



UNIVERSITY OF  
**TEXAS**  
ARLINGTON

**CONFLICT OF INTEREST COMPLIANCE AUDIT**

**JANUARY 5, 2017**

OFFICE OF INTERNAL AUDIT (the "Office")  
BOX 19112  
ARLINGTON, TX 76019-0112  
817-272-0150  
[www.uta.edu/internalaudit](http://www.uta.edu/internalaudit)



**MEMORANDUM**

**TO:** Dr. Vistasp Karbhari  
President

**FROM:** David A. Medrano   
Chief Audit Executive – Institutional

**DATE:** April 18, 2017

**SUBJECT:** **FY 2016 Audit Plan engagement:**  
Conflict of Interest Compliance Audit Dated January 5, 2017

**EXECUTIVE SUMMARY**

We have completed the Conflict of Interest Compliance audit as included in our FY 2016 Audit Plan. The objective of this audit was to review compliance of UTA’s Conflict of Interest program with UT System requirements.

The scope of this audit included a review of potential conflict of interest activity at Institutional and Research-related levels.

Based on the results:

1. UTA’s Institutional Conflict of Interest Program is in compliance with UT System (UTS) 180, *Conflicts of Interest, Conflicts of Commitment, & Outside Activities*;
2. The Handbook of Operating Procedures (HOP) Research Conflict of Interest Policy titled HOP 5-703, *Policy and Procedures for Promoting Objectivity in Research by Managing, Reducing, or Eliminating Conflicts of Interest* (“HOP Research Conflict of Interest Policy”) is currently out of date. The Office of Regulatory Services uses a departmental Research Conflict of Interest policy titled Section 5-703, *Policy for Disclosure, Management, and Reporting of Financial Conflicts of Interest in Research* (“Regulatory Services COI Policy”), which is based on federal conflict of interest regulations. Elements of the policy are based on UTS 175, *Disclosure of Significant Financial Interests and Management and Reporting of Financial Conflicts of Interest in Research* (“UTS 175”). UTS 175 allows for a policy based on federal conflict of interest regulations, but ‘additional elements’ of UTS 175 are required including the disclosure/public posting of financial conflicts of interest. At this point, UTA has not yet complied with the disclosure/public posting requirement. However, an updated HOP Research Conflict of Interest Policy is under review by the HOP Committee which

is intended to facilitate disclosure/public posting of financial conflicts of interest in the near future.

We noted the following opportunities for improvement:

**Institutional:**

1. Educate staff, through a Frequently Asked Questions (FAQs) and Answers format on UTA's Compliance website, to (i) aid in their understanding of the purpose of the Outside Activity Portal and (ii) its associated reporting criteria and requirements;
2. Develop a monitoring procedure for outside activity requests to ensure proper approvals have been obtained for outside activities and disclosures.

**Research:**

In conjunction with Legal Affairs:

1. Ensure that the HOP Research Conflict of Interest Policy is up to date to include the Regulatory Services COI Policy, and 'additional elements' of UTS 175 as deemed necessary.

The reportable findings and recommendations in this audit were deemed significant to the department or process. None of the findings are deemed as a "priority finding" to the University. A priority finding is defined as *"an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT Institution or the UT System as a whole. Standard factors for determining a priority finding have been established in three categories: namely, Organizational Controls, Quantitative Risks, and Qualitative Risks."*

We appreciate the courtesy and cooperation we received from the Office of University Compliance and Legal Affairs, and the Office of Regulatory Services throughout this audit.

**cc:** Jean Hood, Vice President-Human Resources, UT Arlington  
Shelby Boseman, University Attorney, UT Arlington  
Jennifer Chapman, Executive Director, University Compliance Services, UT Arlington  
Duane Dimos, Vice President for Research, UT Arlington  
Jeremy Forsberg, Assistant Vice President for Research, UT Arlington  
Kirstin Morningstar, Director, Regulatory Services, UT Arlington

*Institutional Audit Committee Voting Members:*

Chairman: Randal Rose, Managing Director, JPMorgan Chase  
Brian Gutierrez, Vice Chancellor for Finance and Administration, Texas Christian University  
Stephen Frimpong, Vice President-Internal Audit, Kimberly-Clark Corporation  
Ronald Elsenbaumer, Interim Vice Provost and Vice President for Academic Affairs, UT Arlington  
Kelly Davis, Chief Financial Officer and Vice President, UT Arlington  
John Hall, Vice President for Administration and Campus Operations, UT Arlington  
Chandra Subramaniam, Interim Dean-College of Business Administration, UT Arlington

## **BACKGROUND INFORMATION**

There are two categories of conflict of interest at the University – one is Institutional, the other, Research, each of which is guided according to its respective policy.

### **Institutional:**

Conflict of Interest (COI) policy guiding the Institutional category, is found in the Handbook of Operating Procedures (HOP) 5-508, *Conflicts of Interests, Conflicts of Commitments, and Outside Activities*. The policy is monitored by UTA's Office of University Compliance and Legal Affairs.

Regents' Rule 30104 permits UTA employees to engage in outside work or activities, subject to State laws and the policies and procedures of UT System and UTA. Employees are required to request prior approval for outside activities via the UT System Outside Activity Portal.

### **Research:**

The Conflict of Interest policy guiding the Research category is the HOP Research Conflict of Interest Policy, which is located in the HOP; it is outdated, out of use, but is currently being revised.

Currently, the Office of Regulatory Services uses the Regulatory Services COI Policy. This is published on the Office of Regulatory Services website and states that no proposed, awarded, or ongoing research shall be biased by conflict of interest. The scope of the policy applies to all covered individuals, defined as any investigator that is proposing or conducting (1) sponsored research, (2) non-exempt human subject research, or (3) animal research. The issue of having two separate policies addressing conflict of interest is addressed further in this report.

## **OBJECTIVES**

1. Review and compare UTA's Conflict of Interest programs for Institution and Research for compliance with UT System requirements;
2. Determine whether the COI policies are periodically updated and communication is made to employees;
3. Test a sample of employees' outside activity approvals for these attributes: properly completed, approved, and in compliance with COI policy;
4. Review the primary function and associated activities of the Research Conflict of Interest Committee;
5. Determine whether the sample of employees we tested, completed the required training;
6. Evaluate the monitoring processes in place.

## **CRITERIA**

- HOP 5-508, *Conflicts of Interests, Conflicts of Commitments, and Outside Activities*,
- UTS 180, *Conflicts of Interest, Conflicts of Commitment and Outside Activities*,
- HOP 5-703, *Policy and Procedures for Promoting Objectivity in Research by Managing, Reducing or Eliminating Conflicts of Interest*,
- UTS 175, *Disclosure of Significant Financial Interests and Management and Reporting of Financial Conflicts of Interest in Research*.

## **SCOPE AND METHODOLOGY**

Scope:

- Review of conflict of interest at the Institutional and Research-related levels including examining outside activity approvals and disclosures for FY 2016.

Methodology: We utilized the following techniques to support our verification and testing:

- Reviewed UTA policies compared to UT System requirements;
- Interviewed key personnel in the Office of University Compliance and Legal Affairs, and the Office of Regulatory Services;
- Reviewed pertinent COI documentation.

## **AUDIT RESULTS**

### **Communication- Education**

**Criteria:** Risk assessment of controls and weaknesses for the conflict of interest reporting process within the Outside Activity Portal (an electronic reporting system hosted by UT System to report known outside activities and disclosures).

**Condition/Observation:** University Compliance Services indicated that employees are often confused differentiating between an outside activity request (a request to receive prior approval for outside employment or other compensated activity, outside board service, or outside activity that may appear to create a conflict of interest/commitment) and a disclosure (an activity that have already occurred or interest that already exists).

**Consequence:** Conflicts of interest may not be accurately reported as required. Educating staff through a Frequently Asked Questions (FAQs) and Answers format on UTA's Compliance website can assist with this issue.

### **Recommendation (low):**

We recommend University Compliance Services include FAQs on its website in relation to definitions and requirements for reporting in the Outside Activity Portal.

**Management Response:**

*We will revise the Conflicts of Interest page included on the University Compliance and Legal Affairs website and include a FAQ document.*

**Target Implementation Date:**

*February 1, 2017*

**Responsible Parties:**

*Executive Director, University Compliance Services*

**Objectives 1 & 2: COI Policy Review & Update**

**Institutional**

Summary: No Observations

We compared UT Arlington's COI policy, HOP 5-508, *Conflicts of Interests, Conflicts of Commitment, and Outside Activities*, with UTS 180, *Conflicts of Interest, Conflicts of Commitment and Outside Activities*, and noted that HOP 5-508 incorporated the elements of UTS 180. Additionally, HOP 5-508 was updated September 23, 2016 by University Compliance Services to comply with a UTS 180 update effective August 1, 2016.

**Research**

**Criteria:** The HOP Research Conflict of Interest Policy is expected to follow the elements of UTS 175.

**Condition/Observation:** We found that the HOP Research Conflict of Interest Policy is not updated on the University's website nor is it the current operating COI policy used for Research.

The Office of Regulatory Services created a research COI departmental policy referred to as the Regulatory Services COI Policy, based on the federal conflict of interest regulations. Elements of the policy are based on UTS 175 which allows for a policy based on federal conflict of interest regulations, but 'additional elements' of UTS 175 are required including the disclosure/public posting of financial conflicts of interest. At this point, UTA has not yet complied with the disclosure/public posting requirement. However, an updated HOP Research Conflict of Interest Policy is under review by the HOP Committee which is intended to facilitate disclosure/public posting of financial conflicts of interest in the near future.

**Consequence:** Having a different policy on the Regulatory Services' website that conflicts with what is in the HOP can/will cause confusion and misunderstanding regarding what the operative policy is.

**Recommendation (low):**

We recommend that Regulatory Services work with the Office of Compliance and Legal Affairs to:

- a. Ensure that the HOP Research Conflict of Interest Policy is up to date to include the Regulatory Services COI Policy, and ‘additional elements’ of UTS 175 as deemed necessary.

***Management Response:***

*The Office of Regulatory Services has submitted the current operating policy for research conflict of interest to the Office of Compliance and Legal Affairs for review and submission to the HOP Review Committee.*

*A review was previously completed to determine which elements of UTS-175 would be appropriate to incorporate into the HOP Research Conflict of Interest Policy. The Office of Regulatory Services and the Office of Compliance and Legal Affairs will work together to make suggestions to UT System concerning UTS 175 relative to the research COI policy that is approved for the UTA HOP.*

***Target Implementation Date:***

*The completion date will be dependent upon the Office of Compliance and Legal Affairs, and the HOP Committee. An appropriate target completion date would be 4th Quarter 2017, August 16, 2017.*

***Responsible Parties:***

*Office of Regulatory Services, Office of Compliance and Legal Affairs, and UTA HOP Committee*

**Objective 3: Approvals**

**Criteria:** We reviewed outside activity approvals/disclosures or the research COI disclosures as applicable for a sample of 30 employees, selected from areas deemed as high-risk (Executive Management, Facilities Management, Procurement, Accounts Payable, and Research). We examined approvals/disclosures for the following attributes:

- properly completed,
- properly approved, and;
- in compliance with the COI policy.

**Condition/Observation:** Three employees (10%) had outside activity requests submitted but not approved.

**Consequence:** Violations of conflict of interest cannot be identified if proper approvals are not completed.

**Recommendation (medium):**

We recommend University Compliance Services develop and implement a monitoring plan to include specific monitoring activities for outside activities and disclosures to ensure an effective monitoring process. As part of the monitoring activities, a review of outside activities requests in the Outside Activity Portal will ensure that requests are properly approved.

**Management Response:**

*We will develop and implement a Monitoring and Specialized Training Plan for Conflicts of Interest, Conflicts of Commitment and Outside Activities. We will include a process for reviewing requests in the Outside Activity Portal to ensure that requests are properly approved.*

**Target Implementation Date:**

*June 1, 2017*

**Responsible Parties:**

*Executive Director, University Compliance Services*

**Objective 4: Conflict of Interest Committee (COIC)**

Summary: No Observations

We selected a sample of the committee's meeting minutes and verified that the committee meets monthly to review COI disclosures, management plans, and annual plans. Furthermore, we verified that they deliberated and approved management plans. No issues were noted in our review of the function and associated activities of the committee.

**Objective 5: Training**

Summary: No Observations

We tested 30 employees for completion of the required training under the HOPs for Institutional and Research and found all completed the annual compliance training.

**Objective 6: Monitoring**

Institutional:

Summary: No Observations

University Compliance Services is responsible for monitoring the outside activity approvals and disclosures via the Outside Activity Portal. Noncompliance issues are elevated to the University Attorney for appropriate action.

Research:

Summary: No Observations

Investigators are required to complete a disclosure form. If there is a potential conflict of interest, a management plan is created to minimize or mitigate potential or perceived conflict of



interest. These responsibilities are delegated by the Vice President of Research to the COIC and the Office of Regulatory Services, who are responsible to ensure COI disclosures and management plans are completed and approved.

## **CONCLUSION**

Based on the results, we find that:

1. UTA's Institutional Conflict of Interest Program is in compliance with UT System (UTS) 180, *Conflicts of Interest, Conflicts of Commitment, & Outside Activities*;
2. The Handbook of Operating Procedures (HOP) Research Conflict of Interest Policy titled HOP 5-703, *Policy and Procedures for Promoting Objectivity in Research by Managing, Reducing, or Eliminating Conflicts of Interest* ("HOP Research Conflict of Interest Policy") is currently out of date. The Office of Regulatory Services uses a departmental Research Conflict of Interest policy titled Section 5-703, *Policy for Disclosure, Management, and Reporting of Financial Conflicts of Interest in Research* ("Regulatory Services COI Policy"), which is based on federal conflict of interest regulations. Elements of the policy are based on UTS 175, *Disclosure of Significant Financial Interests and Management and Reporting of Financial Conflicts of Interest in Research* ("UTS 175"). UTS 175 allows for a policy based on federal conflict of interest regulations, but 'additional elements' of UTS 175 are required including the disclosure/public posting of financial conflicts of interest. At this point, UTA has not yet complied with the disclosure/public posting requirement. However, an updated HOP Research Conflict of Interest Policy is under review by the HOP Committee which is intended to facilitate disclosure/public posting of financial conflicts of interest in the near future.

We noted the following opportunities for improvement:

Institutional:

1. Educate staff, through a Frequently Asked Questions (FAQs) and Answers format on UTA's Compliance website, to (i) aid in their understanding of the purpose of the Outside Activity Portal and (ii) its associated reporting criteria and requirements;
2. Develop a monitoring procedure for outside activity requests to ensure proper approvals have been obtained for outside activities and disclosures.

Research:

In conjunction with Legal Affairs:

1. Ensure that the HOP Research Conflict of Interest Policy is up to date to include the Regulatory Services COI Policy, and 'additional elements' of UTS 175 as deemed necessary.

Our examination was conducted in accordance with the guidelines set forth in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. These *Standards* set criteria for internal audit departments in the areas of independence, professional proficiency, scope, and performance of audit work, and management of the internal auditing department.

We appreciate the courtesy and cooperation we received from the Office of University Compliance and Legal Affairs, and the Office of Regulatory Services throughout this audit.