Knowledge Center

Topic Papers and Articles

Conflicting Opinions

When a child care agency suspected a conflict of interest, the board didn't wait for a complaint before it took action

Conflict of interest. It's the last term you want to hear at a board meeting. But while it conjures up images of scandal, resignations, even arrests, boards often face conflict-of-interest questions. It is when they are handled improperly or ignored that it leads to dissension among your own board and a loss of confidence among your donors and constituents.

So when the Oklahoma Child Care Resource and Referral Association faced a tricky financial conflict, it didn't wait until it heard a complaint. It tackled the issue head on.

The board consisted of the state's nine directors of regional resource and referral organizations. Under the umbrella of the association, the agencies receive funds from the Oklahoma Department of Human Services (DHS). The funds are passed through the whole association before finding their way into individual agency coffers. "In effect, money was coming from DHS, going through our board, and then to our own agencies," says Bridget Tobey, the board president. "To some of us, this seemed an apparent conflict of interest." The issue lead Tobey to recommend a complete restructuring of the association board.

How does a board proceed when some members detect a conflict while others aren't convinced that anything is amiss? Tobey sat down with Board Member to discuss resolving conflicts within your organization - and within your own board room.

Board Member: Explain why you thought Oklahoma Child Care faced a potential conflict of interest.

Bridget Tobey: We started out as a pass-through organization. Our department of human services wanted a way to distribute funds to the nine state agencies. But as we grew and we underwent board training and education, we realized that we weren't just a pass-through. We were a governing body. We started doing strategic planning. And, once we got into fundraising, we realized that this distribution of money to our own agencies wasn't in line with what the nonprofit world does.

Resources

» Is It Time for a Mission Makeover?

» November 2007 E-Newsletter

Products

» The Nonprofit Policy Sampler, Second Edition

» The Nonprofit Legal Landscape

Services

» Enjoy the Benefits of BoardSource Membership

» Governance Solutions for Your Board

Board Member: Why did fundraising open your eyes to the irregularities?

Tobey: At first, DHS had individual contracts with each of the nine directors and their agencies. For example, in addition to being board chair for the association, I'm the manager of the Child Care Resource Center for the Cherokee Nation - one of the nine agencies that comprised our association. So, even though I was part of the same board as the other agency directors, the Cherokee center wasn't in competition with the other agencies for DHS funds. Then the association as a whole started raising small amounts of funds. A $500 grant here. A $1,000 donation for a project there. That's when individuals on the association board began asking, "How will we decide in what way we distribute the funds to the nine agencies?" Around this time, I was elected board president. I attended a lot of board training seminars. Over and over, I heard that if you are dividing money and you can gain from the decision your board makes, it's a conflict of interest.

Board Member: Did the rest of the board recognize the conflict of interest too?

Tobey: Not everyone initially. It wasn't like we were getting complaints. No one had ever raised this before. We were perfectly happy with the makeup of our board. But it evolved over time to where we realized that this is becoming more of a conflict of interest. There were a lot of long, long board meetings. I mean, from 10 a.m. to 5 p.m. They weren't heated, but we just kept going around and around this issue. Finally, we got an outside facilitator to help us with a retreat. That was essential. She helped us see what we couldn't see for ourselves. You know, it's a lot different when someone on the outside points out a problem than when it's your fellow board members. If I do it, it sounds like I'm challenging their ethics.

Board Member: What was the solution to your conflict-of-interest problems?

Tobey: Essentially, we had to restructure our entire board. We had to realize that the state directors could be involved in decision making, but we couldn't have the final say alone. We expanded the board to 12 members and decided that no more than six members could be agency directors. Next year, that goes down to three members. All the positions are now elected, not appointed. I can recommend three people to the board who I think will be good candidates - but the board is under no obligation to approve them.

Board Member: Do you lose anything when six child care experts leave your board?

Tobey: That was our fear at first. Our biggest hurdle was whether the new people would be as passionate as we were. Would they carry the organization in the direction we wanted it to go? We formed a board development committee, and that's been key in helping us recruit the right people. Now we have a banker, a lawyer, someone in higher education, someone who has worked with DHS. Recruiting is still our biggest concern. We still want to find more people with small children and more people with access to funds. Next year it will be my turn to step down from the board. And, by that time, I'm sure we'll be leaving the organization in the right hands.

References

- Daniel L. Kurtz and Sarah E. Paul, *Managing Conflicts of*

Interest: A Primer for Nonprofit Boards (BoardSource 2006).

Printer friendly E-mail a friend

SHARE

1828 L Street NW, Suite 900 | Washington, DC 20036
Phone: (202) 452-6262 or 877-89BOARD (877) 892-6273 | Fax (202) 452-6299