indirectly, actually or potentially, through a business, investment or through a Family Member:

- A. an actual or potential ownership, control or investment interest in, or serves in a governance or management capacity for, an entity with which the LRE has a transaction, arrangement, proceeding or other matter;
- B. an actual or potential compensation arrangement with any entity or individual with which the LRE has a transaction, arrangement, proceeding or other matter; or
- C. an actual or potential ownership or investment interest in, compensation arrangement with, or serves in a governance or management capacity for, any entity or individual with which the LRE is contemplating or negotiating a transaction, arrangement, proceeding or other matter.
- D. Compensation includes direct and indirect remuneration, in cash or in kind.

Interested Person: Is a Covered Person who has a Financial Interest.

Professional Interest: A person has a professional interest if the person has, directly or indirectly, through business, investment, or family:

- A. An ownership or investment interest in any entity that would benefit from active participation in LRE affairs;
- B. A compensation arrangement for professional services outside of LRE where the execution of professional services would benefit from active participation in LRE affairs;
- C. A contractual obligation(s) with a public, private, or governmental entity that pays for, provides or supplies goods or services to the health care industry but is not directly affiliated with LRE.
- D. A professional interest is not necessarily a conflict of interest.

VI. REFERENCES AND SUPPORTING DOCUMENTS

- A. LRE Compliance Plan
- B. The Policy is based on the following legal authorities:
 - Mental Health Code, 1974 PA 258, MCL 300.1001 to 300.2106
 - 1978 PA 566, MCL 15.181 to 15.185 (incompatible public offices)

- 1968 PA 317, MCL 15.321 to 15.330 (contracts of public servants with public entities)
- 45 CFR Part 74 (Federal Procurement Regulations)
- 45 CFR Part 92 (Federal Procurement Regulations)
- 42 USC 1396a (Federal Medicaid Statute)
- Michigan Medicaid State Plan
- 18 USC 208 (Federal Conflict of Interest Statute)
- IRS Conflict of Interest Guidelines, Policies and Pronouncements for Charitable Tax Exempt Nonprofit Entities
- 42 CFR 455 Subpart B
- Section 1902 (a)(4)(C) and (D) of the Social Security Act: 41 U.S.C. Chapter 21 (formerly Section 27 of the Office of Federal Procurement Policy Act (41 U.S.C. §423): 18 U.S.C. §207: 18 U.S.C. §208: 42 CFR §438.58: 45 CFR Part 92: 45 CFR Part 74: 1978 PA 566: and MCL 330.1222.

VII. RELATED POLICIES AND PROCEDURES

- A. LRE Board Policies and Procedures
 - 1. 10.23a – Board Member Conflict of Interest Procedure
- B. Compliance Policies and Procedures

VIII. CHANGE LOG

Date of Change	Description of Change	Responsible Party
11/21/2013	New Policy	Chief Executive Officer
1/1/2015	Annual Review	Chief Executive Officer
7/1/2019	Annual Review	Chief Executive Officer
12/16/21	Combined Policy/Procedure, Updated legal references/policies	Chief Executive Officer
6/1/2025	Renumbered Policy (from General Management to Board Governance); Removed employee references in policy and procedure; removed procedural language	Chief Executive Officer