

## Policy on Conflicts of Interest

### **PURPOSE**

As an educational non-profit Foundation, the Western Illinois University Foundation is supported by donations, and, as a non-profit entity, it is important to engage in activities that do not inappropriately benefit officers, directors or trustees. A conflict of interest policy helps to ensure that when actual or potential conflicts of interest arise that there are procedures in place to determine how to handle the conflicts. Moreover, it establishes a mechanism through which conflicts are reported.

In addition to ensuring operations do not appear to be inappropriate, a non-profit organization must ensure legal compliance to enable tax-exempt status to remain in effect. A Foundation, "... will lose their tax-exempt status unless they operate in a manner consistent with their charitable purposes. Serving private interests more than insubstantially is inconsistent with accomplishing charitable purposes. For example, paying an individual who is in a position of substantial authority excessive compensation serves a private interest. Providing facilities, goods or services to an individual who is in a position of substantial authority also serves a private interest unless the benefits are part of a reasonable compensation arrangement or they are available to the public on equal terms and conditions."<sup>1</sup>

### **APPLICABILITY**

Consistent with Western Illinois University's policy on Conflict of Interest Procedures, the Western Illinois University Foundation has adopted a Conflict of Interest policy. For the purposes of this policy, an employee is an employee of either Western Illinois University or the Western Illinois University Foundation.

### **POLICY**

The Western Illinois University Foundation, as a general rule, does not enter into any type of contract with employees or businesses owned by an employee or members of their immediate family. However, when there is an operational necessity to purchase commodities, equipment, or services from an employee or immediate families of employees, prior approval of the President of Western Illinois University, or his/her designee, is necessary. Prior approval is required in the following instances:

1. Purchases from an employee or their immediate family (spouse or children).
2. Purchases from a business of which an employee or their immediate family is a major officer or primary employee.
3. Purchases from a corporation of which an employee or their immediate family owns in excess of 7 percent of the total income.

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<sup>1</sup> <http://apps2.irs.gov/charities/article/0,,id=139515,00.html>

## **Types of Conflicts of Interest**

There are two types of conflict of interest to be addressed:

1. A technical conflict of interest (employee or family is not in a position to influence the selection of their firm).
2. A real conflict of interest (employee is in a position to influence the outcome of the selection of a vendor or an award of contract).

Departments that desire to purchase commodities, equipment, or services from an employee or members of their immediate family must prepare a Letter of Justification and attach it to the Request for Purchase. The department will be required to justify the transaction as "essential" to University or Foundation operations if the purchase is from an employee. If the purchase is from the employee's immediate family, the department will be required to justify the transaction as "beneficial" to University or Foundation operations.

### **Technical Conflicts of Interest**

If the conflict of interest is technical, the originating department must indicate in the Letter of Justification that the employee is not in a position to influence the selection of their (or their immediate family's) firm. The originating department should attach the justification letter to the Request for Purchase and forward it through the appropriate offices for approval. Once the Request for Purchase is received in the Purchasing Office, it will be transmitted to the Western Illinois University President, or his/her designee, for approval of the transaction.

### **Real Conflicts of Interest**

If the conflict of interest is real, or could be perceived as real, the originating department must indicate in the Letter of Justification that the employee is in a position to influence the selection of their firm. The Letter of Justification also requires area vice presidential approval and it must be attached to the Request for Purchase and forwarded to the appropriate offices for approval. Once the document is received in the Purchasing Office, it will be transmitted to the Western Illinois University President, or his/her designee, for approval of the transaction. If the transaction is approved, a Purchase Order will be issued and all supporting documentation for the transaction will be filed in the Business Office. If the transaction is not approved, the originating department will be notified and the Request for Purchase will be canceled.

### **Requirements for Board Members**

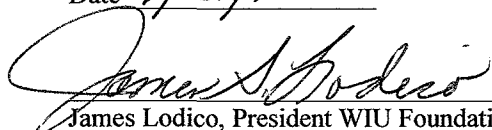
Members of the Western Illinois University Foundation board are required to complete a Conflict of Interest Questionnaire with the Foundation Accounting office annually. The questionnaires will be provided to the board members at the last board meeting of the fiscal year; they will be mailed to the board member if the member is not present at the meeting. Responses to the questionnaire will be used to document conflicts for IRS and charitable registration reporting purposes.

**CLARIFICATION**

Requests for clarification of this policy should be directed to Foundation Accounting or the Western Illinois University Foundation Executive Officer.

Certified as approved by the Executive Committee of the Western Illinois University Foundation Board of Directors on:

Date 11/31/15

  
James Lodico, President WIU Foundation

Review schedule: Annual  
Revision history: 10/20/12 (original approval); Revised 1/31/2015

Responsible Departments: Foundation Office

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