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Policy Information

Effective Date:

October 1, 2001

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September, 2006

Policy Number:

FSO 1.4

Reference:

Purchasing Policies Manual policy 1.4

Classified Staff Human Resources Policy Manual 413.0

Responsible Unit:

Procurement and Contracting

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Purpose and Summary

The purpose of conflict of interest statutes is to remove or limit the possibility of personal influence that might bear upon a public employee's decision in his or her capacity as a public employee. Accordingly, Arizona statute ([A.R.S. 38-503 \[1\] et seq.](#)) requires an employee who has, or whose relative has, a "**Substantial Interest**" in any contract, sale, purchase, or service by or to the Arizona Board of Regents ("Board") or the universities, as well as in any decision, to disclose said interest in the official records of the Board. If such an interest exists, the employee shall refrain from participating in the decision, contract, sale, or purchase in any manner.

Scope

This policy applies to all persons who are employed by the Board and universities on a full-time, part-time, or contract basis (including student employees), referred to here as "**Employees.**"

Definitions

“**Relatives**” are defined to include spouse, children, grandchildren, parents, grandparents, brothers, sisters (including half-brothers and half-sisters), brothers-in-law and sisters-in-law, parents-in-law, and children-in-law of the employee.

A “**Remote Interest**” means:

1. That of a non-salaried officer of a nonprofit corporation.
2. That of a landlord or tenant of the contracting party.
3. That of an attorney of a contracting party.
4. That of a member of a nonprofit cooperative marketing association.
5. Ownership of less than three percent (3%) of the shares of a corporation for profit, provided the total annual income from dividends, including dividends payable in stock, received from that corporation does not exceed five percent (5%) of the total annual income of the employee and further providing that any other payments from that corporation do not exceed five percent (5%) of the total annual income of the employee.
6. That of an employee in being reimbursed for expenses incurred in performance of official duty.
7. That of a recipient of services generally provided by the Board or universities on the same basis as if to any member of the public. (Examples: An employee whose spouse, son, or daughter attends a state university would have a remote interest in the setting of fees and tuition. Non-remote interest—an employee whose relative has a contract with the University has a substantial interest in the contract and thus cannot participate in any University decision related to that contract.)
8. That of a public school board member, provided the relative involved is not a spouse or a dependent as defined by state income tax laws. (A.R.S. 43-1001 [2]).
9. That of a public officer or employee of any other public agency unless the action of that agency would confer a direct economic benefit or detriment upon a Board member or employee.
10. That of a member of a trade, business, occupation, profession, or class of persons consisting of at least ten members which is no greater than the interest of the other members of that trade, business, occupation, profession or class of person.

A “**Substantial Interest**” is any interest that cannot be defined as a remote interest and which confers a pecuniary or proprietary interest, either direct or indirect. If any substantial interest is present in a relative, that interest will be considered to be that of the employee.

Policy

I. What are the affirmative responsibilities of employees?

Any employee who has or whose relative has a substantial interest shall make known that interest in a special file open to the public and kept by the University and the Board. He or she shall thereafter refrain from voting or participating in any manner in the contract, sale, purchase, or decision. The University and the Board will keep the required file. It will be the responsibility of each employee to keep the disclosure current. Disclosure forms may be obtained from and shall be filed with the Office of the Director of Procurement and Contracting Services.

II. May an employee who has or whose relative has a substantial interest, supply equipment, material, supplies, or services to the board and universities?

Yes. An employee who has or whose relative has a substantial interest may supply equipment, material, supplies, or services to the Board and the universities, in accordance with the following: (a) the interest is disclosed in the special file or in the minutes of the Board; (b) if the contract is with the employee, the contract is awarded as a result of a public **sealed competitive** solicitation irrespective of the dollar amount; (c) if the contract is with a relative, a public competitive solicitation is not required; and (d) in both instances (b and c) the employee must refrain from voting or participating in any manner in the contract, sale, purchase, or decision.

III. What are the remedies in event of violation?

Any contract entered into in violation of the statute is voidable or subject to cancellation at the option of the Board and the University. Any persons affected by Board or University action may commence a civil suit to enforce the provisions of the statute. The court may order appropriate relief, including reasonable costs and attorney's fees to the prevailing party.

IV. What are the penalties in event of violation?

Criminal penalties are provided for two classes of violations: (a) Persons who intentionally or knowingly violate the statute may be guilty of a class 6 felony. (b) Persons who recklessly or negligently violate the statute may be guilty of a class 1 misdemeanor. A person found guilty of either shall forfeit his or her employment.

If you have any questions concerning a possible conflict, please contact the Director of Procurement and Contracting Services for clarification.

Related Information*

[Conflict of Interest Vendor List \[3\]](#) (pdf).

[Conflict of Interest Form \[4\]](#)

[A.R.S. 38-503 Conflict of interest; exemptions; employment prohibition \[1\]](#)

[A.R.S. 43-1001 Taxation of Income: Definitions \[1\]](#)

Revision History*

Revised September 2006

Source URL: <https://policy.arizona.edu/business-and-finance/conflict-interest>

Links

[1]
<http://www.azleg.state.az.us/FormatDocument.asp?inDoc=/ars/38/00503.htm&Title=38&DocType=ARS>

[2]
<http://www.azleg.state.az.us/FormatDocument.asp?inDoc=/ars/43/01001.htm&Title=43&DocType=ARS>

[3] <https://pacs.arizona.edu/sites/pacs/files/coi-to-web-11-1-17.pdf>

[4] https://pacs.arizona.edu/sites/pacs/files/coi_form_fillable_8-25-2017_0.pdf