

University of Southern California
Conflict of Interest and Ethics: Policy and Procedure

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1.0 **Introduction**

The most important heritage of the University of Southern California is our good name and reputation, which has been created by our faculty, staff and students. Maintaining our good name and reputation depend upon our willingness to adhere to the highest ethical standards in our professional and business practices.

Toward that end, every faculty member and non-faculty employee must avoid both actual conflicts of interest and the appearance of conflicts of interest with the University. The avoidance of such conflicts is important to academic integrity in research and in the classroom. Its importance extends to the trust that all faculty members and non-faculty employees carry on behalf of the public and our students, alumni, research sponsors and donors.

The objective of this document is to provide an institutional policy that protects academic freedom and encourages the full professional development of USC's faculty members and non-faculty employees, while minimizing the risk of unacceptable behavior in potential conflict situations. This policy is intended to assist University faculty members and non-faculty employees in managing real or perceived conflicts of interest.

2.0 **Scope**

This policy applies to all faculty members (including part-time and visiting faculty), non-faculty and other employees (such as postdoctoral scholars), and students (including postdoctoral fellows and graduate students) employed or otherwise engaged by the University.

3.0 **Definitions**

3.1 Conflict of Interest

The term "conflict of interest" in this policy refers to situations in which financial or other personal considerations compromise, or have the appearance of compromising, an individual's professional judgment and ability to perform his or her responsibilities to USC. Faculty members and non-faculty employees should consider not only situations that are unacceptable, but should also consider gray areas that might involve the

appearance of conflict. The mere appearance of a conflict may be just as serious and potentially damaging as an actual bias in professional judgment. For every situation contemplated, there will be some variant that adds a new set of considerations.

3.2 Close Relation

A “Close Relation” is defined as a spouse, mutual financial dependent, significant other, or person in an intimate relationship; a child, parent, sibling (including in-laws and step-relations), grandparent or grandchild, niece or nephew, aunt, uncle or cousin.

3.3 Substantial Financial Interest

The ownership of an interest of more than 5% in a company is considered a substantial financial interest. Any management role in a company, e.g., officer, creates an appearance of conflict equivalent to owning a substantial financial interest.

3.4 Employee

The term “employee” is used in this policy to include all those covered by its scope as defined in Section 2.0. The term “non-faculty employee” is used to include all employees who are not faculty members.

4.0 **Principles**

4.1 Conflict of Interest in Employment and Business Practices

University faculty members and non-faculty employees must not allow a personal or outside interest to interfere with their duties and responsibilities to the University. Even the appearance of a conflict of interest should be avoided. Any arrangements or relationships that may pose an actual or apparent conflict of interest should be disclosed and managed pursuant to Section 5.0 of this policy.

Although not an all-inclusive list, examples of actual or apparent conflicts of interest in business practices that should be disclosed under this policy include:

- (i) Conducting business with an individual or entity in which you or your Close Relation has a personal, managerial or substantial financial interest;
- (ii) Maintaining an external consulting or other business or employment relationship (including all arrangements in which you are compensated in any way) with a supplier, vendor or competitor of the University, which a reasonable person would expect to impair, or which appear to impair, your independence of judgment in the performance of your University duties;
- (iii) Competing with the University, or competing with other external vendors for University business, whether as an individual, as an employee of another

organization, or through a separate entity owned or operated by you or your Close Relation that exists outside of your professional obligations to the University;

- (iv) Accepting personal gifts or special favors from individuals or entities that provide, or seek to provide, services or supplies to the University. This does not include occasional gifts of nominal or modest value (less than \$50.00 in value or isolated invitations to lunch or dinner);
- (v) Endorsing or authorizing the endorsement of any product or service on behalf of the University. As described in Section 5.2, such arrangements require the explicit prior written approval from the President, Provost and Senior Vice President for Academic Affairs or Senior Vice President for Administration;
- (vi) Making use of any University assets (including the University's name, trademark or service mark), resources or supplies (except for incidental use) outside the scope of his or her employment.

Actual or apparent conflicts that cannot be adequately managed are not acceptable and are prohibited under this policy. Examples of unacceptable situations (unless recommendations to manage the situation are implemented) include the following:

- (i) Conditioning any actual or potential business relationship with the University on a charitable gift or contribution to the University;
- (ii) Participating in any way in any negotiation or transaction between the University and a business entity in which you or your Close Relation has a personal, managerial or substantial financial interest;
- (iii) Directly supervising or evaluating the work of a Close Relation (See also Section 4.3 of this policy);
- (iv) Participating in any decision (such as decisions concerning initial appointment, retention, termination, promotion, salary, or leave of absence) that involves either a direct benefit or a detriment to a Close Relation (See also Section 4.3 of this policy);
- (v) Soliciting personal gifts or special favors from individuals or entities that provide, or seek to provide, services or supplies to the University;
- (vi) Unauthorized use of confidential, privileged or proprietary information obtained in connection with your University position, or use of such information for your personal benefit or the personal benefit of another.
- (vii) For faculty members who conduct clinical practice, failing to abide by their respective faculty practice plan agreements.

This policy cannot regulate or eliminate all situations of conflict of interest, but is intended to enable faculty members and non-faculty employees to recognize situations that raise an appearance of impropriety and to ensure that such situations are properly reviewed and resolved. To this end, all USC faculty members and non-faculty employees must disclose actual or perceived conflicts so that they can be managed appropriately. Disclosure will not necessarily restrict or preclude an individual's activities. In most cases, problems arise when the conflict is not disclosed, or when it is not assessed or managed.

4.2 Conflict of Commitment

Each full-time faculty member and non-faculty employee owes professional loyalty to the University and shall be alert to the possibility that outside obligations, financial interests, or employment can affect that commitment. Section 3-18 of the Faculty Handbook states that, "Faculty members have a binding obligation to discharge instructional and other regular duties, and performance of those duties may be impaired by any private activity requiring a large portion of time." Any involvement by a University faculty member or non-faculty employee in personal business ventures shall be conducted outside the University work environment and not during times when he or she is required or expected to perform the duties and responsibilities of his or her University employment.

Faculty members and non-faculty employees must be careful that their work for others than the University, including work during sabbaticals, other leaves or vacations, while visiting other institutions and while consulting with industry, does not conflict with their obligations and commitments to the University, especially including potential conflicts concerning the ownership of intellectual property and the general responsibilities of full-time University employment. For application of these policies to faculty, refer to the Faculty Handbook, Section 3-15 Outside Activities of Faculty Members. Faculty Handbook Section 3-15(C) states, "It should always be borne in mind that consulting is a conditional privilege granted by the University. As such, the University is the final judge of the appropriateness of the outside activity and whether it unduly compromises the faculty member's primary responsibilities implicit in his or her contract of full-time employment with the University."

Faculty members who seek to be educators at other institutions concurrent with their holding a full-time USC appointment (including teaching in corporate programs, or preparing course content for another entity) must seek advance permission as provided in Faculty Handbook Section 3-15(D). Such permission is granted either as part of approving a leave of absence to teach elsewhere, or by a separate letter from the dean.

Full-time faculty members may not hold substantially full-time concurrent positions elsewhere, except as part of an approved leave. All work by full-time faculty outside the University is governed by the provisions of the Faculty Handbook on outside consulting, Section 3-15 (C), and outside teaching 3-15 (D).

Simultaneous appointments at another educational institution, or participation as a co-principal investigator or paid staff member on sponsored projects at another institution requires prior written permission from the dean. A faculty member may not hold tenure at two institutions without written permission from the Provost and Senior Vice President for Academic Affairs.

Faculty members and non-faculty employees involved in research activities also should refer to the Intellectual Property Policy and Conflict of Interest in Research Policy. These policies can be found at: www.usc.edu/policies.

Staff employees are expected to share their skills and experience with the University community and, in the spirit of collegiality, to serve as a resource for departments outside their own. They also should recognize the potential conflict of commitment created when opportunities for compensation occur within the University, but outside their home department. Additional compensation beyond base salary to staff exempt employees by a second department is discouraged. Such payments require review by the University Compensation Office and approval in advance by the Dean or appropriate Vice President of both the employee's home department and the second department. Compensation for such employment must comply with University policies and procedures concerning compensation, overload payments, and overtime compensation for non-exempt employees. An individual who performs both staff functions and teaching activities is considered a full-time staff employee with a concurrent part-time faculty appointment and title, and is governed by all Staff Employment Policies and Procedures. Payments to staff employees for teaching activities cannot be made without the prior written approval of the Senior Vice President for Administration. Full-time faculty members with administrative duties may receive an additional stipend with approval of the Provost.

4.3 Personal Conflicts Of Interest

Any faculty member or non-faculty employee should take all reasonable steps to avoid a conflict of interest or the appearance of a conflict of interest in his or her University work that could arise from a family or intimate relationship with a Close Relation employed by the University or with whom the University has contracted to provide goods or services. In particular, a faculty member or non-faculty employee shall not participate in any decision (such as decisions concerning initial appointment, retention, termination, promotion, salary, or leave of absence) that involves either a direct benefit or a detriment to a Close Relation, as defined under this policy.

Faculty members and non-faculty employees shall not supervise directly or evaluate the work of a Close Relation. For example, a principal investigator shall not hire on a grant or contract a person who is a Close Relations. In an unusual situation that would otherwise call for a subordinate to report to a supervisor who is a Close Relation, the written permission of the Provost and Senior Vice President for Academic Affairs is required to authorize special arrangements for faculty members, such as having the subordinate report to an unrelated third party. For non-faculty employees, such arrangements require the written permission of the Senior Vice President for

Administration. To protect privacy, faculty members and non-faculty employees who choose to recuse themselves from such decisions or supervisory responsibilities are not required to state reasons.

If a faculty member or non-faculty employee is in doubt concerning the possibility of a personal conflict of interest, it is recommended that the employee consult the appropriate supervisor, chair or Dean. A supervisor, chair or Dean with similar doubts should initiate discussion with the faculty member or non-faculty employee; and any other employees with such concerns should raise them with the supervisor, chair or Dean who should take appropriate steps. For faculty, advice in these situations should be sought from the Vice Provost for Faculty Affairs or the President of the Faculty. Non-faculty employees also may consult their supervisor or, for employees on the University Park campus, the Manager of Personnel Services, Policies and Procedures; or, for those on the Health Sciences campus, the Director of Personnel Services. Such consultation may address concerns about the potential personal conflict of interest in their own situation or those of their colleagues. Confidentiality shall be protected to the full extent practicable.

4.4 Conflicts of Interest in Research

The University also has policies and procedures for managing potential conflicts of interest in the conduct of research. These policies apply to faculty, non-faculty employees and students who conduct research. Refer to the USC Web site (www.usc.edu/policies).

5.0 **Procedure for Managing Potential Conflicts of Interest**

5.1 General Procedure

Full disclosure and consultation regarding potential conflicts of interest is in the best interest of both the University and its faculty members and non-faculty employees. However, the University respects the privacy of its employees and does not wish them to disclose financial or personal information that does not relate to a potential conflict of interest. Any faculty member or non-faculty employee who receives such financial or personal information in the process of disclosure is responsible to take reasonable steps to maintain the confidentiality of such information.

Disclosure

If a faculty member or non-faculty employee believes or suspects that a conflict of interest may exist, it should be disclosed to the faculty member's chair or Dean, or the non-faculty employee's supervisor, director, chair, Dean or Vice President for further action. A Dean or Vice President may also require annual or other periodic reports of actual or apparent conflicts of interest.

Review and Management

A chair or supervisor should take the necessary action to manage the actual or

apparent conflict after obtaining approval from the Dean in case of a faculty member, or the appropriate Vice President in case of a non-faculty employee. Permission required under Section 3-15 of the Faculty Handbook is granted only by the Dean, in advance and in writing. Further, if appropriate, the Dean or Vice President should consult with the Office of the Provost or the Senior Vice President for Administration before approving any plan to manage an actual or apparent conflict.

Many conflicts can be managed, after an appropriate evaluation, in the following manners. Situations will be found to be:

- Permitted as is, because the disclosed personal information does not represent an apparent or actual conflict of interest or other possible source of unreasonable bias or inappropriate activity, or
- Permitted contingent upon the implementation of one or more recommendations to manage an apparent or actual conflict or otherwise preclude unreasonable levels of bias or inappropriate activities, or
- Unacceptable, and thus prohibited.

Management of an actual or apparent conflict could include, among other things:

- Appropriate disclosure of the conflict to parties involved in the transaction;
- Recusal from participating in certain negotiations, decisions, or transactions;
- Recusal from managing or supervising particular faculty members or non-faculty employees;
- Recusal from managing or overseeing certain business transactions;
- Severance of outside relationships that pose conflicts;
- Appropriate monitoring and oversight by University management;
- Obtaining approval required by the Faculty Handbook, Staff Employment Policies and Procedures or other relevant University policies;

Conflicts that cannot be managed appropriately are unacceptable, and thus prohibited under this policy.

The supervisor or chair should document the manner in which the conflict has been managed and should monitor, as necessary, to ensure that the conflict continues to be managed appropriately. Such documentation should be included in the affected employee's personnel file.

The faculty member should notify his or her chair or Dean, and the non-faculty employee should notify his or her supervisor if there is any significant change in personal, financial or fiduciary status that reasonably would impact the actual or apparent conflict of interest.

5.2 Procedures for Conflicts of Interest Involving Business Practices

In addition to the procedure set forth in Section 5.1, Purchasing Services also may identify actual or apparent conflicts of interest or commitment in the course of performing their duties. In the event that Purchasing Services identifies a situation that is or appears to be a conflict of interest or commitment, they will request that a disclosure be made under this policy and will coordinate with the relevant department, unit or school to address and manage the conflict. Depending upon the potential magnitude of the issue, Purchasing Services also may refer the issue to the Senior Vice President for Administration or his or her designee, for resolution.

Purchasing Services may suspend any further action on the request that initiated the disclosure until such time as the conflict is managed.

In addition to the procedures set forth above, a University faculty member or non-faculty employee also must obtain the prior written approval from the Provost and Senior Vice President for Academic Affairs or Senior Vice President for Administration before he or she may endorse or authorize endorsement of any product or service on behalf of the University.

Assistance in managing potential conflicts of interest for non-faculty employees is available from the Manager of Personnel Services, Policies and Procedures on the University Park campus; or, for non-faculty employees on the Health Sciences campus, the Director of Personnel Services. For faculty, assistance is available from the Vice Provost for Faculty Affairs at (213) 740-6715. The Office of the General Counsel at (213) 740-7922 or the Office of Compliance at (213) 740-8258 also may be consulted for assistance.

6.0 Remedial Action for Non-Compliance

Failure to disclose and manage actual or apparent conflicts of interest under this policy, including the expectations detailed above about what an individual should or should not do, may be cause for disciplinary action, which may result in termination. For faculty, such action shall observe all provisions of the policies published in the Faculty Handbook. Any disciplinary action against a faculty member or non-faculty employee under this policy must take into account the scale of the offense, the individual's intent, and the degree of wrongdoing.