

## Frequently Asked Questions Conflict of Interest Policy

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### A. What is the purpose of the policy?

The Conflict of Interest Policy was adopted by the Board of Trustees to ensure that members of the Goucher community—its trustees, administrators, faculty, and other employees— are not influenced by financial or other personal considerations that may affect, or have the appearance of affecting, their professional judgment in exercising any college duty or responsibility.

This policy is not a new one, but rather has been updated to reflect best practices among U.S. colleges and universities.

### B. Who does the policy cover?

The policy applies to “covered individuals”: Goucher trustees, officers, administrators, faculty members, and all other college employees.

A covered individual may have a conflict of interest due to some interest of his or her own, or that of a family member. Family members of a covered individual include: spouse, children or stepchildren and their spouses and descendants, parents or stepparents and their spouses, in-laws and their spouses, siblings and their spouses, and any person living in the house of the covered individual other than tenants and employees.

### C. What is a “conflict of interest”?

There is a conflict of interest whenever the college enters—or considers entering—into a transaction or business relationship directly with a covered individual or the family member of a covered individual. For example, a conflict exists if:

1. The college enters a consulting contract with an individual who is employed as a faculty member. (This does not include the direct employment relationship between the college and a covered individual.)
2. The college purchases products manufactured by the spouse of an administrator.
3. The college enters or is considering entering into a transaction or business relationship with an entity in which a covered individual or family member has a “material financial or other interest.” For example, a conflict exists if:
  - The college enters a service contract with a company owned by an employee’s sibling.
  - The college engages a firm for financial advice and a Goucher trustee serves as a director of that firm.

It is important to note that the existence of a conflict does not necessarily mean the transaction cannot occur, just that the college has to act to address the conflict in order to ensure that the transaction is in the best interests of the college.

#### **D. What is a material financial or other interest?**

This term is broadly defined in the policy. It means any financial or other interest or relationship in an outside entity that might impair—or even appear to impair—a covered individual’s independent judgment in the discharge of his or her responsibilities to the college. For example, there would be a material financial or other interest in an entity if a covered individual or a family member:

1. Serves as a board member of the entity;
2. Receives salary or other compensation from the entity;
3. Serves as a partner or officer in the entity; or
4. Owns a substantial interest in that entity.

#### **E. Who has to disclose conflicts of interest?**

Goucher trustees, members of Senior Staff, and certain administrators and employees designated by the Board’s Executive Committee: These persons must file annual statements with Goucher’s general counsel on a form provided by the college. If a potential conflict arises after the annual statement has been submitted, the individual is required to disclose that interest to an official designated in the policy.

Employees, including faculty, who are not required to make annual disclosures: These persons still have a limited obligation to disclose potential conflicts if they arise. When an individual becomes aware of a material financial or other interest in a pending or proposed transaction or business relationship with the college, he or she must disclose the matter if the matter is being considered by the employee’s office or department.

#### **F. What happens when an interest is disclosed?**

The Audit and Governance Committee of the Board of Trustee reviews a summary, prepared by the general counsel, of all disclosure statements. If the committee determines that an actual, potential, or apparent conflict of interest exists, action will be taken to eliminate the conflict, including prohibiting the individual from participating in any discussion or decision about the transaction or business relationship. Even in the face of a conflict of interest, the Committee may determine that it is in Goucher’s best interest to proceed with the transaction.

#### **G. Why does the policy require disclosure of “potential” and “apparent” conflicts of interest in addition to “actual” conflicts?**

With a conflict of interest, appearance is almost as important as reality. The mere perception that a covered individual is acting for personal gain, giving preferential treatment, or otherwise failing to exercise independent and impartial judgment can be very damaging to the college’s reputation for integrity and fairness, both within and outside of the college community. With appropriate disclosure, the persons designated in the policy will be able to assess the circumstances and address any actual conflicts or false perceptions that may be involved.

## **H. The policy prohibits “appropriation of college opportunities”—what does that mean?**

A covered individual may not use for personal gain an opportunity that rightfully belongs to the college. For example:

1. If a faculty member is compensated by the college to develop a software training program for college employees, and realizes in the course of development that the program is marketable to other institutions and organizations, the faculty member needs to present the opportunity to the college rather than market the program for his or her own personal gain.
2. If an employee attends a meeting of a local community association as part of his job responsibilities and learns of a real estate opportunity that may benefit the college, the employee must present the opportunity to the college rather than pursue it individually for his or her personal gain.

## **I. What happens if the policy is violated?**

All members of the Goucher community, including administrators, faculty, and other employees, are required to comply with all college policies, including this one. As with any policy, failure to comply could result in corrective or even disciplinary action. The college could also choose to void a transaction that involved an undisclosed conflict of interest, although the other party to the transaction, such as a contractor, doesn't have that right.