

Conflicts & Nepotism – A Dangerous Employment Cocktail

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Last week, Alabama Governor Robert Bentley [removed Alabama State University Trustee Marvin Wiggins](#) for violating the University's **conflict of interest rules**. The removal proved once again that if you are responsible for the oversight of an organization's governance or operations, you must be mindful of your family's relationship to that organization. Given the broad range of employment and service provider relationships of public and private universities, now is as good a time as any to assess the content and application of conflict of interest policies.

Governor Bentley based his decision to remove Trustee Wiggins on his office's findings that Mr. Wiggins failed to disclose that (1) Mr. Wiggins' wife held a camp at the University that resulted in payments of over \$250,000 to Mr. Wiggins' wife, mother-in-law, sister-in-law, nephew, and brother-in-law; and (2) the University hired a Wiggins family member as a Professor in the School of Business, despite Mr. Wiggins' knowledge of her recent disbarment by the North Carolina Bar Association, an act which later became secondary to her plea of guilty to mortgage fraud conspiracy, money laundering conspiracy and wire fraud. Under the Alabama Code, it is impermissible for a board member to be a party to or in any way associated with the employment or non-dismissal of a relative.

The hire or retention of a relative to perform services for financial remuneration should raise an automatic red flag to a person serving on a board or in the executive ranks of a higher education institution because these relationships will be subject to scrutiny under federal and state laws. While Wiggins' non-disclosure violations occurred at a public university, similar disclosure obligations exist for private institutions. In fact, IRS Form 990 – the information tax return submitted by not-for-profit colleges, has additional disclosure requirements; namely, that the college disclose all transactions with or related to "interested persons" – those charged with oversight of key functions.

It is important to note that while every potential "conflict" is not terminal, these arrangements must be reviewed carefully with legal counsel to ensure that interested persons do not or will not improperly influence or participate in the decisionmaking process. It would be a good idea for universities to include conflict resolution as an agenda item for all governance meetings to start the academic year.

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