

BO.12.00	Risk Reduction Measures when an Employee has a Significant Financial Interest in a New Startup Company
Owner/Contact Information:	COS Office of Finance and Business Management
Effective Date:	August 28, 2024
Last Revised/Reviewed:	August 28, 2024
Related Policies:	REG 01.25.01 - Conflicts of Interest and Conflicts of Commitment

1. PURPOSE/INTRODUCTION

NC State University encourages the transfer and advancement of knowledge through relationships with outside businesses, scholarly publications, and the creation and licensing of intellectual property (IP). However, this needs to be balanced against federal, state, and sponsor regulations regarding conflicts of interest.

The University has a defined process for reporting conflicts of interest (COI) and a Management Plan (MP) to reduce, mitigate, or eliminate an actual, potential, or perceived conflict of interest held by an employee; financial or otherwise. A MP is needed when a covered employee has a financial interest, relationship or other circumstance that has the actual, potential or perceived ability to impair their objectivity while performing university duties or participating in research at the university. Examples of circumstances that require disclosure and a MP include but are not limited to: participating in university research involving Intellectual Property (IP) owned by or contractually obligated to a business in which the individual or their immediate family has a consulting relationship, has a Significant Financial Interest (SFI), or holds an executive position (e.g., startup companies).

While the MP does state that the business entity (e.g., startup company) cannot direct the use of University resources, the employee may not realize the full scope of applicability and that it includes financial resources in addition to physical assets and personnel. Thus, a meeting is needed to clarify this point, particularly if the employee has access to University funding sources, including Foundations, Endowed Professorships, or University Gifts.

2. DEFINITIONS

- COI - Conflict of Interest
- FCOI - Financial Conflict of Interest
- IP - Intellectual Property
- MP - Management Plan
- SFI - Significant Financial Interest

3. PROCEDURAL STEPS

3.1 Annual or Updated COI Disclosure - When an employee discloses they or their immediate family has a new SFI, or holds an executive position in a business entity (e.g., startup companies), the COI Office reviews it to determine if a Financial Conflict of Interest (FCOI) exists. If no FCOI exists, it will route to the Department Head for approval before the COI Form is cleared. If a FCOI does exist, a COI MP is required and is sent for review and approval to the COI Committee Chair; typically the Department Head.

3.1.1 No FCOI Exists

3.1.1.1 For a **newly** disclosed SFI in a startup company, the Department Head receives a COI Disclosure where no FCOI is identified and reviews and approves it.

3.1.1.2 The Department Head emails the Assistant Dean of Finance and Business Management **after** approving the Disclosure to indicate the need for a meeting with the employee. A meeting is not needed for previously-reported COIs and FCOIs involving a start-up company.

3.1.1.3 The Department Head schedules a meeting to include the Department Head, Assistant Dean of Finance and Business Management, and employee to discuss restrictions on using University assets and resources including employee effort, buildings and equipment, and funding sources.

3.1.2 FCOI Exists

3.1.2.1 For a **newly** disclosed SFI with a FCOI in a startup company, a COI MP is required and the COI Office will work in conjunction with the Department Head and employee along with other identified committee members. The Department Head emails the Assistant Dean of Finance and Business Management when the need for a MP is identified and **before the MP is approved** to indicate the need for a meeting with the employee.

3.1.2.2 The Department Head schedules a meeting to include the Department Head, Assistant Dean of Finance and Business Management, and employee to discuss restrictions on using University assets and resources including employee effort, buildings and equipment, and funding sources. If the Associate Dean for Research is on the committee, they should be included in the meeting as well. A meeting is not needed for previously-reported COIs and FCOIs involving a start-up company.

3.1.2.3 The Department Head and COI Chair, along with the committee members and employees, approve the COI MP.

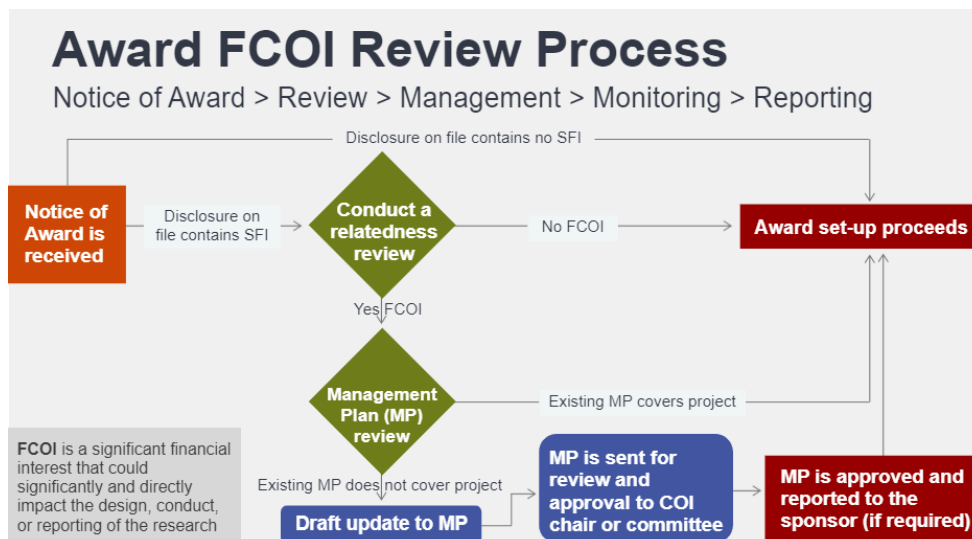
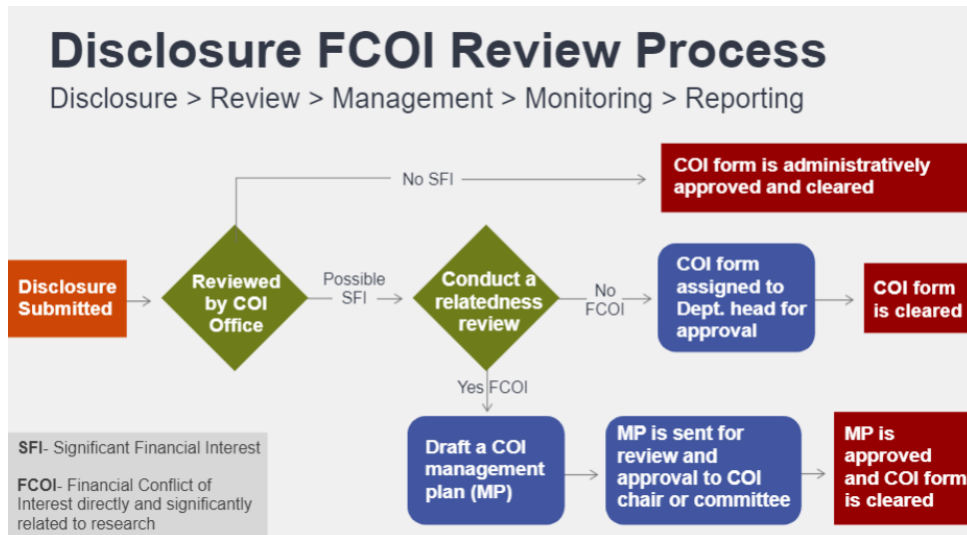
3.2 Project-based FCOI Review - When a notice of award is received, the COI Office reviews it against the employee's current COI Disclosure and MP on file. If an FCOI exists that is not covered by the existing MP, an update is needed.

3.2.1 For a **newly** disclosed SFI with a FCOI in a startup company, a COI MP is required and the COI Office will work in conjunction with the Department Head and employee along with other identified committee members. The Department Head emails the Assistant Dean of Finance and Business Management when the need for a MP is identified and **before the MP is approved** to indicate the need for a meeting with the employee.

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3.2.3 The Department Head and COI Chair, along with the committee members and employees, approve the COI MP.

4. PROCESS MAPS (Owned by NCSU Research Administration and Compliance)



5. RELATED HYPERLINKS

- [NCSU Research Administration and Compliance - COI: Procedures and Guidance](#)
- [NCSU Research Administration and Compliance - Conflict Management Guidance](#)

- [MP Template](#)
- [Trust Fund Guidelines](#)
- [Office of Research Commercialization - Startup Development and Support](#)

6. REVISION TABLE

Revision #	Subsection #	Summary of Changes	Approval Date
BO.12.00	N/A	Original version	08/28/2024