

**UNIVERSITY OF CALIFORNIA
SYSTEMWIDE AUDIT – CONFLICT OF INTEREST/CONFLICT OF COMMITMENT
JUNE 27, 2011**

I. EXECUTIVE SUMMARY

In accordance with the annual audit plan, the University of California (UC) conducted a system-wide audit of conflict of interest (COI) and conflict of commitment (COC) disclosures.

Based on the results of the work performed within the scope of the audits, it appears that controls over conflict of interest and conflict of commitment disclosures are generally adequate. However, certain areas, such as follow-up, monitoring and retention processes require some improvement for consistency with governmental guidelines or UC policies and procedures.

The most common observations identified in local assessments were:

1. Systemwide APM-025 policy lacks clarity and needs enhancement
2. Processes to ensure COI disclosures are filed and reviewed timely need enhancement
3. For COI positive disclosures, insufficient monitoring of the management plan to mitigate the conflict
4. The process for managing COC activities, which require approval in advance and annual reporting, needs improvement

Each location has issued a report covering their local observations, recommendations and associated corrective actions planned by management. The location reports are attached as an appendix to this report.

II. PURPOSE

The purpose of this audit was to assess the effectiveness of the COI and COC disclosure process.

III. BACKGROUND

Conflict of Interest (COI)

COI requirements for UC researchers are relatively complex and federal regulations in this area are changing and becoming more stringent. The appearance of a COI may undermine public trust, even in situations where mitigating factors are made known to the public.

Research COI Requirements

The state of California and the federal government have established different requirements for disclosure and review, and financial reporting thresholds for UC principal investigators (PIs) and other key staff on research projects. The California Fair Political Practices Commission (FPPC) requires that UC campus PIs use Form 700U for disclosures for non-governmental sponsored projects. A separate federal disclosure form must be completed by the PI and any other individual responsible for the design, conduct or reporting of the results of work performed or to be performed under a federally sponsored project. At a minimum, a PI is typically required to submit a disclosure for each grant proposal. If a positive disclosure is made, the campus may require additional information and perform an evaluation of the potential conflict to determine if it is a financial conflict of interest, and whether it should be reduced, eliminated or managed. If managing the COI is selected, a management plan is developed and monitored.

Conflict of Commitment (COC)

Requirements for Faculty conflict of commitment disclosures are provided in APM 025: *Conflict of Commitment and Outside Activities of Faculty Members*. Compensated outside professional activities are classified in three categories, based on the extent to which they may potentially raise COC issues. Faculty members must disclose time spent on compensated Category I and Category II activities annually via the “*Report of Category I and Category II Compensated Outside Professional Activities and Additional Teaching Activities*” (Annual Reports). The Department Chair is relied upon to recognize a potential conflict, with advice from other University offices as needed.

There are two new faculty policies that also have Conflict of Commitment clauses. Issued on January 1, 2010 is the Dean’s APM 240 which removed Deans from the SMG category. This policy has slightly different rules on Conflict of Commitment but is similar to APM 025. On July 1, 2010 a Faculty Administrators policy APM 246 was issued for other Academic classifications, which also have a slightly different COC rules.

The systemwide audit program was developed to evaluate each UC location’s compliance with selected federal, state, UC systemwide and campus COI and COC policies and procedures including faculty and staff outside income reporting.

IV. SCOPE

The scope of the audit included general overview procedures including: reviewing policy; interviewing management and other key personnel responsible for developing and implementing the policy; identifying and evaluating local practices for compliance with UC, state, and federal policies; evaluating communications and training provided to locations and faculty members; inspection of documents; and assessing practices for monitoring reports and disclosures submitted by faculty members including manual and electronic systems/processes.

The period of the review was FY 2009-10. For COC, this included faculty forms due November 1, 2010, which covered FY 2009-10. For COI, for contracts or grants active during FY 2009-10, review included California FPPC 700U forms for research awards funded by non-governmental entities and campus disclosure forms for federally funded research awards.

V. APPENDIX – LOCAL AUDIT REPORTS