

Office of the President

TO THE MEMBERS OF THE COMMITTEE ON AUDIT:

DISCUSSION ITEM

For the Meeting of January 19, 2005

STATEMENT OF CORE VALUES OF THE UNIVERSITY OF CALIFORNIA

EXECUTIVE SUMMARY

Over the last 18 months, the University has taken action to adopt practices consistent with standards set by the federal Sarbanes-Oxley Act. Though Sarbanes-Oxley does not apply to colleges and universities for the most part, it has created higher standards for business entities generally, and among those standards is a code of ethics. The Regents and its Committee on Audit in particular have encouraged the University to develop such a code.

This item conveys a proposed policy currently under review by the Academic Senate and by other constituencies within the University community. It is presented now to provide members of the Committee an early opportunity to view the proposed language and to respond to the Regents' continued interest in active and informed oversight of University business practices. It is anticipated that a final version will be presented to the Regents for action in May 2005.

BACKGROUND

Ethical behavior is not a new concept within the University. There are a great many policies, statements, codes, and commitments that apply to every segment of the University of California community. For example, the Regents recently reviewed the detailed Faculty Code of Conduct, first adopted in 1971 and updated last in July 2003. Auditors, attorneys, counseling staff and many other groups within the University community adhere to their own professions' codes of ethics. The Regents voluntarily adopted a conflict of interest policy in July 1971, well before the existence of the 1974 State statute that governs this area. Since 1996, the University's Medical Centers have been actively involved in development of ethical standards, among other things, as a part of their overall compliance program.

More than thirty institutions of higher education, as well as those of the federal government and private industry, were surveyed to ascertain common assertions on ethics as reflected in their statements and practices. Many campuses and the University-operated national laboratories have already promulgated location-specific statements in this regard. Existing University policies, codes of ethics or conduct, statements of community values, standards of practice, and many other documents were reviewed to identify the current level of commitment to ethical practices and to note any areas where overarching guidance might be enhanced.

Much work has been done to promulgate ethical guidance on matters applicable to the University. Therefore, the most efficient means to develop a system-wide policy and to further encourage a culture of high ethical conduct was to derive overarching principles embodied in a *Statement of Core Values of the University of California* below from a compendium of existing policies, guidelines, and statements. Following appropriate consultation with University constituencies, the President will issue the *Statement of Core Values* accompanied by the *University of California Standards of Business Conduct* which bridges the principles to existing policies, practices, and expectations. In the future, online training in this area will be made available to all members of the University community.

The Core Values Statement is designed to be simple and straightforward, to reflect existing commitments to ethical conduct, and to encourage awareness of their importance. A policy compendium, which will become an Appendix to the final *Standards of Business Conduct*, is being developed. It is believed that these documents and the associated training will help assure that a culture of ethical conduct prevails throughout the several missions of the University.

***STATEMENT OF CORE VALUES
OF THE UNIVERSITY OF CALIFORNIA***

Members of the University of California community are committed to the highest ethical standards in furtherance of our mission of education, research and public service. We recognize that we hold the University in trust for the people of the State of California. Our policies, procedures, and standards provide guidance for application of the core values stated below in our daily life and work as members of this community. We are committed to:

Honesty. We will be honest in our dealings with and on behalf of the University.

Excellence. We will conscientiously strive for excellence in our work.

Accountability. We will be accountable as individuals and as members of this community for compliance with applicable laws and University directives.

Respect. We will respect the rights and dignity of others.

UNIVERSITY OF CALIFORNIA STANDARDS OF BUSINESS CONDUCT

Introduction

Purpose—Pursuit of the University of California mission of teaching, research and public service requires a shared commitment to the core values of the University as well as a commitment to the ethical conduct of all University activities. In that spirit, the *Standards of Business Conduct* are a statement of our belief in ethical, legal and professional behavior in all of our dealings inside and outside the University.

Applicability—The *Standards of Business Conduct* apply to all members of the University community, including faculty, staff, students, volunteers, contractors, agents and others associated with the University. Organizationally, the *Standards* apply to campuses, the National Laboratories, the Office of the President, the Division of Agriculture and Natural Resources, campus organizations, foundations, alumni associations and support groups.

1. *Ethical Conduct*

Members of the University community will conduct themselves ethically, honestly and with integrity in all dealings. When business activities are not governed by specific laws, regulations or University policies, principles of fairness, good faith, and respect will govern our conduct with others both inside and outside the community. Each situation needs to be examined in accordance with the *Standards of Business Conduct*. No unlawful or unethical practice can be justified on the basis of customary practice, expediency, or achieving a “higher” purpose.

2. *Individual Responsibility and Accountability*

Members of the University community must exercise responsibility appropriate to their positions and delegated authorities. They are responsible to each other, the University, and the University’s stakeholders both for their actions and their decisions not to act. Each individual is expected to conduct the business of the University in accordance with the *Core Values* and the *Standards of Business Conduct*, exercising sound judgment and serving the best interests of the institution and the community.

3. *Respect for Others*

The University is committed to the principle of treating each community member with respect and dignity. The University prohibits discrimination and harassment and provides equal opportunities for all community members and applicants regardless of race, color, national origin, religion, sex, gender identity, pregnancy, physical or mental disability, medical condition (cancer-related or genetic characteristics), ancestry, marital status, age, sexual orientation, citizenship, or status as a covered veteran. In addition, the University is committed to creating a

safe and drug free workplace. Following is a list of the principal policies and reference materials available in support of this standard:

- *Faculty Code of Conduct*
- *Personnel Policies for Staff Members*
- *Academic Personnel Manual*
- *Faculty Handbook*
- *Policy on Sexual Harassment and Complaint Resolution Process*
- *Regent's Policy on Nondiscrimination*
- *Campus Policies on Workplace Violence*

The University's health sciences enterprises are committed to the ethical and compassionate treatment of patients and have established policies and statements of patient rights in support of this principle.

4. *Compliance with Applicable Laws and Regulations*

Institutions of higher education are subject to many of the same laws and regulations as other enterprises, as well as those particular to public entities. There are also additional requirements unique to higher education. Members of the University community have an obligation to become familiar with the laws and regulations bearing on their areas of responsibility. Many but not all legal requirements are embodied in University policies. Failure to comply can have serious adverse consequences both for individuals and for the University, in terms of reputation, finances and the health and safety of the community. University business will be conducted in conformance with legal requirements, including contractual commitments undertaken by individuals authorized to bind the University to such commitments.

The Office of the General Counsel has responsibility for interpretation of legal requirements.

5. *Compliance with Applicable University Policies, Procedures and Other Forms of Guidance*

University policies and procedures are designed to inform our everyday responsibilities, to set minimum standards and to give University community members notice of expectations. Members of the University community are required to transact all University business in conformance with policies and procedures and accordingly have an obligation to become familiar with those that bear on their areas of responsibility. Each member has a responsibility to seek clarification on a policy or other University directive he or she finds to be unclear, outdated or at odds with University objectives. It is not acceptable to ignore or disobey policies if one is not in agreement with them, or to avoid compliance by deliberately seeking loopholes.

In some cases, University employees are also governed by ethical codes or standards of their professions or disciplines - some examples are attorneys, auditors, physicians and counseling staff. It is expected that those employees will comply with applicable professional standards in addition to laws and regulations.

6. *Conflicts of Interest or Commitment*

Employee members of the University community are expected to devote primary professional allegiance to the University and to the mission of education, research and public service. Outside employment must not interfere with University duties. Outside professional activities, personal financial interests, or acceptance of benefits from third parties can create actual or perceived conflicts between the University's mission and an individual's private interests. University community members who have certain professional or financial interests will disclose them in compliance with applicable conflict of interest or conflict of commitment policies. In all matters, community members will take appropriate steps, including consultation if issues are unclear, to avoid both conflicts of interest and the appearance of such conflicts.

7. *Ethical Conduct of Research*

All members of the University community engaged in research are expected to conduct their research with integrity and intellectual honesty at all times and with appropriate regard for human and animal subjects. The University prohibits research misconduct. Members of the University community engaged in research will not: make up data or results; change or omit data or results to misrepresent results in the research record; or intentionally misappropriate the ideas, writings, research, or findings of others. All those engaged in research are expected to pursue the advancement of knowledge while meeting the highest standards of honesty, accuracy, and objectivity. They will demonstrate accountability for sponsors' funds and will comply with specific terms and conditions of contracts and grants.

8. *Records: Confidentiality/Privacy and Access*

The University is the custodian of many types of information, including that which is confidential, proprietary, and private. Individuals who have access to such information are expected to be familiar and to comply with applicable laws, University policies, directives and agreements pertaining to access, use, protection and disclosure of such information. Computer security and privacy are also subject to law and University policy.

Information on the University's principles of privacy or on specific privacy laws may be obtained from the respective campus or laboratory information privacy office.

The public right to information access and the individual's right to privacy are both governed by state and federal law, as well as by University policies and procedures. The legal provisions and the policies are based upon the principle that access to information concerning the conduct of the people's business is a fundamental and necessary right of every person, as is the right of individuals to privacy.

9. *Internal Controls*

Internal controls are the processes employed to help ensure that the University's business is carried out in accordance with these *Standards*, University policies and procedures, applicable laws and regulations and sound business practices. They help to promote efficient operations, accurate financial reporting, protection of assets and responsible fiscal management. All members of the University community are responsible for internal controls. Each business unit or department head is specifically responsible for ensuring that internal controls are established, properly documented and maintained for activities within their jurisdiction. Any individual entrusted with funds, including principal investigators, is responsible for ensuring that adequate internal controls exist over the use and accountability of such funds. The University has adopted the principles of internal controls published by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission.

10. *Use of University Resources*

University resources may be used only for activities on behalf of the University. They may not be used for private gain or personal purposes except in limited circumstances permitted by existing policy where incidental personal use does not conflict with and is reasonable in relation to University duties (e.g. telephones). Members of the University community are expected to treat University property with care and to adhere to policies and procedures for the acquisition, maintenance, record keeping and disposal of University property. For purposes of applying this policy, *University resources* is defined to include but not be limited to the following, whether owned by or under the management of the University (for example, property of the federal government at the National Laboratories):

- Cash, and other assets whether tangible or intangible; real or personal property;
- Receivables and other rights or claims against third parties;
- Intellectual property rights;
- Effort of University personnel and of any non-University entity billing the University for effort;
- Facilities and the rights to use of University facilities;
- The University's name;
- University records, including student and patient records; and
- The University information technology infrastructure network.

11. *Financial Reporting*

All University accounting and financial records, tax reports, expense reports, time sheets and effort reports, and other documents including those submitted to government agencies must be accurate, clear and complete. All published financial reports will make full, fair, accurate, timely, and understandable disclosures as required under generally accepted accounting principles for government entities, bond covenant agreements, and other requirements. Certain individuals with responsibility for the preparation of financial statements and disclosures, or elements thereof, may be required to make attestations in support of the *Standards*.

12. *Reporting Violations and Protection from Retaliation*

Suspected material violations of the *Standards of Business Conduct* may constitute improper governmental activities. Members of the University community are encouraged to report known or suspected violations of these *Standards* under the provisions of the *Policy on Reporting and Investigating Allegations of Suspected Improper Governmental Activities* (Whistleblower Policy). Managers and persons in supervisory roles are required to report allegations presented to them and to report suspected improper activities that come to their attention in the ordinary course of performing their supervisory duties. Reporting parties, including managers and supervisors, will be protected from retaliation for making such a report under the *Policy for Protection of Whistleblowers from Retaliation and Guidelines for Reviewing Retaliation Complaints* (Whistleblower Retaliation Policy).