

Chapter 03 -- Personnel

03.01 **Ethics policy.** It is important that the people of Texas have complete confidence in the integrity of public servants. This need is especially critical in the area of state-supported higher education. The responsibility for educating and training the future leaders of the state and nation carries with it the duty to adhere to the highest ethical standards and principles. The principles and guidelines contained in this policy shall apply to officers and employees of the TTU system regardless of rank or position. Each component institution's operating manuals should be referenced for further information and/or greater specifics not in conflict with the *Regents' Rules*.

03.01.1 Conduct. Officers and employees should not:

- a. accept or solicit any gift, favor, or service that might reasonably tend to influence officers or employees in the discharge of official duties or that officers or employees know, or should know, is being offered with the intent to influence the officers' or employees' official conduct;
- b. accept other employment or engage in a business or professional activity that officers or employees might reasonably expect would require or induce them to disclose confidential information acquired by reason of the official position;
- c. accept other appointments or any employment or compensation that could reasonably be expected to impair officers' or employees' independent judgment in the performance of official duties;
- d. make personal investments that could reasonably be expected to create a substantial conflict between the officers' or employees' private interest and the public interest; or
- e. intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised their official powers or performed official duties in favor of another.

03.01.2 Ethical behavior. TTU system officers and employees shall:

- a. put forth honest effort in the performance of their duties;
- b. not make unauthorized commitments or promises of any kind purporting to bind the TTU system or any of its components;
- c. not use their public offices for private gain;
- d. act impartially and not give preferential treatment to any private or public organization or individual;
- e. protect and conserve public property and shall not use it for anything other than authorized activities;
- f. promptly disclose waste, fraud, abuse, and corruption to appropriate authorities;
- g. adhere to all laws, regulations, and policies that provide equal opportunity for all persons regardless of race, color, religion, sex, national origin, age, physical or mental disability, Vietnam era or special disabled veteran status; and
- h. endeavor to avoid any actions that would create the appearance that they are violating the law or the ethical standards of the TTU system.

03.01.3 Conflict of interest – generally. It is state policy that state officers and employees may not have direct or indirect interests, including financial and other interests, engage in business transactions or professional activities, or incur any obligation of any nature that is in substantial conflict with the proper discharge of the officers' or employees' duties in the public interest. (*See also: Section 03.03, Regents' Rules, regarding a specific conflict of interest policy that applies to the board; and Section 03.04, Regents' Rules, regarding a specific conflict of interest policy that applies to executive administration.*)

03.01.4 Benefits, gifts, and honoraria. A "benefit" is anything reasonably regarded as pecuniary gain or pecuniary advantage, including benefit to any other person in whose welfare a TTU system employee has an interest as under state laws.

- a. Bribery. No TTU system officers or employees may solicit, offer, or accept any benefit in exchange for their decisions, opinions, recommendations, votes, or other exercises of official power or discretion. A benefit that is otherwise allowed by TTU system policy is nevertheless prohibited if it is offered in exchange for official action.
- b. Prohibited benefits. Public servants who exercise discretion in connection with contracts, purchases, payments, claims, and other pecuniary transactions of government, commit an offense if they solicit, accept, or agree to accept any benefit from any person the public servants know is interested in or is likely to become interested in any contract, purchase, payment, claim, or transaction involving TTU system officers' or employees' discretion. The prohibition does not apply to the following:
 - (1) gifts or other benefits conferred on account of kinship or a personal, professional, or business relationship independent of the official status of the recipient;
 - (2) a fee prescribed by law to be received by public servants or any other benefit to which they are lawfully entitled or for which they give legitimate consideration in a capacity other than as public servants;
 - (3) a gift, award, or memento that is received from a lobbyist who is required to make reports under Chapter 305, *Texas Government Code*; and
 - (4) items having a value of less than \$50, not including cash or negotiable instruments.

TTU system officers or employees who receive an unsolicited benefit that they are prohibited from accepting by law may donate the benefit to a governmental entity that has the authority to accept the gift or may donate the benefit to a recognized tax-exempt charitable organization formed for educational, religious, or scientific purposes.

- c. Food, lodging, transportation, and entertainment received as a guest. Public servants may accept food, lodging, transportation, or entertainment from persons or entities they know or reasonably should know, are interested in or likely to become interested in a contract, purchase, payment, claim, decision, or transaction involving the exercise of the public servants' discretion only if the public servants are "guests" as defined by the state laws. Public servants are "guests" if the person or a representative of the entity providing the food, lodging, transportation, or entertainment is present at the time the food, lodging, transportation, or entertainment is received or enjoyed by the public servants.

Public servants are required to report any such benefits valued at over \$250 on their annual disclosure statements filed with the Texas Ethics Commission.

- d. Benefits from friends, relatives, and associates. Public servants may accept benefits from personal friends, relatives, or business associates with whom they have a relationship independent of their official status, so long as the benefit is not offered in exchange for official action or decision.
- e. Awards. Public servants may accept plaques and similar recognition.
- f. Honoraria. Public servants may not solicit, accept, or agree to accept an honorarium in consideration for services they would not have been asked to provide, but for their official position or duties. This prohibition includes a request for or acceptance of a payment made to a third party if made in exchange for such services. However, they may accept the direct provision of or reimbursement for expenses for transportation and lodg-

ing incurred in connection with a speaking engagement at a conference or similar event. Meals provided as a part of the event or reimbursement for actual expenses for meals may also be accepted. Participation by a public servant must be more than merely perfunctory.

03.01.5 Political activities

- a. Use of TTU system funds or property. No public servant shall expend or authorize the expenditure of any TTU system funds for the purpose of influencing the outcome of any election, or the passage or defeat of any legislative measure.
- b. Political contributions. Unless prohibited by state law, public servants may make personal contributions to political organizations and candidates for political office.

03.01.6 Authority

- a. Misapplication of property. It is a violation of state law for public servants, acting with the intent to obtain a benefit or with intent to harm another, to intentionally or knowingly misapply any thing of value belonging to the government that comes into their custody or possession by virtue of their office as stated in state law.
- b. Misuse of official information. It is a violation of state law for public servants if, in reliance on information that they have access to in an official capacity and that has not been made public, they:
 - (1) acquire or aid another to acquire a pecuniary interest in any property, transaction, or enterprise that may be affected by the information; or
 - (2) speculate or aid another to speculate on the basis of the information as stated in state laws.

03.01.7 Sexual harassment

- a. Public servants should maintain a workplace environment that is free of sexual harassment and intimidation.
- b. It is a violation of Title VII of the Civil Rights Act of 1964 to engage in sexual harassment. Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature constitute sexual harassment when:
 - (1) submission to such conduct is made either explicitly or implicitly a term or condition of employment;
 - (2) submission to or rejection of such conduct is used as the basis for employment decisions; or
 - (3) such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment.

03.01.8 Nepotism

- a. Whenever an appointment is made, either on a full or part-time basis, it shall be made on the basis of the qualifications and suitability of the appointee, subject to applicable statutes and subject to the provisions of this policy.
- b. Prohibition applicable to TTU system and system component officials. No person related to any member of the board, to any component institution's president, or to the chancellor within the second degree by affinity (marriage) or within the third degree by consanguinity (blood) shall be eligible for appointment to any position in the TTU system when the compensation of such appointee is to be paid, either directly or indirectly, from public funds or fees.
 - (1) The above does not apply to any employee who has been continuously employed for thirty or more days prior to the appointment of a member to the board, a president,

or the chancellor who is related to the employee within a prohibited degree, and it does not apply to honorary or non-remunerative positions.

- (2) Any employee who has been continuously employed for less than thirty days prior to the appointment of a member to the board, a president, or the chancellor who is related within a prohibited degree will be removed from the individual's position.
- c. Prohibition applicable to administrators, supervisors, and others. No person related to an administrator within a prohibited degree shall be eligible for initial appointment to a position in an area of responsibility over which an administrator has appointive authority, in whole or in part, regardless of the source of funds from which the position's salary is to be paid. Exceptions to this restriction on the initial appointment of an individual may be made only by the board upon recommendations of the president and the chancellor and then only when the administrator in question does not directly supervise the person to be appointed.
- d. No employee may approve, recommend, or otherwise take action with regard to the appointment, reappointment, promotion, salary, or supervision of an individual related to the employee within a prohibited degree.
- e. If the appointment, reappointment, reclassification, or promotion of an employee places the employee under an administrative supervisor who is related within a prohibited degree, all subsequent personnel and compensation actions affecting the employee shall become the responsibility of the next higher administrative supervisor.
- f. If the appointment, reappointment, reclassification, or promotion of an employee makes the employee an administrative supervisor over an employee who is related within a prohibited degree, all subsequent personnel and compensation actions affecting the subordinate employee shall become the responsibility of the next higher administrative supervisor.

- g. The provisions of subsections e. and f. shall apply to situations where two employees marry and one spouse is the administrative supervisor of the other.
- h. All instances where an employee marries an administrative supervisor, is placed under the administrative supervision of a relative, or is made the administrative supervisor of a relative within the prohibited degree will be reported to the board as an information item.
- i. Exception. The provisions of the policy do not apply to the appointment or employment of a personal attendant by any member of the board, a president, the chancellor, or an employee for attendance on the officer or employee who, because of physical infirmities, is required to have a personal attendant.
- j. Enforcement. An individual who is appointed in violation of this policy will be removed from the individual's position.
- k. Persons related within the prohibited degrees are indicated in the Affinity Kinship/Consanguinity Kinship Chart displayed below.

AFFINITY KINSHIP / CONSANGUINITY KINSHIP CHART

Affinity Kinship

The following persons are relatives of the official/employee within the second degree by affinity (marriage):

| | |
|------------------------|--|
| 1 st Degree | Spouse, spouse's child, spouse's mother or father, child's spouse, parent's spouse |
| 2 nd Degree | Spouse's brother or sister, spouse's grandparent, spouse's grandchild, brother or sister's spouse, grandparent's spouse, grandchild's spouse |

Consanguinity Kinship

The following persons are relatives of the official/employee within the third degree by consanguinity (blood):

| | |
|------------------------|---|
| 1 st Degree | Mother, father, daughter, son |
| 2 nd Degree | Brother, sister, grandparent, grandchild |
| 3 rd Degree | Great-grandparent, great-grandchild, uncle (brother of parent), aunt (sister of parent), nephew (son of brother or sister), niece (daughter of brother or sister) |

03.01.9 Affirmative action and equal employment opportunity. TTU system officers and employees will not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, age, physical or mental disability, Vietnam era or special disabled veteran status. TTU system personnel will take affirmative action to provide a nondiscriminatory application process. Such action shall include, but not be limited to the following employment transactions: upgrading, demotion, or transfer; recruitment or recruitment advertising; lay-off or termination; rate of pay or other forms of compensation; and selection for training, including apprenticeship.

03.02 TTU system community conduct.

03.02.1 Breach of trust. Colleges and universities that are tax supported must function in accordance with the public trust and the actions by faculty, staff and students within them must be consistent with the execution of that trust. A breach of trust includes, but is not limited to, the following:

- a. academic dishonesty such as giving or receiving aid on a test, examination, quiz, or other academic assignment;
- b. plagiarism;
- c. forgery, alteration or unauthorized use of TTU system documents, records, or identification materials;

- d. knowingly furnishing false information to the TTU system;
- e. the use of force or violence or other methods of obstructing the functions of the TTU system, which include teaching, research, administration, public service, presentations by guest lecturers and speakers, and other authorized activities;
- f. physical abuse of any person on TTU system-owned or controlled property or at TTU system-sponsored or supervised functions or conduct which threatens or endangers the health or safety of any such person;
- g. theft of or damage to the tangible property of the TTU system or of a member of the TTU system community or campus visitor;
- h. unauthorized entry to or use of TTU system facilities;
- i. unlawful manufacture, distribution, dispensing, possession or use of a controlled substance, or any substance the possession or distribution of which is regulated by federal or Texas law, except where the manufacture, distribution, dispensing, possession or use are in accordance with the laws of each;
- j. lewd, indecent, or obscene conduct on TTU system-owned or controlled property or at a TTU system-sponsored or supervised function;
- k. failure to comply with the lawful directions of TTU system officials where such directions are issued in the performance of their duties;
- l. violation of other laws or promulgated TTU system policies or rules;
- m. unauthorized release or removal of any information from university records, including but not limited to patient, student, financial and personnel records;

- n. behavior or activity, on or off campus, that is of such a nature to cause discredit or embarrassment to the university;
- o. commission of an act of moral turpitude, on or off campus, including, but not limited to, sexual harassment, sexual assault, fraud or theft;
- p. criminal or unethical conduct, on or off campus, (including a change in driving status when driving is an essential job function), or employee's failure to report his or her criminal or unethical conduct, that the university could reasonably construe as having an adverse impact on the employee's work performance or work environment, or that would cause discredit or embarrassment to the university; and/or
- q. conviction of a felony or conviction of a misdemeanor involving a crime of violence or moral turpitude in this or any other state or country.

03.02.2 Conviction notification. Each faculty, staff and/or student employee is required to notify the TTU system of any felony conviction, conviction of a Class A misdemeanor, or any drug, assault or theft conviction no later than five days after such conviction.

03.02.3 Adjudication. Adjudication of a violation of the standards established in this policy will result in the assessment of a penalty ranging from an oral reprimand to separation from the TTU system.

03.03 **Conflict of interest and the board.**

03.03.1 Introduction.

- a. The statement of policy in this section applies to each member of the board and shall serve as a guide for board members in fulfilling their position of significant responsibility. Members of the board serve the public trust and have a clear obligation to fulfill their responsibilities in a manner consistent with this duty and the provisions of Chapter 572, *Texas Government Code*, and in particular with the standards of conduct set out in Section 572.051 of that chapter. All decisions of the board are

to be made solely on the basis of the desire to promote the best interests of the TTU system and the public good. The integrity of the TTU system must be protected and advanced at all times.

- b. Men and women of substance, such as those who serve on the board, commonly have a wide range of professional and personal associations with interests and involvement in other entities, institutions, and organizations. To assure the TTU system's many constituents of the integrity of its endeavors, board members should avoid situations in which such associations, interests or involvement could compromise or reasonably appear to compromise important academic values or the business decisions of the TTU system. Accordingly, it is the policy of TTU system that board members shall act in a manner consistent with their responsibilities to the TTU system and avoid circumstances in which their financial or other ties to outside persons or entities could present an actual, potential, or apparent conflict of interest or impair the reputation of the TTU system.
- c. No policy statement can specifically address every conceivable situation that might entail a conflict of interest. However, as a general principle, board members should avoid any actions or situations that might result in or create the appearance of using their association with the TTU system for private gain, according unwarranted preferential treatment to any outside individual or organization, losing independence or impartiality, or adversely affecting the reputation of or public confidence in the integrity of the TTU system. Toward this end, it is the responsibility of each board member to ensure that the board is made aware of situations that involve personal, familial, or business relationships that could jeopardize the reputation of or public confidence in the TTU system. The board requires each board member to annually:
 - (1) review this policy;

- (2) disclose all business entities in which a board member, or a board member's family member, has a financial interest; and
- (3) acknowledge by his or her signature that he or she is in compliance with the letter and spirit of this policy.

d. For the purposes of Sec. 03.03, *Regents' Rules*, "business entity" means: any entity recognized by law through which business is conducted, including a sole proprietorship, partnership, firm, corporation, limited liability company, holding company, joint stock company, receivership, or trust.

03.03.2 Conflict of interest. A conflict of interest arises when the TTU system has or is considering a transaction or other business relationship with a board member or a board member's family member (defined to include a spouse and the dependent relatives or household members). For this reason, any transaction or other business relationship between the TTU system and a board member or board member's family member is prohibited.

03.03.3 Presumed conflict of interest.

- a. A conflict of interest is presumed to arise when the TTU system has or is considering a transaction or other business relationship with a business entity in which the board member or the board member's family member has a substantial financial interest. A financial interest is presumed to be substantial if it entails:
 - (1) Any ownership or investment interest in a business entity (including stock, options, a partnership interest, or any other ownership or investment interest) valued at more than \$10,000, except equity in a company amounting to less than 10% ownership interest in the company;
 - (2) Receipt of funds from the business entity that exceed 10 percent of the board member's gross income for the previous year, or the expectation of the receipt of such funds in the future;

- (3) Any ownership interest in real property, personal property, intellectual property or any other interest valued at \$10,000 or more;
 - (4) A position of real or apparent authority in a business entity such as director, officer, trustee, partner, agent, controlling share holder, share holder with a 10% or more voting interest, or a direct or indirect participating interest in any shares, stock or otherwise, regardless of whether voting rights are included, in 10% or more of the profits, proceeds or capital gains of the entity involved; or
 - (5) Any position as an employee of the entity involved.
- b. A board member is not deemed to have a substantial financial interest in a publicly traded entity by reason of an investment in that entity by another publicly traded entity, such as through a mutual fund, of which the board member does not control investment decisions.

03.03.4 Disclosure of financial interest.

- a. A board member or a board member's family member who has a known substantial financial interest in a pending or a proposed transaction or business arrangement involving the TTU system shall promptly disclose to the board the existence of the interest and other material information that the board member may have regarding the transaction or arrangement.
- b. Each board member annually shall execute and submit to the chief financial officer a statement disclosing all business entities in which the board member has a financial interest. This disclosure will be achieved by the board member submitting to the Office of the Board of Regents, no later than June 1 of each year, a copy of the board member's Personal Financial Statement that is required to be submitted to the Texas Ethics Commission. This disclosure shall be updated throughout the

year by board members if a board member acquires or divests a substantial financial interest in any entity.

03.03.5 Determination of the existence of a conflict of interest.

- a. If a board member is aware of a conflict of interest, the board member shall inform the board during a meeting of the board conducted in accordance with the Texas Open Meetings Act and abstain from any participation in the transaction or matter in which the conflict exists.
- b. The chief financial officer shall review board members' annual disclosure statements to determine whether a substantial financial interest has been disclosed in any business entity in which the TTU system is considering entering into a transaction or business relationship. The chief financial officer also shall monitor the agendas of board meetings to determine if a conflict arises subsequent to the board members' annual disclosures and shall advise board members if a conflict develops. If a substantial financial interest has been disclosed in which a board member has not previously notified the board of a conflict of interest, the chief financial officer shall promptly submit to the Audit Committee chair, or if the interest involves the Audit Committee chair, another member of the Audit Committee, such disclosure forms together with any additional information about the current or proposed transaction or business relationship that may give rise to a conflict of interest that the chief financial officer, in consultation with the Audit Committee, believes may be informative.
- c. The Audit Committee shall review the matter and determine whether a conflict of interest exists. If the interests being reviewed involve a member of the Audit Committee, the member shall not participate in or be present during the committee's consideration of the matter, except as requested by the committee to answer questions or provide information. The Audit Committee may review such information as it deems pertinent, including posing questions to the board member involved. If the Audit Committee determines that a conflict of interest exists, the Audit Committee shall so advise

the board member involved and the board, and the board member involved shall abstain from any discussion or participation on the matter in which there is a conflict.

- 03.03.6 Record of proceedings. When the board conducts a meeting in which a board member's financial interest in a matter is disclosed, a determination regarding an existence of a conflict of interest is made, or a transaction or arrangement with respect to a board member who has a conflict of interest is considered, the board's consideration of these issues shall be reflected in the minutes of the board meeting.
- 03.03.7 Gifts. Board members shall not accept, solicit, or encourage gifts, favors, benefits, gratuities, services, or other items of value for themselves or family members which the board member knows or should know is offered with the intent to influence the board member's conduct or which might reasonably:
- a. affect the exercise of the board member's judgment on behalf of the TTU system;
 - b. tend to influence the board member in the discharge of the board member's duties;
 - c. tend to impair confidence in the TTU system; or
 - d. create the appearance of impropriety.
- 03.03.8 Use of office for personal gain. Board members shall not use the authority, title, prestige or other attribute of the office for personal benefit or gain for themselves or for any relative. Board members specifically are prohibited from procuring or being a party in any way to procuring the appointment of a relative to a position of trust or profit connected with the TTU system.
- 03.03.9 Favored treatment. Board members shall not use the authority, title, prestige or other attribute of the office to obtain consideration, treatment, or favor for any person beyond that which is generally available. This subsection applies, but is not limited to, efforts to influence administrative decisions with respect to an individual's

admission, employment, discipline, and similar matters. However, this subsection does not prohibit letters of recommendation or requests for information about the status of an individual's admission, employment, discipline, and similar matters.

03.03.10 Appropriation of TTU system opportunities. If a board member becomes aware of a business, investment, or other financially valuable opportunity that rightfully belongs to the TTU system and not to the board member individually or another entity with which the board member is affiliated, the board member shall bring the opportunity to the attention of the board.

03.03.11 Confidentiality. Board members may not use confidential information acquired as a result of service to the TTU system for any purpose unrelated to TTU system business, or provide such information to any third party, without the consent of the board. Wrongful use of TTU system information includes, but is not limited to, use or disclosure of information to engage, invest, or otherwise participate in any business, project, venture, or transaction other than through the TTU system.

03.03.12 Actions not void or voidable. Except as otherwise provided by law, no transaction or action undertaken by the TTU system shall be void or voidable, or may be challenged as such by an outside party, by reason of having been undertaken in violation of Section 03.03, *Regents' Rules*, or the principles set forth therein.

03.04 **Conflict of interest and executive administration.**

03.04.1 Introduction.

- a. The statement of policy in this section applies to each member of executive administration ("executive administrators") of: the TTUSA (including the chancellor, chief financial officer, vice chancellor and general counsel, vice chancellors, and any other TTUSA administration officers as designated by the chancellor); and the component institutions of the TTU system (including presidents, provosts, vice presidents, vice provosts, deans of schools and colleges, and other component institution officers as designated by the president of the institution that

employs the executive administrator). This policy statement shall serve as a guide for executive administrators in fulfilling their positions of significant responsibility. Executive administrators serve the public trust and have a clear obligation to fulfill their responsibilities in a manner consistent with this duty and the provisions of Chapter 572, *Texas Government Code*, and in particular with the standards of conduct set out in Section 572.051 of that chapter. All decisions of executive administrators are to be made solely on the basis of the desire to promote the best interests of the TTU system and the public good. The integrity of the TTU system must be protected and advanced at all times.

- b. Men and women of substance, such as those who serve as executive administrators, commonly have a wide range of professional and personal associations with interests and involvement in other entities, institutions, and organizations. To assure the TTU system's many constituents of the integrity of its endeavors, executive administrators should avoid situations in which such associations, interests or involvement could compromise or reasonably appear to compromise important academic values or the business decisions of the TTU system. Accordingly, it is the policy of TTU system that executive administrators shall act in a manner consistent with their responsibilities to the TTU system and avoid circumstances in which their financial or other ties to outside persons or entities could present an actual, potential, or apparent conflict of interest or impair the reputation of the TTU system.
- c. No policy statement can specifically address every conceivable situation that might entail a conflict of interest. However, as a general principle, executive administrators should avoid any actions or situations that might result in or create the appearance of using their association with the TTU system for private gain, according unwarranted preferential treatment to any outside individual or organization, losing independence or impartiality, or adversely affecting the reputation of or public confidence in the integrity of the TTU system. Toward this end, it is the responsibility of each executive administrator to ensure that the TTUSA and, if applicable, the component en-

tity that employs the executive administrator are made aware of situations that involve personal, familial, or business relationships that could jeopardize the reputation of or public confidence in the TTU system. The TTU system requires each executive administrator to annually:

- (1) review this policy;
- (2) disclose all business entities in which an executive administrator, or an executive administrator's family member (defined throughout this section to include a spouse and dependent relatives or household members), has a financial interest; and
- (3) acknowledge by his or her signature that he or she is in compliance with the letter and spirit of this policy.

- d. For the purposes of Sec. 03.04, *Regents' Rules*, "business entity" means: any entity recognized by law through which business is conducted, including a sole proprietorship, partnership, firm, corporation, limited liability company, holding company, joint stock company, receivership, or trust.

03.04.2 Conflict of interest. A conflict of interest arises when the TTU system has or is considering a transaction or other business relationship with an executive administrator or an executive administrator's family member. For this reason, any transaction or other business relationship between the TTU system and an executive administrator or an executive administrator's family member is prohibited.

03.04.3 Presumed conflict of interest.

- a. A conflict of interest is presumed to arise when the TTU system has or is considering a transaction or other business relationship with an executive administrator or an executive administrator's family member, or with a business entity in which the executive administrator or executive administrator's family member has a substantial financial interest. A financial interest is presumed to be substantial if it entails:

- (1) Any ownership or investment interest in a business entity (including stock, options, a partnership interest, or any other ownership or investment interest) valued at more than \$10,000, except equity in a company amounting to less than 10% ownership interest in the company;
 - (2) Receipt of funds from the business entity that exceed 10 percent of the executive administrator's gross income for the previous year, or the expectation of the receipt of such funds in the future;
 - (3) Any ownership interest in real property, personal property, intellectual property or any other interest valued at \$10,000 or more;
 - (4) A position of real or apparent authority in a business entity such as director, officer, trustee, partner, agent, controlling share holder, or share holder with a 10% or more voting interest, or a direct or indirect participating interest in any shares, stock or otherwise, regardless of whether voting rights are included, in 10% or more of the profits, proceeds or capital gains of the entity involved; or
 - (5) Any position as an employee of the entity involved.
- b. An executive administrator is not deemed to have a substantial financial interest in a publicly traded entity by reason of an investment in that entity by another publicly traded entity, such as through a mutual fund, of which the executive administrator does not control investment decisions.

03.04.4 Disclosure of financial interest.

- a. An executive administrator or an executive administrator's family member who has a known substantial financial interest in a pending or a proposed transaction or business arrangement involving the TTU system shall promptly disclose to the TTUSA and, if applicable, the component entity that employs

the executive administrator the existence of the interest and other material information that the executive administrator may have regarding the transaction or arrangement.

- b. Each executive administrator annually shall execute and submit to the chief financial officer a statement disclosing all business entities in which the executive administrator has a financial interest. This disclosure will be achieved by the executive administrator submitting to the chief financial officer, by no later than June 1 of each year, a disclosure statement provided by the chief financial officer or, if the executive administrator is required under Chapter 572, *Texas Government Code*, to file a Personal Financial Statement with the Texas Ethics Commission, a copy of the executive administrator's Personal Financial Statement. The chief financial officer annually shall submit his or her disclosure statement to the chair of the board's Finance and Administration Committee. This disclosure shall be updated throughout the year by executive administrators if an executive administrator acquires or divests a substantial financial interest in any entity.

03.04.5 Determination of the existence of a conflict of interest. If an executive administrator is aware of a conflict of interest, the executive administrator shall inform the TTUSA and, if applicable, the component entity that employs the executive administrator, and abstain from any participation in the transaction or matter in which the conflict exists. In matters involving a presumed conflict of interest for which the executive administrator does not believe an actual conflict of interest exists, the chief financial officer, in consultation with the vice chancellor and general counsel, shall make the determination of whether there is an actual conflict of interest. However, if the presumed conflict of interest involves the chancellor, a president, the chief financial officer, the vice chancellor and general counsel, or a family member thereof, the chair of the Audit Committee shall make the determination.

03.04.6 Gifts. Executive administrators shall not accept, solicit, or encourage gifts, favors, benefits, gratuities, services, or other items of value for themselves or family members from any individual or entity that, to the executive administrator's knowledge, has or seeks to

have a business relationship with the TTU system and for which the executive administrator knows or should know is offered with the intent to influence the executive administrator's conduct or which might reasonably:

- a. affect the exercise of the executive administrator's judgment on behalf of the TTU system;
- b. tend to influence the executive administrator in the discharge of the executive administrator's duties;
- c. tend to impair confidence in the TTU system; or
- d. create the appearance of impropriety.

03.04.7 Use of office for personal gain. Executive administrators shall not use the authority, title, prestige or other attribute of his or her office or position for personal benefit or gain for themselves or for any relative. Executive administrators specifically are prohibited from procuring or being a party in any way to procuring the appointment of a relative to a position of trust or profit connected with the TTU system.

03.04.8 Favored treatment. An executive administrator shall not use the authority, title, prestige or other attribute of his or her office or position to obtain consideration, treatment, or favor for any person beyond that which is generally available. This subsection applies, but is not limited to, efforts to influence administrative decisions with respect to an individual's admission, employment, discipline, and similar matters. However, this subsection does not prohibit letters of recommendation or requests for information about the status of an individual's admission, employment, discipline, and similar matters.

03.04.9 Appropriation of TTU system opportunities. If an executive administrator becomes aware of a business, investment, or other financially valuable opportunity that rightfully belongs to the TTU system and not to the executive administrator individually or another entity with which the executive administrator is affiliated, the executive administrator shall bring the opportunity to the at-

tention of the TTUSA and, if applicable, the component entity that employs the executive administrator.

03.04.10 Confidentiality. Executive administrators may not use confidential information acquired as a result of service to the TTU system for any purpose unrelated to TTU system business, or provide such information to any third party, without the consent of the TTUSA and, if applicable, the component entity that employs the executive administrator. Wrongful use of TTU system information includes, but is not limited to, use or disclosure of information to engage, invest, or otherwise participate in any business, project, venture, or transaction other than through the TTU system.

03.04.11 Actions not void or voidable. Except as otherwise provided by law, no transaction or action undertaken by the TTU system shall be void or voidable, or may be challenged as such by an outside party, by reason of having been undertaken in violation of Section 03.04, *Regents' Rules*, or the principles set forth therein.

03.05 **The classified compensation plan.** Each component institution shall promulgate policies and procedures for the appropriate classification and compensation of non-faculty employees. Each component institution shall publish and annually review the classified compensation plan to ensure that employees are compensated in a fair and equitable manner by establishing rates of pay that are directly related to such factors as skill, ability, education, training, experience, level of responsibility, physical and mental effort demanded, and the working conditions involved.

03.06 **Appellate procedures for grievances.**

03.06.1 Board and individual grievances. Except as specifically provided in these *Regents' Rules*, the board does not serve as an appellate body for individual grievances of students, faculty or staff members.

03.06.2 Grievance procedures. The TTU system administration and component institutions shall establish grievance procedures for the types of grievances of students, faculty and staff members applicable to the component. Each such procedure will indicate the final level of review within the TTU system administration or compo-

ment institution that is available to an individual grievant, and a decision at the level so indicated will constitute final institutional action on the grievance.

03.07 Consulting or outside employment.

03.07.1 Outside employment defined. Outside employment is defined to be any compensated service or employment by an entity, other than the TTU system, of a TTU system employee.

03.07.2 Employees' primary responsibility. The primary responsibility of TTU system employees is the full and complete execution of all assigned duties, the fulfillment of those professional obligations not ordinarily reduced to written assignment and the maintenance of current professional skills. Outside employment must be compatible with the interests of the TTU system and of such a nature that it will not detract from the effectiveness and performance of the employee.

03.07.3 Clinical faculty. Full-time clinical faculty at TTUHSC who are involved in outside employment must do so under the provisions of each school with TTUHSC's respective Income Plan.

03.08 Service on outside boards.

03.08.1 Service on an outside board by any TTUS employee.

a. Conditions of service on an outside board by any TTUS employee. Service on the governing board of an entity other than the TTU system ("outside board" and "outside entity") by any TTUS employee, including executive administrators subject to the provisions of Section 03.08.2 of this section, shall be subject to and conditional upon compliance with all applicable policies relating to ethics, conflicts of interest, consulting or outside employment, and disclosure provided in Chapters 03 and 10, *Regents' Rules*, and in institutional operating policies.

b. Risk of liability. All TTUS employees should be aware of the potential risk of liability associated with outside board service and should evaluate those risks and the need for appropriate

insurance and indemnification. All TTUS employees also should be aware that statutory limitations on liability of state officials and employees may not apply and that indemnification by TTUS and insurance coverage provided by TTUS may not apply or may be severely limited.

03.08.2 Service on an outside board by an executive administrator.

a. Approval required.

- (1) Except as provided in Section 03.08.2.a(2) of this section, for an appointment or re-appointment to the governing board of an entity other than the TTU system (“outside board” and “outside entity”) that is made on or after December 17, 2010, an executive administrator subject to Section 03.04, *Regents’ Rules*, may serve on the outside entity’s governing board only with the approval of the appropriate authority as set forth in Section 03.08.2.b of this section.
- (2) This section does not provide an exception to the requirements of Section 10.11, *Regents’ Rules*, regarding participation as a member of the governing board of a business entity that has an agreement with TTUS relating to the research, development, licensing or exploitation of intellectual property in which TTUS has an ownership interest. Such situations shall be governed by the provisions of Section 10.11, *Regents’ Rules*.
- (3) An executive administrator subject to this section who wishes to accept a position on the governing board of an outside entity must advise the vice chancellor and general counsel, who shall evaluate whether an actual or apparent conflict of interest would result from the service of the executive administrator on the governing board of the outside entity. The vice chancellor and general counsel shall report the results of the evaluation to the chair, the chancellor, and the designated approval authority, if different.

(4) An approval to serve on the governing board of an outside entity as provided by this section shall take into consideration the evaluation by the vice chancellor and general counsel, and approval shall not be granted if the designated approval authority determines that such service would result in an actual or apparent conflict of interest.

b. Designated approval authority.

| <u>Person Seeking Approval</u> | <u>Approval Authority</u> |
|--------------------------------|---------------------------|
|--------------------------------|---------------------------|

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| Chancellor, president, or vice chancellor and general counsel..... | Board |
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| TTUSA: other executive administrator subject to Section 03.04, <i>Regents' Rules</i> | Chancellor |
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| TTUS component: other executive administrator subject to Section 03.04, <i>Regents' Rules</i> | President of the institution |
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c. Use of executive administrator's time in service on an outside board.

(1) An executive administrator who is approved to serve on the governing board of an outside entity under the provisions of this section shall use the executive administrator's own time (time outside of business hours, vacation time, compensatory time, or other leave time) while providing service on the outside entity's governing board so that such service is without cost to TTUS.

(2) Notwithstanding Section 03.08.2.c(1) of this section, if the service is in a non-compensated position on the governing board of a civic or non-profit entity, the designated approval authority, upon a finding that such service is in furtherance of the best interest and mission of TTUS,

may waive the use-of-own-time requirement imposed by this section.

- d. **Reporting requirements.** In addition to any other required report or disclosure, each executive administrator who serves on an outside board shall file a report with the TTUS chief financial officer at the same time as the annual disclosure of financial interest report required by Section 03.04.4, *Regents' Rules*. On the service-on-outside-board(s) report, the executive administrator must list each outside board on which the executive administrator serves and must include the following information for each outside board:
- (1) the number of hours per month, quarter or year normally required by service on the outside board;
 - (2) whether the service is compensated or not compensated; and
 - (3) whether the service is protected by one or more policies of directors and officers liability insurance, and whether that insurance coverage provides for general indemnification or only costs of defense.

03.09 **Holidays.** The TTU system administration and each component institution annually shall prepare and present to the board for approval a holiday schedule for the following fiscal year. This schedule shall be prepared in accordance with state law and shall provide the same number of holidays observed by other state agencies. The holiday schedule may differ from the prescribed state holidays so as to coincide with the academic calendar.

03.10 **Leaves.** Each component institution shall promulgate operating policies and procedures governing employee leave regulations in conformity with federal and state laws.

03.11 **TTU system employee retirement.** The TTU system administration and each component institution shall promulgate rules in its operating manuals governing the retirement of employees in conformity with federal and state laws.

03.12 Personnel files.

- 03.12.1 Maintenance. The TTU system will maintain, either electronically or in written form in an appropriate office, a personnel file on each employee. This file shall contain the employee's application for employment, appointment papers, contracts, performance evaluations, and such additional material as is appropriate.
- 03.12.2 Confidentiality. The contents of the personnel file and copies of all parts of the contents of the file that may be maintained elsewhere by the institution are confidential except as provided by law. The materials described in this policy shall be disclosed to the employee and to such other officers, including members of the board, and employees of the TTU system as have responsibilities requiring use of the records.
- 03.12.3 Exceptions. Upon receipt by the TTU system of a subpoena or a court order, or upon the request of the employee, access to personnel files will be granted to persons not having access under Section 03.12.2, *Regents' Rules*, in the manner and under the terms specified in the subpoena, order, or request.

***Index of Chapter 03 amendments adopted since December 12, 2008
(in chronological order):***

| <u>Section</u> | <u>Date</u> | <u>Description of Amendment</u> |
|----------------|-------------|--|
| 03.01.3 | 8-7-09 | An existing conflict of interest subsection that applies to all officers and employees of the TTU System was re-labeled as “Conflict of interest – generally” ... and a parenthetical note was added to reference a new conflict of interest subsection (Sec. 03.03) that applies only to regents. |
| 03.03 | 8-7-09 | A new conflict of interest policy applicable only to members of the Board of Regents was inserted as a new Sec. 03.03 ... and all remaining sections were re-numbered accordingly. |
| 03.01.3 | 12-17-09 | In an existing general conflict of interest subsection that applies to all officers and employees of the TTU System, a parenthetical note was revised to reference a new conflict of interest subsection (Sec. 03.04) that applies only to executive administration. |
| 03.03.4 | 12-17-09 | In the regents’ conflict of interest policy, a provision regarding restrictions on parallel investments was deleted (and subsequent subsections were renumbered accordingly). This issue will be addressed in a new Long Term Investment Fund investment policy statement that is being developed. |
| 03.04 | 12-17-09 | A new conflict of interest policy applicable only to members of executive administration was inserted as a new Sec. 03.04 ... and all remaining sections were renumbered accordingly. |
| 03.04.5 | 12-17-10 | The General Counsel was added to the positions for which the Audit Committee chair resolves a question of whether an actual conflict of interest exists. For |

other executive administrators, a requirement was added that the Chief Financial Officer consult with the General Counsel on questions of whether an actual conflict of interest exists.

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| 03.08 | 12-17-10 | A new policy on service on outside boards in general was inserted as a new Sec. 03.08 ... and all remaining sections were renumbered accordingly. |
| 03.03 | 12-16-11 | Revisions throughout Sec. 03.03 were made to conform the policy on Board member conflicts of interest with recent changes in state law. |
| 03.04 | 12-16-11 | Revisions throughout Sec. 03.04 were made to conform the policy on executive administration conflicts of interest with recent changes in state law. |