

Baylor University
Officer, (and) Administrative Employee and Other Employees
Conflict of Interest Policy
BU-PP 800

1. APPLICATION

This policy applies to each Baylor non-faculty employee whose position/responsibilities requires contact with external companies, such as consultants, vendors, and material/service providers who do business with the University.

2. PREAMBLE

Baylor University is both a public and sacred trust. As such, each non-faculty employee at Baylor University has a duty to exercise the utmost good faith in each transaction touching upon his or her duties to the University and its property. In dealing with and on behalf of the institution, each non-faculty employee is held to a strict rule of honest and fair dealing between himself or herself and the University. Baylor University employees should conduct their affairs so as to avoid or minimize conflict of commitments and conflicts of interest. In addition, the University should be prepared to respond appropriately to a non-faculty employee when a real or apparent conflict arises.

The purposes of this policy are to (i) educate non-faculty employees about situations that generate conflicts; (ii) provide means for non-faculty employees and the University to manage real or apparent conflicts; (iii) promote the best interests of the University; and (iv) describe situations that are in conflict with this policy. Each non-faculty employee has an obligation to become familiar with, and to abide by, the provisions of this policy.

3. GENERAL PRINCIPLES

A. Policy in Regard to Conflict of Economic Interests

Baylor University shall seek competitive bids in business transactions where it is feasible to do so since this is one of the best ways to avoid potential conflicts.

In addition, Baylor University shall refrain from entering into any financial, business or other transaction with (1) an employee whose position/responsibilities requires contact with persons or entities who do business with the University or (2) a member of such an employee's immediate family or with an entity or individual in which any such person

has a financial interest or management responsibility inasmuch as such transaction might involve a potential conflict of interest. For the purposes of this policy, the term "immediate family" means a spouse, parents, siblings, children, and any other relative if the latter resides in the same household as the employee. As used in this policy, a person has a "financial interest" in a business enterprise if the person has, directly or indirectly, through business, investment, or family –

- a. an ownership or investment interest in a business enterprise with which Baylor University has a transaction or arrangement, or
- b. a compensation arrangement with Baylor University or with any entity or individual with which Baylor University has a transaction or arrangement, or
- c. a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which Baylor University is negotiating a transaction or arrangement.

The term "compensation" includes direct and indirect remuneration as well as gifts or favors that are substantial (in the aggregate) in nature.

B. Policy in Regard to Conflict of Commitments

Non-faculty employees of Baylor University owe their primary responsibility to the University. As such, their primary commitment of time should be to the fulfillment of the mission of Baylor University. A Baylor University non-faculty employee is expected to demonstrate his or her dedication to Baylor, which, if he or she works full time, leaves little time for outside work. The specific responsibilities, position requirements, employment obligations and professional activities that constitute an appropriate and primary commitment of time will differ across departments. However, these responsibilities, requirements, obligations and activities should be initially premised on a general understanding of full-time commitment for full-time non-faculty employees of Baylor University. Exceptions must be justified and shown to enhance the institutional mission.

Conflicts of commitment usually involve issues of time allocation. Attempts to balance University responsibilities with external activities, such as, but not limited to, business interests, public service or pro bono work, can result in real or apparent conflicts regarding commitment of time and effort. Whenever a non-faculty employee's external activities exceed reasonable time limits, or whenever a non-faculty employee's primary responsibility is not to the institution, a conflict of time commitment exists.

C. External Law in Regard to Acceptance of Personal Benefits

Texas Penal Code Article 32.43 provides that it is a criminal offense for an employee or agent of Baylor University “to intentionally or knowingly solicit, accept or agree to accept any benefit from another person on agreement or understanding that the benefit will influence the conduct of the employee or agent in relation to the affairs of [Baylor University].”

It is likewise a criminal offense “to offer, confer or agree to confer such benefit on agreement or understanding that the benefit will influence the conduct of the recipient in relation to the affairs of the recipient’s employer.”

The criminal offense is a state jail felony. Additionally, the court may impose a fine not to exceed double the value of the benefit gained.

4. EXCEPTIONS TO THE GENERAL PRINCIPLES

The President or another disinterested person designated by the President, may make exceptions to these two general principles in any case in which he or she has investigated alternatives to the proposed transaction or arrangement and, after exercising due diligence, determines Baylor cannot obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest, and further determines that the proposed transaction or arrangement is in Baylor’s best interests and is fair and reasonable to Baylor.

The following two situations (a. and b.) do not involve a conflict of interest and are permissible under this policy without any necessity for board of regents Audit Committee action in each individual case, provided disclosure has been made in accordance with Section 5 below.

- a. Purchase of goods and services of a kind regularly purchased in the ordinary course of operation of the University from among a number of suppliers of such kinds of goods and services.
- b. Purchases of goods and services on terms that are not more favorable to an executive officer or employee with administrative responsibilities as designated by the President or a member of his or her immediate family, or organizations, including corporations and business enterprises, in which he or she has a financial interest or for which he or she has management responsibility, than would exist in transactions between the University and persons having no affiliation with it.

5. CONFLICTS OF INTEREST

A conflict of interest exists when a non-faculty employee of Baylor University has an outside personal and/or economic interest, which may potentially oppose the best interests of the University. A conflict of interest occurs when there is a divergence between an individual's private, personal economic relationships or interests and his/her employment obligations to the University such that an independent observer might reasonably question whether the individual's actions or decisions are determined by considerations of personal benefit, gain or advantage, rather than those of Baylor University. A real or apparent conflict of interest depends on the situation, and not necessarily on the character or actions of the individual. The appearance of a conflict of interest can be as damaging or detrimental as an actual conflict of interest. Thus, individuals are asked to report potential conflicts so that appearances can be separated from reality. A non-faculty employee may not use his or her position, or knowledge gained therefrom, in such a way that a material conflict may arise between the interests of the University and those of the individual. It is wrong for an individual's actions or decisions made in the course of his or her University activities to be determined by considerations of personal financial gain.

A non-faculty employee may not involve Baylor University students or other employees in their external activities if such involvement is in any way coerced or if it in any way conflicts with the involved participants' required commitment of time to the University.

While it is impossible to enumerate all of the circumstances and conditions that might arise regarding potential conflict and actual conflict of interest, the following examples are situations that could lead to a conflict:

- a. Employment outside the University, even on a part-time basis.
- b. Significant managerial responsibilities in business enterprises outside the University.
- c. Transacting private business from one's Baylor office during times when such activity might interfere with one's commitment to Baylor.
- d. Influencing the purchase of equipment or materials from a company in which the person or a member of his or her immediate family has a material personal interest. A material personal interest for the purposes of this policy refers to ownership interest that when aggregated for the employee, spouse, and dependent children exceeds \$10,000 and represents more than 1% of the equity of the company (in those cases in which the company is not listed on a stock exchange.)
- e. Unauthorized and un-reimbursed use of University property or resources for the benefit of the individual or a company in which the employee or a member of his or her immediate family has a material personal interest. A material personal interest for the purposes of this policy refers to ownership interest that when aggregated for the employee, spouse, and dependent children exceeds \$10,000 and represents more than 1% of the equity of the company (in those cases in which the company is not listed on a stock exchange.)

- f. Participating in the review or hiring process when the University employee has a marital, familial, or intimate relationship with the person being hired.
- g. When carrying out private, non-University business, utilizing the name of the University when presenting ideas, implying that the ideas represent the University's position, or identifying publicly with the University.
- h. Use of privileged information acquired as a result of University-supported activities for private gain (for instance, in obtaining a contract for a company in which one has a financial interest).
- i. Accepting or soliciting a favor, entertainment, vendor discounts, or a material gift that might influence his or her decision making or compromise his or her judgment in action affecting the University. (Note: Extreme care must be used in acceptance of any gratuities even of nominal amount, and the frequency and collective impact of such actions to ensure that one is abiding by the letter and spirit of this Conflict of Interest Policy. While the favors, entertainment, and/or gifts may initially seem insignificant, in the aggregate and at the end of the year if they total \$100 or more they must be reported. Please provide a good-faith estimate in the event you cannot document actual value(s) of \$100 or more.

6. METHOD OF DISCLOSURE

The disclosure required by this policy is made by going to the following location on Baylor's server:

<https://www1.baylor.edu/EmplCOI/>

and completing and submitting electronically the Conflict of Interest Disclosure and Information Statement found there.

Disclosure Statements from non-faculty employees whose position/responsibilities requires contact with external companies, such as consultants, vendors, and material/service providers who do business with the University will be reviewed by a committee, hereinafter referred to as the "review committee." The review committee is composed of the Vice President for Finance and Administration, Associate Vice President for Budget and Human Resources, a designated lawyer from the Office of General Counsel, Assistant Vice President for Human Resource Services, and the Director of Internal Audit and Management Analysis, for the purpose of determining whether a material conflict of interest exists. In the case of a possible conflict of interest involving a member of the review committee, the President shall appoint another person to sit with the committee in place of the committee member with whom a conflict may exist. The review committee shall report to the President the number of employees who have reported potential conflicts since the review committee's last report to the President, the number and nature of the conflicts that the review committee found to exist, and how the committee recommends that each conflict be resolved.

In the event of an affirmative finding of an actual or possible material conflict of interest by the President or by a member of the review committee, the review committee shall take such action as reasonably may be necessary to (1) eliminate the material conflict of interest or (2) otherwise safeguard the interests of the University.

All disclosures made pursuant to this policy remain confidential, except where a finding of an actual or possible material conflict has been made by the review committee in which case the review committee may take such action as they deem appropriate under the particular facts and circumstances to ensure that the interests of the University are adequately safeguarded. A report is subsequently made to the Board of Regents Audit Committee on the results from the review committee's actions. Upon receiving a report, the Audit Committee may take such additional action as they deem appropriate under the particular facts and circumstances to ensure that the interests of the University are adequately safeguarded.

7. OBLIGATION TO FILE ANNUAL DISCLOSURE AND INFORMATION STATEMENT

Each non-faculty employee whose position/responsibilities requires contact with external companies, such as consultants, vendors, and material/service providers who do business with the University, must annually file a copy of the Disclosure and Information Statement in accordance with the provisions of Section 5 above.

Each non-faculty employee whose position/responsibilities requires contact with external companies, such as consultants, vendors, and material/service providers who do business with the University has a continuing obligation to supplement, modify, or amend his or her annual disclosure statement as circumstances may demand.

8. VIOLATIONS OF THIS CONFLICT OF INTEREST POLICY

If a non-faculty employee whose position/responsibilities requires contact with external companies, such as consultants, vendors, and material/service providers who do business with the University, has failed to disclose actual or potential conflicts of interest as required by this policy the University, after review of the relevant facts and circumstances, may take appropriate action.

9. ANNUAL REPORT TO AUDIT COMMITTEE AND THE BOARD OF REGENTS

Each year at the annual meeting of the Board of Regents of Baylor University, the chair of the Audit Committee shall report in writing to the full board the number and nature of potential conflicts of interest that were reported to the University during the past year, the number of conflicts that were found to exist, how those conflicts were resolved, and such other information as the board may deem appropriate.

10. PERIODIC REVIEWS

To ensure that Baylor University operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, the Board of Regents shall conduct periodic reviews. In conducting these reviews, the Board may, but need not, use outside advisors. If outside experts are used, their use does not relieve the Board of its responsibility for ensuring that periodic reviews are conducted with due diligence.

BU-PP 800-Addendum

Purpose: The purpose of this Addendum is to minimize and manage actual or perceived conflicts of interest between Baylor University and Baylor's employees or agents who have significant responsibilities that relate to the negotiation, execution, or administration of business relationships with persons or entities that provide or seek to provide Baylor University goods or services.

Application of Addendum: This Addendum applies to (i) members of the Executive Council, (ii) any person within the Finance and Administration Division with the title of Director or above, and (iii) any person (employee or agent of Baylor) designated by the appropriate division head.

Members of the Executive Council shall designate persons (employees or agents) within their divisions who have significant responsibilities that relate to the negotiation, execution, or administration of business relationships with persons or entities that provide or seek to provide Baylor University goods or services. The designation shall be in writing and provided to the person so designated and to the Internal Auditor.

Definitions:

Administrators: Any member of the Executive Council, any person within the Finance and Administration Division with the title of Director or above, and any person (employee or agent of Baylor) designated by the appropriate division head to be covered by this policy.

Personal Benefit: Any benefit from a Vendor that inures in whole or in part to the Administrator, the Administrator's Immediate Family, a business entity in which the Administrator or the Administrator's Immediate Family has a financial interest, a co-worker of the Administrator, or to any person or entity other than Baylor University, whether or not such benefit might influence the Administrator's judgment. A Personal Benefit remains a Personal Benefit when combined with goods or services that are beneficial to Baylor University.

Vendors: Persons or entities that provide or seek to provide Baylor University with goods or services.

1. ADDITIONAL GENERAL PRINCIPLES

- A. Administrators shall ensure open and competitive acquisitions of goods and services based on sound acquisition practices.
- i. The acquisition process may consider the current or prior relationship of Vendors with Baylor University, as long as all Vendors have the same opportunity.
 - ii. The acquisition process may establish preferred Vendors for Baylor University, but the process to select a preferred Vendor should itself be open and competitive and consider input from the Baylor community.
 - iii. Any non-competitive acquisition (other than one described in 1.A.iv. below) must be approved in writing by the Vice President for Finance and Administration or by the President.
 - iv. **A Baylor University Regent who proposes to conduct an activity or enter into a relationship that may present or be perceived to present a conflict of interest must fully disclose in writing the nature and extent of such to the Audit Committee of the Board of Regents. The Audit Committee will review the matter and make a written determination of the propriety or impropriety of such consistent with the Board of Regents Conflict of Interest Policy. (The Board adopted the Board's Conflict of Interest Policy by resolution on February 26, 2004.)**

- B. Administrators shall ensure open communications with Vendors at an appropriate and equivalent level. For example, a vice president should have open communications with the Vendor's vice president.
- C. Administrators shall include in key Vendor contracts (such as facilities services, dining services, bookstore license, and major construction) a provision that requires the Vendor to report to Baylor's Internal Auditor the transfer of a Personal Benefit or of Personal Benefits valued at more than \$100, individually or in total, to or for the benefit of a Baylor employee. The report shall include the name of the Baylor employee, the date on which the Personal Benefit was provided, the type of Personal Benefit, and the value of the Personal Benefit. This report will be provided to Baylor's Internal Auditor on a quarterly basis. Exceptions must be approved in writing by the Vice President for Finance and Administration or by the President.
- D. Administrators shall administer contracts in accordance with their terms and conditions; provided, however, that any effort by Baylor University to affect who is employed by a Vendor shall be coordinated with the Vice President for Finance and Administration and the Office of General Counsel.
- E. Administrators shall under no circumstances solicit any Personal Benefit and shall not accept any Personal Benefit without appropriate disclosure, regardless of the effect or potential effect of the Personal Benefit on the Administrator's judgment.

2. ADDITIONAL DISCLOSURES

- A. Disclosures by Administrators
 - i. Administrators shall exercise reasonable care to recognize and appropriately respond to conflicts of interests between themselves or their subordinates and Vendors.
 - ii. Administrators must disclose, as soon as it becomes known to the Administrator, any relationship with Vendors that is not solely business related, and should disqualify themselves from Baylor decisions if such a relationship could appear to compromise the decision process.
 - iii. Administrators must obtain Pre-Approval of Acceptance of Personal Benefits from Vendors in accordance with 2.B. and 2.C. below.
 - iv. Administrators must disclose receipt of Personal Benefits from Vendors in accordance with BU-PP 800 and 800A.

B. Required Pre-Approval of Acceptance of Personal Benefit

- i. Personal Benefit value over \$100 (single transaction or reasonably foreseeable multiple transactions): An Administrator must obtain written approval of the Administrator's first-level supervisor before accepting such a Personal Benefit. The Administrator shall submit the request for pre-approval to the Administrator's first-level supervisor, who may inform the Internal Auditor and seek assistance in order to make a decision. The Administrator's first-level supervisor shall retain the pre-approval request and the written approval for one year after the next annual report due in accordance with BU-PP 800.
- ii. Personal Benefit value over \$1,000 (single transaction or reasonably foreseeable multiple transactions): An Administrator must obtain written approval of the Conflict of Interest Review Committee (See BU-PP 800) before accepting such a Personal Benefit. The Administrator shall submit the request for pre-approval to the Internal Auditor. The President's Chief of Staff shall be a member of the Review Committee for the purposes of this Pre-Approval.

In any case in which the Personal Benefit is combined with a business-related purpose, the combined value of the Personal Benefit and the business-related purpose shall be considered to determine the value of the Personal Benefit for the purposes of pre-approval.

C. Required Disclosure for Pre-Approval of Acceptance of a Personal Benefit

An Administrator seeking pre-approval shall submit the following to the Administrator's first-level supervisor (over \$100 in accordance with 2.B.i. above) or the Internal Auditor (over \$1,000 in accordance with 2.B.ii. above):

- i. Estimated value of the Personal Benefit, if it can be segregated from the value of business-related purpose
- ii. Estimated value of the Personal Benefit and business-related purpose combined
- iii. Information about the Personal Benefit (such as travel, entertainment, goods, or services)
- iv. Information about the business-related purpose, including itinerary of trips, meeting, and conferences
- v. Identification of alternative means to accomplish business-related purpose without the Personal Benefit

- vi. Evaluation of whether business-related purpose outweighs Personal Benefit
- vii. The Administrator's responsibilities relating to the Vendor
- viii. The Administrator's assessment of the effect or perceived effect of the Personal Benefit on the Administrator's judgment
- ix. The Administrator's opinion about whether he or she would use Baylor funds, if otherwise available, to pay for the business-related purpose
- x. Other information considered relevant under the circumstances

3. DISCLOSURE OF RECEIPT OF PERSONAL BENEFIT

Administrators shall nonetheless disclose pre-approved Personal Benefits in accordance with BU-PP 800 after receipt of the Personal Benefit. Administrators shall update annual disclosures within 30 days of receipt of any Personal Benefit(s) that exceeds \$100 from any Vendor (either in a single transaction or in more than one transaction within the calendar year preceding the latest Personal Benefit from the same business entity).

BU-PP 800:

Inception date: September 1997; revised March 2006

Website date: July 1998; revised March 2006

[Conflict of Interest Disclosure & Information Statement](#)