



ARCHDIOCESE OF WASHINGTON

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February 6, 2004

Subject: Conflict of Interest Policy

Dear Monsignor/Father,

In light of the corporate financial mismanagement that has been covered in the media over the past two years, laws have been enacted requiring corporations to adopt conflict of interest policies.

At the advice of the Archdiocesan Finance Council and the external auditors, Cardinal McCarrick is requiring all Archdiocesan corporations and parishes to adopt the enclosed *Archdiocesan Conflict of Interest Policy*. Now more than ever, the Church needs to be transparent and to ensure it is being a diligent steward of its resources.

This policy should be implemented as soon as practical based on the timing of your next board meeting, but in no case later than July 1, 2004.

Key points of the policy and its implementation are below.

What is a conflict of interest? The Archdiocese and all related entities that foster the mission of the Church as charitable organizations must not engage in transactions where an "insider" unduly benefits because of her/his relationship with the related charitable organization. An "insider" or "covered person" is someone with influence over decision-making concerning a transaction. Certain positions are presumed to have influence. These positions include members of the parish council and finance council and executive staff, including the pastor, principal, accountant, purchasing director and heads of major departments. It also includes the directors of any parish-related entities.

Annual Conflict of Interest Statements. To monitor situations that could present a conflict of interest, the covered persons will be required to complete and submit to the pastor an *Annual Conflict of Interest Statement*, a sample of which is enclosed. It is recommended that these be completed and collected at the first parish council and finance council meetings of each fiscal year and immediately for members joining a council mid-term. For executive staff, the statements should be completed and collected in June each year to cover any transactions for the subsequent fiscal year. If new executive staff is hired during the year, the statement should be completed when other initial hiring paperwork is prepared.

Identifying Potential Conflicts. Once the annual statements are completed, a list of potential conflicts should be prepared. The statements should be given to and reviewed by the parish finance council and maintained with its records. Any transactions with related parties (which includes covered persons, their families or entities related to them) must undergo scrutiny by the pastor and the finance council to ensure they are in the best interest of the parish and the Archdiocese. A parish may transact business with related parties, but the parish must be able to demonstrate that the terms of the transaction are equal to or more favorable than the parish could achieve with an outside party.

Enclosed, along with the policy, is an example of a related party transaction and a checklist for assistance in administering this policy.

If you have questions about this policy or its implementation, please contact Terry Farrell at tfarrell@adw.org or 301-853-4511.

Yours in Christ,

A handwritten signature in black ink that reads "Kevin Farrell". The signature is written in a cursive style with a large, stylized initial "K" and a long horizontal stroke at the end.

Most Rev. Kevin J. Farrell
Vicar General for Administration

_____ Parish
Archdiocese of Washington
Annual Conflict of Interest Statement

I _____, hereby state that, to the best of my knowledge, except as noted below:

1. I do not have an official relationship as an officer, director, employee, partner, proprietor, or holder of 5% or more interest in an entity that transacts business with the Archdiocese of Washington, this parish or any parish-related entity.
2. I, as an individual, do not transact any business, directly or indirectly, with the Archdiocese, this parish or any parish-related entity.
3. No member of my family (which includes spouse, children, parents, siblings and in-laws) is in the employ of the Archdiocese of Washington, this parish or any parish-related entity.

List any exceptions to the above statements here or write “none” if there are no exceptions:

I agree that if any situations arise of which I am aware that any contradict the above statement, I will immediately notify the pastor of any conflict, real or potential, and make full disclosure thereof, I have and agree to abide by the provisions in the document entitled *Archdiocese of Washington Conflict of Interest Policy*.

Date

Signature

A copy of the form should be kept by the individual signing it. The original, after review by the parish finance council, should be kept for a three-year period with the parish finance council records.

**Parish Example:
Transaction with Potential Conflict of Interest**

The husband of a member of the parish council owns ABC Florist shop. The parish buys its flowers from ABC.

What must be done under the *Archdiocesan Conflict of Interest Policy*?

The member of the parish council discloses on her Annual Conflict of Interest Statement that a member of her family holds an interest in ABC Florist.

This statement (as well as those of all other covered persons) is maintained by the pastor and shared with the parish finance council.

Before flowers are purchased, competitive bids are received from two other florists that cover the different types of purchases the parish typically makes. The “interested” member of the parish council may not be involved in obtaining/analyzing the competitive bids.

If ABC Florist’s prices are equal to or less than the competitive bid prices, the purchases may be made from ABC Florist. (There may be rare circumstances where a higher-cost proposal may be in the best interests of the entity. If this is the case, the transaction may be completed with the higher bidder only after documenting the rationale for paying the higher price and the approval of the pastor and finance council.)

If the pastor and finance council determine it is in the best interest of the parish to use ABC, the minutes of that meeting should reflect that intention and the supporting information on the competitive prices. The rationale for vendor selection should either be part of the minutes themselves or attached to the minutes as an exhibit.

This process does not have to be repeated for each purchase as long as ABC Florist’s prices stay the same. However, the competitive bidding process should be re-performed periodically, at least every three years.