

## OPERATING POLICY

CATEGORY:	HUMAN RESOURCE MANAGEMENT	Code: I-3
SUBJECT:	CONFLICTS OF INTEREST	Effective: 08-28-2007
COORDINATOR:	SENIOR VICE CHANCELLOR FOR FINANCIAL AFFAIRS	Replace: 10-06-1999
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### A. General Principal

All employees, officers, and trustees of LLUAHSC and its affiliates (hereinafter, the "Organization") have a duty to be free from the influence of any conflicting interest when they represent the Organization. They are expected to deal with all persons on a basis that is for the best interest of the Organization without favor or preference to third parties or to personal considerations.

### B. Definitions

1. **Affiliates:** Loma Linda University, Loma Linda University Medical Center and its subsidiaries, Loma Linda University Health Care, and affiliated Loma Linda University physician corporations.
2. **Interested Person:** Any employee at the level of director or above, principal investigators, students involved in funded research, faculty, deans, officers, trustees and any other individual as determined by the Conflict of Interest Review Committee.
3. **Financial Interest:** A person has a financial interest if the person has, directly or indirectly, through business, investment or family –
  - a) An ownership, investment or debt interest in any entity or property with which the Organization has or is negotiating a transaction or arrangement.
  - b) A compensation arrangement with any entity or individual with which the Organization has or is negotiating a transaction or arrangement.
  - c) A position as a member of management, or otherwise employed by, any entity or individual with which the Organization has or is negotiating a transaction or arrangement.
  - d) Any transaction or arrangement that causes a person personal profit or advantage through the use of inside information relating to the Organization or through the use of facilities, equipment, and space of the Organization.
4. **Funded Research:** Research for which external or internal funds are used to support stipends for researchers.
5. **Family:** Spouse, parent, parents of spouse, child, spouse of child, brother, sister, or spouse of brother or sister, and an estate or trust of which the interested person or any of the above is a beneficiary, personal representative or trustee.
6. **Entities or individuals with which the Organization has a transaction or arrangement includes, but is not limited to –**
  - a) Customers, patients, students, payors, sponsors, vendors, suppliers and others in the ordinary course of doing business with the Organization.
  - b) Donors and others giving support to the Organization.

- c) Agencies, organizations and associations which affect the operations of the Organization.
- 7. Compensation: Direct or indirect remuneration for property or services, unsecured loans, and gifts, courtesies or favors that are substantial in nature.
- 8. Conflict of Interest: A financial interest is not necessarily a conflict of interest. A person who has a financial interest has a conflict of interest only if the financial interest has been disclosed and the Conflict of Interest Review Committee decides that a conflict of interest exists.
- 9. Conflict of Interest Review Committee (hereinafter, the "Committee"): The LLUAHSC Executive Leadership Council shall be given board delegated powers to consider possible conflicts of interest, determine if a conflict of interest exists, and to take any action necessary to accept, restrict or terminate any financial interest that is determined to be a conflict of interest.

### C. Procedures

#### 1. Duty to Disclose

In connection with any actual or possible conflict of interest, an interested person shall disclose the existence of any financial interest and must be given the opportunity to disclose all material related facts to the Committee.

- a) All interested persons shall complete a "Disclosure of Potential Conflict of Interest Statement" and a "Trustee Conflicts of Interest Statement" within 30 days of hiring, appointment, or promotion. This shall be part of the in-processing and will be initiated by Human Resources. Completed statements shall be sent to the Office of General Counsel. Interested persons that are not required to process through Human Resources will receive a copy of this Conflict of Interest Policy and a "Disclosure of Potential Conflict of Interest Statement" from the Office of the President.
- b) All interested persons shall complete a "Disclosure of Potential Conflict of Interest Statement" and a "Trustee Conflicts of Interest Statement" annually. This shall be initiated by the Office of General Counsel who shall also receive the completed statements.
- c) All interested person shall immediately notify the Office of General Counsel if they acquire a financial interest that is a potential conflict of interest.

#### 2. Determining Whether a Conflict of Interest Exists

- a) The Office of General Counsel shall review all "Disclosure of Potential Conflict of Interest Statements" and shall investigate all financial interests disclosed and suspected interests not disclosed. The Office of General Counsel shall make a report of all financial interests, with a recommended course of action, to the Committee.
- b) The Committee shall review each financial interest reported and decide if a conflict of interest exists. If a conflict of interest does not exist, the interested person is free to continue the financial interest. If a conflict of interest does exist, the Committee shall determine the appropriate procedures for addressing the conflict of interest using the following guidelines.

#### 3. Procedures for Addressing the Conflict of Interest

- a) An interested person may make a presentation to the Committee, but after such presentation, she/he shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that results in the conflict of interest.
  - b) The chairperson shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
  - c) After exercising due diligence, the Committee shall determine whether the Organization can 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.
  - d) If no reasonable alternatives are available, the Committee may allow the conflict of interest to continue under certain, clearly identified conditions. The Office of General Counsel shall be responsible for monitoring compliance with the conditions and reporting to the Committee any instances of noncompliance.
  - e) If the financial interest has only a potential for conflict of interest or the appearance of a conflict of interest, the Committee may allow the financial interest to continue under certain, clearly identified conditions. The Office of General Counsel shall be responsible for monitoring compliance with the conditions and reporting to the Committee any instances of noncompliance.
  - f) For all other conflicts of interest, the interested person shall be required to choose between his or her involvement with LLUAHSC and their involvement with the financial interest giving rise to the conflict. If they choose to continue with LLUAHSC they shall be required to terminate the financial interest giving rise to the conflict.
  - g) If the interested person is also a member of the Committee, they will be required to leave the meeting before the Committee discusses and votes on the transaction or arrangement. The Chair of the Board of Trustees shall be required to review and approve any course of action approved by the Committee for any person who is a member of the Committee.
  - h) Any conditions, restrictions, or required terminations of financial interests approved by the Committee shall be communicated to the affected person in writing.
4. Violations of the Conflicts of Interest Policy
- a) If the Committee has reasonable cause to believe that an interested person has failed to disclose actual or potential conflicts of interest or has failed to complete the required "Disclosure of Potential Conflict of Interest Statement" and "Trustee Conflicts of Interest Statements", it shall inform the person of the basis for such belief and afford them an opportunity to explain the alleged failure to disclose.
  - b) If, after hearing the response of the interested person and making such further investigation as may be warranted in the circumstances, the Committee determines that the person has in fact failed to disclose an actual or potential conflict of interest or failed to complete the required "Disclosure of Potential Conflict of Interest Statement" and "Trustee Conflicts of Interest Statements", it shall take appropriate disciplinary and corrective action.
5. In all cases individuals may use the approved Grievance Policy to grieve the action of the Committee.

6. A voting member of the board of trustees or a voting member of any committee, who has a financial interest, as defined above, or receives compensation from the Organization, is precluded from voting on matters pertaining to that member's financial interest or compensation.
7. Completed "Disclosure of Potential Conflict of Interest Statements" and the Conflict of Interest Review Committee's actions and discussions shall be treated as confidential information. No copies of the "Disclosure of Potential Conflict of Interest Statements" and the Conflict of Interest Review Committee's actions and discussions shall be kept outside of the Office of General Counsel. Review of these files shall be made only with written approval of the Chair of the LLUAHSC Board.
8. The following Administrative Procedure shall be followed by all interested persons required to complete a "Disclosure of Potential Conflict of Interest Statement."
  - a) Office of General Counsel
    - (1) Each December sends a "Disclosure of Potential Conflict of Interest Statement" with an instructional letter (see sample letter) to all individuals who are to annually complete the form.
    - (2) Send a list of individuals who are to complete the form to the Chair of the Conflict of Interest Review Committee.
  - b) Required Persons – Return the completed forms to the LLUAHSC Secretary by January 15.
  - c) Office of General Counsel – If an individual has not returned the forms, contacts the individual and determines the reason for non-compliance. If it is determined the individual is not going to complete and return a "Disclosure of Potential Conflict of Interest Statement", then submits the name of the individual to the Chair of the Board.
  - d) Conflict of Interest Review Committee – Completes their review process and notifies the reviewed individual of the committee findings by February 28.
  - e) Office of General Counsel – Forwards Conflict of Interest Statement and Review Committee's response to the Office of the President.

**APPROVED:** LLU Board of Trustees - August 28, 2007