August 15, 2018

Chancellor Steve Wrigley
University System of Georgia
270 Washington Street, 8th Floor
Atlanta, GA 30334

Dear Chancellor Wrigley,

The past month, I have felt disappointment, anger, and embarrassment over the ethical lapses that have plagued us at Georgia Tech. With so much to be proud of — including our bright and innovative students, our engaging and expert professors, and our curious and entrepreneurial researchers — it became far too easy to celebrate the good while unintentionally overlooking the bad. I assure you that will no longer be the case. It is my responsibility as president. I will not tolerate anything less than the highest ethical standards from every employee in every unit of Georgia Tech and I will ensure that our leaders model integrity in all they do.

It is an honor to serve the state and its residents in education, research, and economic development. We must exemplify our motto of "Progress and Service" while strongly rejecting any actions that tarnish the reputation of our Institute, state, and/or public employees. I take this responsibility seriously and acknowledge that we have failed in this area on too many occasions. It is my goal that our faculty, staff, students and alumni will be proud of every aspect of this Institute and that we will live up to the justifiably high expectations that are placed on us.

The attached report notes the progress that has been made in repairing and rebuilding our ethical standards and culture. Our focus on ethical business practices and behavior will go well beyond the actions detailed in this report. We must and will do better as we review best practices from within and outside the University System, implement actions resulting from the Comprehensive Administrative Review (CAR), and educate and train every employee regardless of department, classification or title — starting with me, the cabinet and deans. Following policies and rules will be the bare minimum of what we expect. We will also clearly define our values and call on each member of our community to engage in their work and studies while abiding by those values.

We are grateful for our partnership with the Board of Regents and the USG leadership and thank you for your support and guidance as we implement additional organizational changes, policies, and safeguards to restore our culture and ensure the public trust. In the event you have any questions, suggestions or additional recommendations, please do not hesitate to contact me.

Sincerely,

G. P. "Bud" Peterson
President
Memorandum

To: Steve Wrigley, Chancellor

From: G. P. “Bud” Peterson, President

Date: August 15, 2018

Re: Report on Recommendations from Special Reviews and Report(s)

As requested, below is an update on the actions taken to date on the recommendations outlined in your memo of July 20, 2018. In addition to these recommendations, I have included an update on the recommendations contained in the GTRI special review dated May 25, 2018, the recommendations in the Conflict of Interest special review dated July 17, 2018 and the recommendations in the Campus Services special review dated July 26, 2018.

Chancellor’s Memo: July 20, 2018

1) Elevate and centralize the role of an ethics officer on campus. This position should report directly to you and have sufficient authority and responsibility to ensure an independent and objective assessment of potential conflicts of interest, ethical concerns, etc. This position should have oversight across Georgia Tech and its various cooperative organizations to include direct supervisory control over the various ethics and compliance positions within Georgia Tech.

Completed - Georgia Tech’s current chief ethics officer is Phil Hurd, the Institute’s chief audit executive. Mr. Hurd’s position and reporting structure has been modified and he now reports directly to the president. Due to the retirement of the current vice president for Legal Affairs and Risk Management on August 31, 2018, we have appointed an interim vice president who will now report directly to the president. The job description for this position is currently being developed to reflect a significant focus on ethics and compliance and will be retitled vice president for Ethics, Compliance and Risk Management. Once the new position description has been finalized, we will conduct a national search to fill the position. The individual in this redefined position will assume the role of chief ethics officer for the Institute and report directly to the president (see attachment #1).

2) Clarify Georgia Tech’s policy pertaining to “consulting leave” to ensure that full-time administrators are not eligible to use this particular type of leave. Consulting leave is primarily intended for use by full-time faculty who do not earn annual leave. Senior administrators should take annual leave to capture time away from work.

Completed - Georgia Tech’s Employment Policy 5.4, Conflict of Interest, has been amended to provide this clarification. The previous language of the policy stated:
Non-faculty members are not permitted to consult as defined and permitted under 5.6.5 of the Faculty Handbook

The language has been changed to:

Only faculty who do not accrue annual leave may report consulting days for time spent consulting, as described in Section 5.6.5 of the Faculty Handbook.

This change was discussed at the Fall Leadership Convocation today, August 15, 2018, with 60 members of the campus leadership in attendance and has been formally communicated to all employees with faculty status by memorandum dated August 13, 2018 (see attachment #2).

Georgia Tech Human Resources has also sent an electronic message to all staff managers reminding them that classified staff are not eligible for consulting leave under any circumstances.

3) The USG Ethics Awareness Week is scheduled for November 11-17, 2018. I expect a strong and visible presence and participation from you and your senior leadership team.

In progress - Associate Vice President and Chief of Staff Lynn Durham has been charged to lead this campus wide effort. The first meeting of the 24-member planning committee was held last week to discuss ideas and to begin implementing plans. The group is considering a number of activities, such as brief video messages from both campus leaders and outside experts in the field, developing and disseminating a values statement, and faculty-led discussions of ethics in the classroom, labs and workplace. We are also planning a training session for GT leadership by members of the USG staff. Georgia Tech’s Cabinet and Deans will be prominent participants in these activities and I, along with other senior leaders, will attend and participate in all Ethics Awareness Week activities to indicate its importance to the campus. As the planning committee continues its work, additional items will be developed with the goal of long-term emphasis and focus on the importance of creating a more robust climate of ethical behavior at Georgia Tech. Ms. Durham will keep Wesley Horne in the System office apprised of these initiatives and progress.

4) Conduct a comprehensive review of all outside activities and conflicts of interest for your direct reports and those ranked with a Vice President or higher position title. Ensure that these are being managed correctly and consistent with Board Policy and the USG Ethics Policy.

Completed - Individuals holding the title of vice president or higher and the president’s direct reports have updated their Conflict of Interest (COI) reports. These reports were presented to their supervisors for review and have also been reviewed by the Georgia Tech Legal Affairs staff and Jeff Steltzer, J.D., director of Conflict of Interest Management, to ensure they are consistent with Board Policy and the USG Ethics Policy.

In progress - Mr. Steltzer has also undertaken a review of every conflict of interest management plan at the Institute and will complete that as soon as possible. As next steps toward improvement, the COI director has been charged with developing an automated conflict monitoring process that looks at potential conflicts or relationships and maps that against the companies/organizations with which we do business – so that we generate a cross-referenced list. We are also communicating to all employees that any change in
conflict of interest disclosures must be completed immediately, not only on an annual basis. The importance of timely and accurate reporting was emphasized at today’s Fall Leadership Convocation.

**GTRI Audit Recommendations: May 25, 2018**

1) **Integrate GTRI’s support functions (e.g., Finance, Operations & Information Systems and Talent Management) within Georgia Tech operations and organize support functions and reporting lines directly under the respective Georgia Tech division. This would significantly strengthen compliance operations going forward. GTRI’s Ethics and Compliance Officer also should be positioned outside of the GTRI management structure but may be assigned primarily responsibility for GTRI activities given the level of expertise required with respect to GTRI-specific requirements. Immediately address the nepotism issue associated with the Finance, Operations & Information Systems division noted previously in this report.**

**In progress - Integration of Support Organization Leadership.** The reporting structure for the following five positions has been modified and they now have a dual-reporting responsibility to the Institute Leadership and to the GTRI director. We will continue to review these relationships as part of our Comprehensive Administrative Review (CAR) efforts with the goal as stated above of integrating GTRI’s support functions within Georgia Tech operations and organizing the support functions and reporting lines directly under the respective Georgia Tech division. The position changes are currently as follows.

- Ethics and Compliance - GTRI’s ethics and compliance officer is positioned outside of the GTRI management structure, with primary responsibility assigned to GTRI activities. The position now reports to Georgia Tech’s interim vice president for Legal Affairs and Risk Management, with primary responsibility for GTRI activities and secondary reporting to the GTRI director. This reporting structure will remain in place until the new vice president for Ethics, Compliance and Risk Management is hired, at which point reporting will be to the new vice president for Ethics, Compliance and Risk Management and to the GTRI director.

- Finance – GTRI’s senior director of Finance has been integrated within Georgia Tech operations and now reports to both the associate vice president for Institute Planning & Resource Management and to the GTRI director.

- Operations & Information Systems – The GTRI deputy director for Operations, who serves as GTRI’s chief information officer, has been integrated within Georgia Tech operations and now reports dually to the senior vice president for Administration and to the GTRI director. For those areas which require additional coordination between GTRI and Georgia Tech Information Systems, the GTRI CIO is the designated point of contact with the Institute’s vice president for Information Technology.

- Human Resources – GTRI’s director of Talent Management has been integrated within Georgia Tech operations and now reports dually to the associate vice president for Human Resources and to the GTRI director. For those areas which require additional coordination between GTRI Talent Management and the Georgia Tech Office of Human Resources (GTHR), there are designated points of contact connecting the respective GTRI and GTHR office functions.
- Research Security – The GTRI director for Research Security has been integrated within Georgia Tech operations and now reports to the Georgia Tech president, the interim executive vice president for Research, and to the GTRI director. The GTRI director of Research Security also has a secondary reporting responsibility to the vice president for Research and general manager of the Georgia Tech Research Corporation (GTRC).

2) Alter the Georgia Tech institutional chief auditor’s reporting structure to be fully consistent with Board Policy, i.e., directly to the institutional president and the USG Vice Chancellor for Internal Audit. You may wish to delegate purely administrative tasks to the Chief of Staff or similar role, e.g., approving travel expense statements and purchase requests. However, performance evaluation and regular oversight should be provided directly by you and continue to be provided by the USG Vice Chancellor for Internal Audit. This will help to ensure that potential risks are raised with your office directly and timely so you can ensure your senior officials are handling matters appropriately and that the system office is properly engaged.

Completed - The chief auditor’s reporting structure is now fully consistent with Board Policy\(^1\) section 7.10.2, paragraph two. Pursuant to that end, we have adjusted the reporting structure to ensure that the chief auditor now has a direct reporting relationship to the Institute president as well as to the USG vice chancellor for Internal Audit. Administrative and budgetary tasks will be managed by the president’s chief of staff. Locally, the president will conduct the chief auditor’s annual review and provide regular oversight (see the attached organizational chart). In addition, in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards) section 1000 paragraph one\(^2\), we are reviewing and updating our internal audit charter in order to ensure that this reporting relationship is clear. Mr. Hurd will work with Dr. Tan Smith at the System office in this process. This charter will be modeled on the Institute of Internal Auditors “Model Internal Audit Activity Charter.”\(^3\) The update of the organizational chart is complete and published. The updated internal audit charter is currently in process. We anticipate official publication within the next 60 days (also see Chancellor’s Memo item #1).

3) Substantively revise GTRI Policy 6140 Promotional Funds to ensure it is fully consistent with Georgia Tech and University System guidelines governing use of institutional funds.

Completed - GTRI Policy 6140 (Promotional Funds) was discontinued and eliminated effective July 30, 2018. GTRI personnel are now required to adhere to the Georgia Tech policy for expending promotional funds with expenditures for all internal activities governed by policy provisions related to the use of institutional funds. Any exceptions will be subject to “review for reasonableness” by the GTRI ethics and compliance officer and the Georgia Tech chief ethics officer and approval by the executive vice president for Research.

---

1. [https://www.usg.edu/policymanual/section7/C477/](https://www.usg.edu/policymanual/section7/C477/)
3. [https://na.theiia.org/standards-guidance/Public%20Documents/Model%20Internal%20Audit%20Activity%20Charter.pdf](https://na.theiia.org/standards-guidance/Public%20Documents/Model%20Internal%20Audit%20Activity%20Charter.pdf)
4) Consider implementing an “ethics audit” or similar assessment, perhaps using external resources, to thoroughly assess the ethical tone across Georgia Tech and take the necessary steps to address any potential issues or findings raised during this process.

In progress - Georgia Tech’s leadership is actively working with the University of North Georgia’s BB&T Center for Ethical Leadership to implement and distribute the Ethical Culture Indicator (ECI) survey in early fall and collect, compile and review the results. Based upon these results, the BB&T Center staff will make recommendations and will work with the president to design a comprehensive training program which will be implemented in the spring semester. The survey and the focus on our ethical culture was emphasized at today’s Fall Leadership Convocation and will be an area of focus for the president’s annual Institute Address.

Conflict of Interest Audit Recommendations: July 17, 2018

1) GT should take appropriate corrective personnel actions consistent with the policies and practices of GT.

   Completed – Upon receiving the final report regarding the conflict of interest allegations that had been received about Steve Swant, President Peterson terminated Mr. Swant’s employment immediately. Any other allegations of policy or criminal violations identified will be dealt with in a similarly timely and expeditious manner with appropriate corrective personnel actions taken, consistent with the policies and practices of Georgia Tech and the USG.

2) GT should ensure that all future purchases of products or services follow USG and DOAS purchasing rules and are not influenced by any employee’s personal or financial interest.

   In progress – Currently, all goods and services purchased with Georgia Tech funds utilize Georgia Tech’s procurement system (BuzzMart), which is consistent with the procurement policies and procedures as required by the Georgia Department of Administrative Services (DOAS). Requests for Proposals (RFPs) and Contracts with a value of greater than $5 million require direct involvement (approval and/or administration) by DOAS. DOAS has delegated authority to Georgia Tech for RFP issuance and contract execution for agreements of less than $5 million per year. Georgia Tech is currently more restrictive than the state in order to support Federal requirements; for example, the state “no-bid” limit is $25,000, and Georgia Tech’s is $10,000. Georgia Tech is reviewing the current BuzzMart procedures to ensure that the opportunity for employees to exert undue influence, based on their personal or financial interests, are prohibited and would require a “system override” and/or supervisor approval. In addition, the upcoming implementation of the revised financial system will focus on these aspects of the system.

   The procurement of construction services and materials utilized for campus building/physical plant maintenance is managed by the Facilities Department. These purchases represent a significant component of the overall expenditures for Georgia Tech. For construction services, Georgia Tech complies with the Board of Regents’ Policy Manual (section 9) and the Building Project Procedures Manual. Based on these guidelines, Georgia Tech purchases construction services over $100,000 based on a quality-based selection process with participation by both Georgia Tech and USG staff. Georgia Tech publicly advertises the vendor selection to allow full participation by all parties to the process. For contracts
below $100,000, Georgia Tech competitively bids for such services. We are in the process of reviewing the requirements and processes employed to ensure that the procurement process is both open and free of influence by all parties.

Georgia Tech’s Facilities group has an internal approval process to ensure that the vendor selection has adequate separation of duties. For each contract, the head of Design and Construction, the finance director, and the VP for Facilities Management must approve the vendor before the contract is awarded. For purchases of materials (e.g., furniture), Georgia Tech follows DOAS requirements, and, where possible, utilizes state purchasing contracts that have been negotiated by DOAS. Purchases must be reviewed by Georgia Tech’s procurement department for final approval if less than $100,000 or go to DOAS for final approval if the amount exceeds $100,000. The facilities and financial staff are also reviewing the procedures and systems currently in place in order to identify any additional methods to minimize the opportunity for influence, based on personal or financial interests. They will collaborate and work closely with the USG’s facilities and financial staffs to ensure full alignment.

Lastly, Georgia Tech’s affiliated organizations do not use the Georgia Tech Procurement office for their purchases but are expected to follow Georgia Tech purchasing policies. Our Financial Services staff will undertake a review and will communicate expectations to all affiliated organizations.

3) **GT should ensure that all conflict of interest management plans adequately address conflicts of interest.**

*Please refer to Page 2, Number 4.*

4) **GT should ensure that 12-month employees and non-faculty employees do not consult without taking annual leave.**

*Please refer to Page 1, Number 2.*

---

**Campus Services Audit Recommendations: July 26, 2018**

1) **Administer the appropriate separation of duties for operations to ensure that no single vice president will control the entire procurement process with the ability to override legal or relevant advice from other units.**

*Completed – A revised Administration and Finance structure was implemented and went into effect on August 2, 2018. In this revised structure, the Human Resources reporting structure was modified. Human Resources was moved from Campus Services and now reports directly to the senior vice president for Administration. This provides a more direct reporting role to the executive vice president for Administration and Finance.*

In addition, Business Services was moved from Campus Services and now reports directly to Institute Planning and Resource Management, which reports directly to the executive vice president for Administration and Finance. This was done to ensure that the vice president who negotiates vendor contracts is not also able to approve them through the
procurement process. This will also ensure that financial expertise for the various units and those charged with financial services operations are co-located and work within the same unit. This latter move will be reviewed further as President Peterson and senior leaders determine what the permanent Administration and Finance structure will be as we move to hire a permanent executive vice president for this unit.

2) **Instruct GT leadership on the binding nature of legal advice from the Office of Legal Affairs (OLA) and the requirement to understand and comply with BOR and GT policy.** Training on this has been provided to the executive level in the past at other institutions by the BOR; Department of Internal Auditing recommends this take place at GT.

   **Completed** – This was a point of emphasis at today’s annual Fall Leadership Convocation. It will be clearly communicated that contracts will not be signed without evidence of OLA approval. In addition, training will be provided to Georgia Tech’s leadership team by an invited expert from the USG during Ethics Awareness Week and at regular intervals.

Please contact me if you have any questions or concerns.
As of September 2018

* Also reports to the Vice Chancellor for Internal Audit, University System of Georgia
MEMORANDUM

To: Academic and Research Faculty Who Accrue Vacation Leave

From: G. P "Bud" Peterson, President

Date: August 13, 2018

Re: Outside Employment Activities and Consulting Leave

We have received additional guidance from the Office of the Chancellor regarding the USG Policy on Faculty Consulting.

When engaged in approved outside employment activities, including consulting, all individuals who accrue annual leave must report any time taken during the normal business week as annual leave (i.e. vacation). Only faculty who do not accrue annual leave may report their leave as consulting for time spent in approved outside activities, as described in Section 5.6.5 of the Faculty Handbook.

Outside employment activities and consulting does not include outside activities that are normally expected of faculty members, specifically excluded are:

  Publication - Scholarly communications in the form of books, movies, television productions, art works, etc. though frequently earning financial profit for a faculty member and for another party (e.g., publisher), are not viewed as consultation.

  Professional Service - Service on national commissions, advisory bodies for governmental agencies and boards, granting agency peer review panels, visiting committees or advisory groups to other universities, and on analogous bodies is not considered to be Consulting. The fundamental distinction between these activities and consulting is that they are public or Institute service. Although participants may receive an honorarium or equivalent, these professional service activities are not undertaken for personal financial gain.

Questions regarding the application of this policy may be directed to the Office of Conflict of Interest Management (coi@gatech.edu).
August 20, 2018

Dr. G.P. “Bud” Peterson
President
Office of the President
Georgia Institute of Technology

Sent via email

Dear Dr. Peterson:

Thank you for your response to my request and our recent meeting. This letter serves to capture our discussion.

As we agreed, lax management and unethical behavior at Georgia Tech have resulted in misuse of resources and a failure to hold staff accountable, and, as president, you are ultimately responsible.

As we discussed, you recognized you must dramatically improve your expectations of senior officials at Georgia Tech. You acknowledged as well the need for you to follow advice regarding management weaknesses at Georgia Tech. We also agreed that you will hold staff accountable for failures to comply with law and policy.

It is clear many on campus believe that when they raise ethical issues, they are not taken seriously or are deliberately ignored by some administrative leaders. This must be corrected immediately.

Most of all, you must lead an effort to change the culture at Georgia Tech. A culture of high expectations clearly pervades the academic life of Georgia Tech; a matching culture of high expectations for administration must be created. For those who cannot accept the need for this change, you need to decide promptly whether the Georgia Tech family is the place for them.

I believe you and the vast majority of Georgia Tech faculty and staff are committed to ethical management; you cannot allow the behavior of some to tarnish Georgia Tech.

Your proposed administrative changes can lead to real change at Georgia Tech under vigorous leadership that makes ethical management a top priority.

Now you must execute that change. Here are my expectations:
Dr. G. P. “Bud” Peterson  
August 20, 2018  
Page 2

- You will demand a commitment to high standards of ethical behavior from everyone at Georgia Tech;
- You will hold senior administrators accountable for failing to follow and enforce these standards;
- We will work together to hire senior management positions that we discussed to ensure excellence;
- You will make it clear to all senior administrators their first duty is to the public trust and their responsibilities at Georgia Tech, and they must cease all outside activities in conflict with these;
- You must ensure that ethics complaints are addressed in a timely, honest and thorough manner, free of fear of retribution on the part of those who file them; and
- You will update my office again on November 12, 2018, on your progress.

Bud, now the work begins, the hourly, daily, weekly decisions, small and large, on your part and others at Georgia Tech, to create a culture committed to ethical excellence. I expect this change to occur, and it must be real and sustained.

Sincerely,

Steve W. Wrigley  
Chancellor

cc: Tricia Chastain, Executive Vice Chancellor for Administration  
John Fuchko, III, Vice Chancellor for Organizational Effectiveness  
Edward Tate, Vice Chancellor for Legal Affairs  
Lynn Durham, Chief of Staff, Georgia Tech  
Dene Sheheane, Vice President for Government & Community Relations, Georgia Tech