

SOMETHING TO TALK ABOUT

A conversation guide for church leaders

Conflicts of Interest – Policy and Practice

If you ever want to be the wet blanket at the picnic or the party pooper or the death of the party, be the one who brings the issue of conflicts of interest to the board room or membership meeting gathering. Might this be why I chose this topic for the August issue, when so many will be on vacation?

The answer to that question is an emphatic “no.” Yet I have found that few want to bring up the topic unless they are pointing to someone else’s potential conflict of interest.

Although there are some standard practices nationwide, states have adopted their own legal language in defining what a conflict of interest is and what a board member is to do about being involved in an issue that could be a conflict of interest.¹ Still, a number of organizations provide helpful guidance to us regarding what a conflict of interest policy should cover and how to word it.

Let me try to make the concept really simple.² In general, in the context of a church board of directors (whatever you call it), a conflict of interest arises when a board member participates in the discussion or decision related to something from or through which he/she or a close family member may have a financial interest. The reason it is called a conflict of interest is that the board or staff member may have competing interests in the matter – does one decide in the best interests of the organization, or does one sacrifice even a wee bit or the organization’s interests in order to favor their own interest or that of a close family member?

What types of decisions in a church carry with them potential conflict of interest concerns? Let me suggest some examples, and keep in mind this includes the motion, the discussion and the decision. This list is not exhaustive.

- A staff member that is a member of the board participating in setting or approving his/her own salary, benefits, bonuses, etc.
- The hiring/firing of a board member’s close relative.

¹ Here is the obligatory disclaimer: I am not an attorney. Do not construe this as legal advice. If you need legal advice, consult with an attorney.

² Simple is not complete in the legal arena. So, remember footnote #1.

- Paying a board member or his/her business or close relative(s) for professional services such as counselling rendered on behalf of a congregant or the church.
- The appointment of a board member to a paid position even on an interim basis.
- The decision to purchase services or award a contract to a business in which a board member or close family member has a financial interest.

The above is just a short list of examples. There are many more out there.

Keep in mind that the fact of a board or staff member's potential conflict of interest does not mean that the rest of the board cannot or should not make the decision that may benefit the board or staff member as long as it is in the best interest of the organization; it just means that the person having the conflict of interest cannot participate in the decision.

Conflicts of interest are easily resolved by the process of recusal – the person with the potential conflict of interest recuses him/herself from the meeting when the item in question is brought up. Recusal means leaving the room, not sitting there quietly or going on mute – it's more like logging off. The secretary should record in the meeting minutes that the member recused him/herself from the meeting; then record the motion and decision that follows; and then record that the recused person rejoined the meeting. There is nothing in recusal that prohibits the board from asking specific information of the recused person if that information is needed to them to make the decision.

If you have managed to read this far, let me insert a thought you may not have considered. I recommend that church boards establish a conflict of interest policy that may go beyond the legal requirements of your state's statutes. Why? Because our congregations expect church leaders to be "above reproach" which is a higher standard than "not illegal." I do not want to participate on a potential conflict of interest matter that might be legal but have the appearance of being improper to those I serve by leading. Sure, we want to avoid the situation where one cannot vote on anything, but if there is a close call or a near miss, I recommend recusal.

There are some very practical issues that need to be addressed and one in particular that can provide guidance to others – How does a solo pastor provide yearly budget information to the board when the pastor's salary and benefits are part of the budget? The answer is that the budget proposal is submitted in writing and may or may not include the pastor's salary/benefits package. If it does, don't discuss those line items, but discuss everything else. The pastor recuses and then the board sets the pastor's salary/benefits and votes on the total budget, and then the pastor returns. Note that pastors participate in any discussion/votes about amending the budget except those that relate to them.

I recommend that each church adopt a conflict of interest policy and review it yearly. The Evangelical Council on Financial Accountability has a policy template that is quite helpful. You

can access it here: <https://www.efca.org/Content/Handling-Conflicts-of-Interest-NP>. Once you get to this page, follow the prompts to get the document.

So, what is the something to talk about here? How about considering these:

- Does our church have a conflict of interest policy for the board and staff? Where is it? Do we review it at least annually and understand it?
- What are some of the relationships at our church that could lead to conflicts of interest? How do we address them?
- Why would we decide to not have a conflict of interest policy?

I do not often hear about issues related to conflicts of interest in the church. But when I do hear of them, they usually are not in the legal world; rather, they arise within the church itself as members come to have doubts about their pastor's, staff's, and/or board members integrity in making decisions because they blew by a conflict of interest matter. Once church leaders lose their integrity in the eyes of the congregation, their days are usually numbered – and those numbers are usually small.

Clarity is our friend. What are our potential conflicts of interest and how can we avoid handling them poorly when they occur? Policy, my friend, policy. Do you have one and follow it? That's something to talk about.

Let us know if we can help and how your conversation goes. Contact Bob Osborne by e-mail at bob.osborne@efca.org.

This is one of a series of articles intended to facilitate and guide church leaders' conversations about significant issues that often are not talked about among pastors, boards, and church leadership teams.

Prior articles can be found at <https://efca-west.districts.efca.org/something-to-talk-about-archives>.