

## What is a conflict of interest?

A conflict of interest occurs when the personal or business interest of an employee or volunteer conflicts with the interest of the organization where they work or volunteer.

## What are two types of conflict of interest?

**Conflict in fact:** When a grantee or subrecipient participates in any approval, disapproval, recommendation, and investigation decisions or any other proceeding concerning any of the following people or groups:

- ▶ An immediate family member
- ▶ A partner
- ▶ An organization where the grantee or subrecipient serves as an officer, director, trustee, partner, or employee
- ▶ A person or organization that the grantee or subrecipient negotiates with or has a possible employment arrangement, financial interest, or, for any other reason, biased transaction

**Conflict in appearance:** when a grantee or subrecipient representative takes actions that imply they are:

- ▶ Using their official position for private gain.
- ▶ Giving special treatment to any person.
- ▶ Losing complete independence or objectivity.
- ▶ Making an official decision outside official channels.
- ▶ Negatively affecting the public's confidence in the integrity of the government or the program.

## What are examples of a conflict of interest?

A conflict of interest might happen if an organization employee or a member of the employee's family receives real or perceived personal benefit from a business interaction or because of a purchase or contract entered. Here are a few examples of a conflict of interest:

- ▶ Ponderosa Fuel Enterprises employs John. His family owns this company. John is your organization's treasurer and chooses the fuel contract for the organization's vehicles. If John chooses his family's company as the organization's fuel vendor and profits through his family's business, he will have a conflict of interest.



- ▶ June is an office manager for a grantee program and oversees getting bids for the copier maintenance contract. June’s husband owns a copier maintenance company. If June offers the contract to her husband’s company without allowing other companies to bid on the work, she might have a conflict of interest. June could report the potential conflict of interest to her employer and have a coworker perform or provide a secondary review of the process.

## What are ways to avoid a conflict of interest?

An organization can avoid conflicts of interest by maintaining a code of ethics with written policies that:

- ▶ Require all employees, volunteers, and board members to review and agree to abide by them.
- ▶ Prohibit employees and volunteers from asking for or accepting gifts, favors, gratuities, or anything of monetary value from contractors, parties, or subcontractors.
- ▶ Allow employees to accept items if they are of a de minimis value, clearly defined in the policy.
- ▶ Advise employees, volunteers, and board members to disclose potential conflicts of interest.
- ▶ Adopt practices that exclude individuals with real or potential financial interests from the vendor selection process.
- ▶ Require employees, volunteers, and board members to sign a conflict of interest statement.

## What is a conflict of interest statement?

A conflict of interest statement is a form that employees, volunteers, and board members sign at the beginning of their service, and often yearly thereafter, acknowledging they have read and agree to abide by the organization’s code of ethics. Generally, the undersigned person:

- ▶ Acknowledges receiving a copy of the organization’s code of ethics
- ▶ Agrees to report to the organization’s board treasurer any possible conflicts (other than those disclosed) that may develop while performing their assigned activities on behalf of the organization
- ▶ Concurs with the code’s intent (see example below)

### Example Form

**Initial one of the following:**

\_\_\_\_ I am not aware of any conflict of interest

\_\_\_\_ I have a conflict of interest in the following area(s): \_\_\_\_\_

**DATE:** \_\_\_\_\_

**PRINT NAME:** \_\_\_\_\_

**SIGNATURE:** \_\_\_\_\_



## Resources

- ▶ Code of Federal Regulations
  - ▶ [2 CFR 200.318 \(c\)\(1\) General procurement standards](#)
  - ▶ [2 CFR 200.212 Public access to federal award information](#)
- ▶ [DOJ Grants Financial Guide](#)

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