



CONFLICT OF INTEREST POLICY BOARD OF DIRECTORS AND EMPLOYEES

PURPOSE:

California State University San Marcos Corporation (Corporation) work on campus and in the community depends upon the continued trust and confidence in the integrity of the Corporation. That integrity is grounded in fair and responsible decision making by its directors, officers and employees. All directors, officers, and employees are expected to conduct their personal and business matters so as to avoid actual, potential or apparent conflict between self-interests and the interests of the Corporation and/or Cal State San Marcos.

SCOPE:

It is the policy of the Corporation that all members of the Corporation Board of Directors, officers, and employees of the Corporation shall strictly adhere to the provisions of the California Education Code, Sections 89906, 89907, 89908 and 89909 and to the provisions of the California Corporations Code, Section 5233 (Reference Exhibit A).

POLICY:

I. BOARD OF DIRECTORS:

No Board Director shall be financially interested in any contract or other transaction entered into by the Board that is not in accordance with the conflict of interest provisions set forth in California Education Code Sections 89906-89909. The following contractual relationships are specifically not allowed:

- A. Any contract, other than an employment contract, directly between the corporation and a Board Director.
- B. Any contract between the corporation and a partnership or unincorporated association in which a Board Director is a partner, or an owner, or a holder, directly or indirectly, of a proprietorship interest.
- C. Any contract between the corporation and a for-profit corporation in which a Board Director is the owner or holder, directly or indirectly, of five percent (5%) or more of the outstanding stock.

Any Board Director who has a conflict and cannot divest himself/herself of such interest within a reasonable period of time shall be asked to resign his/her Board position.

A Board Director must disclose any financial interest, which could be impacted by the action of the Board. Under these circumstances the Board Director must recuse himself or herself from the action to approve such a transaction on the part of the Board. Failure to disclose may result in avoidance (voiding) of the contract.

It is the Corporation policy that a Board Director employed at a company or organization otherwise eligible to bid on Corporation services, such as accounting, finance, legal, etc., would not be eligible to bid while he/she serves as a Board Director.

PROCEDURES FOR BOARD OF DIRECTORS:

- A. At the beginning of each fiscal year, all members of the Corporation Board of Directors shall be required to sign a Conflict of Interest Statement Acknowledgement.
- B. The Executive Director shall administer the Conflict of Interest Policy for the Corporation Board of Directors. The administrator's responsibilities include:
 - a. Ensuring that the conflict of interest statements are distributed to the Board of Directors at the first meeting of a new fiscal year;
 - b. Ensuring that all statements are collected in a timely manner, retained in files, and treated as confidential information;
 - c. Referring any reported conflict or potential conflict to the Finance and Operations Committee.

II. EMPLOYEES:

This policy shall apply to all Director level positions within the Corporation Office, including the Executive Director, and to any other Corporation positions (Central Office or project) which in the opinion of the Executive Director (with input from Directors of Sponsored Projects, Human Resources, and/or Finance and Business Services) have significant exposure and/or decision making authority to warrant regular monitoring of Conflict of Interest activities.

Designated employees of the Corporation are required to disclose the following:

- A. Interests in real property, which within the last two years have been the subject of a lease or license with the Corporation for valuable consideration, or have been otherwise made the subject of a contract with Corporation for valuable consideration, or which in the future foreseeably may be so leased, licensed or otherwise made the subject of a contract with the Corporation.
- B. Interests in real property, investments and business positions in business entities, and income from sources located in whole or in part within two (2) miles of Cal State San Marcos or within two (2) miles of any property owned or leased by the Corporation.
- C. Investments and business positions in any business entity, or income from any sources, which within the last two years has contracted or in the future may foreseeably contract with the Corporation to provide supplies, materials (including books and periodicals), machinery, equipment, services or work of the type utilized by the Corporation.
- D. Investments and business positions in any business entity or income from any sources, which within the last two years has contracted or in the future foreseeably may contract with the Corporation to perform construction work or to perform services in connection with such construction work or which, within the last two years, has contracted or in the future foreseeably may contract as a subcontractor or supplier for such construction work or which, within the last two years, has contracted or in the future foreseeably may

contract with a service contractor to perform services in connection with such construction work pursuant to a separate contract with the service contractor.

- E. Changes occurring prior to their next complete declaration, if such changes either give rise to an actual or potential conflict of interest or eliminate a conflict previously disclosed.

PROCEDURES FOR EMPLOYEES:

- A. At the beginning of each fiscal year, employees of the Corporation holding the following designated positions are required to file annual statements of economic interest.
- Director, Business and Finance
 - Director, Sponsored Projects
 - Executive Director
 - Director, Human Resources and Payroll Services
- B. The Human Resources Director shall administer the Conflict of Interest Policy for the Corporation employees. The administrator's responsibilities include:
- a. Ensuring that the conflict of interest statements are distributed to designated employees during the first full work week of July of each year;
 - b. Ensuring that all statements are collected in a timely manner, retained in files, and treated as confidential information;
 - c. Ensuring all new managers hired into designated positions complete the conflict of interest at the time of hire;
 - d. Referring or reporting any existing, potential, or resolved conflict to the Finance and Operations Committee.

III. REVIEW AND ADMINISTRATION OF REPORTED CONFLICT:

Any unresolved conflicts will be reviewed by the Finance and Operations Committee and the Committee will determine if the conflict or potential conflict can be resolved. In the absence of resolution, the Finance and Operations Committee will refer the matter to the Board of Directors. The Board of Directors will review and take final action on the matter.

IV. BREACH OF POLICY AND REMEDIES:

In the event there is a breach of this policy or allegation of a breach, the matter shall be reviewed and considered by the Finance and Operations Committee. In its review of the matter, the Finance and Operations Committee shall decide what remedy, if any, is appropriate and which shall be imposed by the Corporation. Any party to the matter may appeal the decision of the Finance and Operations Committee to the Board of Directors for review, consideration, and final decision, in a process to be determined by the Board. The decision by the Board shall be final.

CALIFORNIA EDUCATION CODE 89906-89909

89906. FINANCIAL INTEREST PROHIBITION. No member of the governing board of an auxiliary organization shall be financially interested in any contract or other transaction entered into by the board of which he is a member, and any contract or transaction entered into in violation of this section is void.

89907. EXCEPTION. No contract or other transaction entered into by the governing board of an auxiliary organization is void under the provisions of Section 89906, nor shall any member of such board be disqualified or deemed guilty of misconduct in office under said provisions, if the circumstances specified in the following subdivisions exist:

- (a) The fact of such financial interest is disclosed or known to the governing board and noted in the minutes, and the governing board thereafter authorizes, approves, or ratifies the contract or transaction in good faith by a vote sufficient for the purpose without counting the vote or votes of such financially interested member or members, and
- (b) The contract or transaction is just and reasonable as to the auxiliary organization at the time it is authorized or approved.

89908. OTHER PROHIBITED FINANCIAL INTERESTS. The provisions of Section 89907 shall not be applicable if the circumstances specified in any of the following subdivisions exist:

- (a) The contract or transaction is between an auxiliary organization and a member of the governing board of that auxiliary organization.
- (b) The contract or transaction is between an auxiliary organization and a partnership or unincorporated association of which any member of the governing board of that auxiliary organization is a partner or in which he is the owner or holder, directly or indirectly, of a proprietorship interest.
- (c) The contract or transaction is between an auxiliary organization and a corporation in which any member of the governing board of that auxiliary organization is the owner or holder, directly or indirectly, of five (5) percent or more of the outstanding common stock.
- (d) A member of the governing board of an auxiliary organization is interested in a contract or transaction within the meaning of Section 89906, and without first disclosing such interest to the governing board at a public meeting of the board, influences or attempts to influence another member or members of the board to enter into the contract or transaction.

89909. UNLAWFUL TO UTILIZE NON-PUBLIC INFORMATION FOR PERSONAL PECUNIARY GAIN. It is unlawful for any person to utilize any information, not a matter of public record, which is received by him by reason of his membership on the governing board of an auxiliary organization, for personal pecuniary gain, regardless of whether he is or is not a member of the governing board at the time such gain is realized.