

SAGINAW VALLEY STATE UNIVERSITY BOARD TRAINING



ETHICS IN GOVERNANCE

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ETHICS IN GOVERNMENT



THE SEVEN DEADLY SINS

- **The State Ethics Code is a good place to start in exploring the type of conduct that can lead to trouble, both for the individual and for the institution;**
- **It is not clear whether the State Ethics Code applies to public bodies corporate, but the “Seven Deadly Sins” are a common thread that appear in charges of corruption.**

DIVULGING CONFIDENCES

- **Thou shalt not: divulge to an unauthorized person, confidential information acquired in the course of employment in advance of the time prescribed for its authorized release to the public**
 - Example: divulging the site for a new school or litigation strategy

PUTTING YOUR SPIN ON THINGS

- **Thou shalt not: represent your personal opinion as that of an agency.**
 - Example: telling the public that the Academy will be doing something when the action has not been authorized at a board meeting;
 - Example: “authorizing” a contractor or vendor to undertake an action if the full Board had not met, deliberated and acted

SOLICITING PRIVILEGE

- **Thou shalt not: solicit or accept a gift or loan of money, goods, services, or other thing of value for the benefit of a person or organization... which tends to influence the manner in which you performs your official duties.**
 - Example: boondoggles

SELF-DEALING

- **Thou shalt not: engage in a business transaction in which you may profit from your official position or authority or benefit financially from confidential information which you have obtained or may obtain by reason of that position or authority.**
 - Example: flipping a site to the Academy

OUTSIDE EMPLOYMENT

- **Thou shalt not: engage in or accept employment or render services for a private or public interest when that employment or service is incompatible or in conflict with the discharge of your official duties or when that employment may tend to impair your independence of judgment or action in the performance of official duties.**

CONFLICT OF INTEREST

- **Thou shalt not: participate in the negotiation or execution of contracts, making of loans, granting of subsidies, fixing of rates, issuance of permits or certificates, or other regulation or supervision relating to a business entity in which you have a financial or personal interest.**

CASE STUDY

- **Public school academy under management purchasing facility**
- **Management company principals have partnership developing facility**
- **They tell academy that there is a group selling the building related to the management company and that this is the best way to build equity**
- **Do not disclose to the board the profit that is being taken by the partners from the transaction**
- **Partners award contracts, through management company, to friends and family members**

MORE TEMPTATIONS TO AVOID

Contracts of Public Servants with Public Entities Act, MCL 15.321 et seq.

- 1. Prohibits contracts between Public Servants (School Board Members and School Employees) and the Public Entity (School District) except under certain circumstances and only after proper disclosure.**
- 2. Exceptions for Public Servants who are paid for working 25 hours or less if appropriate disclosure is made.**

REVISED SCHOOL CODE

- 1. Competitive Bidding under § 1267:
Disclosure of Familial Relationship;**
- 2. Part 32 Violations:**
 - a) §1804: A person who neglects or refuses to perform an act required by the School Code is guilty of a misdemeanor (\$500.00/3 months);

REVISED SCHOOL CODE (con't)

- b. §1815: Person who violates §1267 competitive bidding requirements is guilty of a misdemeanor (1 years/10% of cost project);
- c. §1816: Person who improperly uses bond proceeds for purposes other than as stated in ballot proposal is guilty of a felony (4 years/10% of cost of project).

STEERING BUSINESS

Acting as agent; receiving gift or reward; penalty, MCL 380.1805

- a. A superintendent of public instruction, intermediate superintendent, principal, or teacher of schools shall not act as agent for an author, publisher, or seller of schoolbooks or school apparatus, or receive a gift or reward for his or her influence in recommending the purchase or use of a school book, apparatus, or furniture in this state.**
- b. A person who violates this section is guilty of a misdemeanor punishable by a fine of not more than \$500.00 or imprisonment for not more than 3 months, or both.**

**AN INTRODUCTION TO COLLUSION –
IF YOU SEE THIS, REPORT & RUN!**

- A. Price Fixing;**
- B. Bid rigging;**
 - i. Bid suppression**
 - ii. Complimentary bidding**
 - iii. Bid rotation**
 - iv. Market division**
 - v. Subcontracting**

GUARDING THE TILL – SARBANES-OXLEY

- A. Require independent auditors**
- B. Hold management accountable for accuracy of financial statements**
- C. Penalties for tampering with corporate records**

PUBLIC SCHOOL RESPONSES

- A. Deploy appropriate internal controls**
- B. Audit/disclose related party transactions**
- C. Encourage employees to anonymously report fraud**

REVISE POLICIES: HOW FAR DO YOU GO DOWN THE ROAD TO ZERO TOLERANCE?

1. Vendor relations

- a. Limiting vendor contract
 - i. Gifts
 - ii. Entertainment
 - iii. Samples for evaluation
- b. Limiting solicitation of vendors by district:
pay to play issues

REVISED POLICIES: (con't)

- 2. Employee development and seminars**
- 3. Expense reimbursement**
- 4. Conflict of interest and nepotism**