

*DOING BUSINESS*  
*THE CALTECH WAY:*  
*AN ETHICS HANDBOOK*



*CALIFORNIA INSTITUTE OF TECHNOLOGY*

*FACULTY*  
*GRADUATE STUDENTS*  
*POSTDOCTORAL SCHOLARS*  
*STAFF*

# *AN OPEN LETTER TO THE CALTECH COMMUNITY*

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One way or another, the principles of ethical behavior are rooted in the biblical Golden Rule,

“Do unto others as you would have them do unto you.”

Even for those willing to abide by it, however, in a complex modern society the Golden Rule sometimes needs elaboration and interpretation. At Caltech, the Golden Rule has been transmuted into the one sentence that forms the basis of our Honor System,

“No member of the Caltech community shall take unfair advantage of any other member of the Caltech community.”

The honor system works remarkably well within Caltech, but even then it is not enough. It does not tell us how to deal with the world outside of Caltech, and it does not guide us in resolving the problems that arise, for example, when the legitimate interests of an individual and the Institute come in conflict with one another. Thus, the **need** for this handbook.

Caltech is dedicated to research and teaching. An institution dedicated to that mission should be expected to adhere to high standards of ethical behavior. It is also in Caltech’s self-interest and the self-interest of all employees of the Institute that we have a well-deserved reputation for ethical behavior. Good intentions are essential but not sufficient to earn that reputation. Some specific guidance is often helpful. That is the **purpose** of this handbook.

I hope all of us will read this handbook, and abide by the principles it expresses.



Dr. David Goodstein  
Vice Provost

October 2002

# *CONTENTS*

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A Code of Ethics for Caltech	1
Caltech's Commitment to Ethical Behavior	3
Compliance with Laws	4
Compliance with Contractual and Grant Obligations	5
Processing Financial Transactions	5
Conflict of Interest	6
Conflict of Commitment	7
Outside Business Activities	7
Conflict of Interest in Procurements	9
Research Misconduct	10
Where to Go for Help	11

# *A CODE OF ETHICS FOR CALTECH*

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Caltech must interact not only with members of the Caltech community but also with a complex and rapidly changing external world. The Institute is dedicated to research and education. In pursuit of these duties we are entrusted with funds, goods, and information by both the private and the public sectors, especially the Federal Government, and we must interact with their representatives. The principles expressed here are designed to guide all members of the Caltech community in those dealings.

- Caltech wishes to have, and deserve, a reputation for maintaining the highest ethical standards in all its business dealings. Caltech's reputation is always at stake when a member of our community interacts with anyone outside it. Therefore, it is expected that members of the Caltech community will conduct themselves with fairness, honesty, and integrity.
- Each of us must ensure that any financial transactions we are involved in are handled responsibly and recorded accurately.
- Legitimate interests of individuals or of the Institute sometimes come into conflict. These conflicts may be financial, or they may involve personal, scientific or other professional interests. All such conflicts must be managed according to the Institute's conflict of interest rules.
- We must be sensitive to constraints placed on the people we deal with. For example, a representative of the Federal Government may not be permitted to accept gifts, even small ones that seem no more than an expression of natural courtesy.

- We must be sensitive to norms, rules and laws that apply to us regarding accepting gifts from others. For example, a personal gift, even one of modest value, from a potential beneficiary of Caltech business may create a conflict of interest, and may, in some cases, even be illegal.
- We must also recognize that even appearances of misconduct or impropriety can be damaging to the reputation of the Institute, and act to avoid them.
- We are individually responsible for protecting all Institute resources and information entrusted to us from loss, theft or other misuse.
- All members of the Caltech community are expected at all times to comply with the laws, rules, regulations and policies that govern behavior at the Institute, and to foster an atmosphere consistent with the spirit of this code of ethics.
- All individuals, at all times, are to be treated with dignity and respect by members of the Caltech community.

## *CALTECH'S COMMITMENT TO ETHICAL BEHAVIOR*

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Caltech is committed to the highest ethical standards. From its inception, the Institute recognized that ethical behavior must be viewed as a personal and institutional responsibility. This philosophy is eloquently espoused in the first catalog published by Caltech, then known as the Throop Polytechnic Institute:

*"The discipline of the institution will constantly keep in mind the development of self-governing citizens, self-respecting, law-abiding men and women. The helpfulness of the ever-watchful friend will take the place of the educational police officer."*

This tradition has continued and forms the basis of Caltech's Honor system. The Honor System is embodied in a single sentence:

*"No member of the Caltech community shall take unfair advantage of any other member of the Caltech community."*

The Caltech Honor System governs every aspect of our interactions with members of the Caltech community. However, even in dealing with donors, companies, the government and others having a relationship with Caltech, the Honor System should serve as our guiding principle in all Institute related activities.

## *COMPLIANCE WITH LAWS*

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We live and work in an increasingly regulated society. As an employer and a government contractor, Caltech is subject to numerous laws and regulations that govern the way the Institute does business. Some of these laws, such as those that establish safety standards, regulate employee wages and hours, and prohibit discrimination, are designed to promote a safe and appropriate working environment. Regulations applying to federal grants and contracts are intended to ensure that our tax dollars are being properly expended.

As employees of the Institute, each of us is responsible for making sure that our own conduct and the conduct of those we supervise fully complies with all applicable laws and regulations. Legal violations, even those occurring inadvertently, can result in serious consequences to Caltech and the individuals involved. Penalties to the Institute may include, civil liability, temporary or permanent loss of funding and, in extreme cases, criminal fines.. We should also be sensitive to the possibility of adverse publicity, which can cause significant and longstanding injury to Caltech's reputation.

Employees who violate the law also risk substantial harm ranging from damage to their professional reputations to criminal sanctions and termination of employment. If you have questions about legal obligations, you should contact the Caltech Office of General Counsel. In addition, if you are interested in learning more about our legal obligations, Caltech's staff training program offers classes that cover legal requirements as they apply in various areas. For more information, consult the course catalog or contact the Staff Education and Career Development Office.

## *COMPLIANCE WITH CONTRACTUAL AND GRANT OBLIGATIONS*

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Scientific research is central to the Institute's mission. Accordingly, Caltech takes very seriously its agreements with the government and others with whom we conduct business. When performing work under a grant or contract, each of us must ensure that the work is being performed consistent with any and all contractual requirements, and that our contractual commitments are being met.

The following are examples of contractual provisions that commonly apply to work performed at the Institute:

- Compliance with the requirements of the Anti-Kickback Act of 1986
- Compliance with Federal Procurement Integrity provisions
- Compliance with the Drug-Free Workplace Act

Failure to comply with contract and grant requirements may adversely impact an individual's, and in extreme cases, the Institute's continued eligibility to receive Federal funding. The Office of Sponsored Research is available to provide guidance in interpreting any specific sponsored contract or grant provision.

## *PROCESSING FINANCIAL TRANSACTIONS*

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When processing financial transactions, care should be exercised to ensure that costs are recorded properly and charged to an appropriate account. Accuracy is especially important when charging and allocating costs to government-funded activities. In addition, reimbursement from the government should be requested only for costs that are reasonable in amount and which are allowable under government regulations. Any questions about proper treatment and/or allowability of costs should be referred to the Controller's Office, the Office of Sponsored Research or the Office of the General Counsel.

## *CONFLICT OF INTEREST*

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The Institute and everyone working for it has many legitimate interests. Sometimes these interests come into conflict with one another. For example, if you are involved in a Caltech procurement, you have an interest in obtaining the best deal for the Institute. If you consult for one of the vendors being considered for the contract, you may also have an interest in generating new business for that organization. In this situation, you probably will be unable to serve both interests, without compromising one or the other. Even if the company you consult for happens to be the best choice for the Institute, the appearance of impropriety remains.

As members of the Caltech community we are expected to be sensitive to and avoid situations that may result in an actual, potential or perceived conflict between our personal interests and those of the Institute. This means:

- not misusing your Caltech position for personal gain for yourself or any person (family, friend or associate) with whom you have personal, business or financial ties; and
- avoiding any relationship, influence or activity that may adversely affect, or give the appearance of adversely affecting, your independence or judgment in making decisions related to your job.

In addition, Caltech is subject to Federal conflict of interest requirements relating to Federal awards, in particular, grants from the National Science Foundation and the National Institutes of Health. Under these regulations, individuals meeting the definition of “investigators” are required to disclose significant financial interest of themselves, their spouses and dependent children when:

1. the financial interest would reasonably appear to be directly and significantly affected by the activity funded by, or proposed to be supported by Federal funds; and/or
2. the financial interest is in an entity whose financial interest would reasonably appear to be directly and significantly affected by the activity funded by, or proposed to be supported by Federal funds.

The Institute is obligated to ensure that any conflicting interests are managed, reduced or eliminated before any funds are expended. It is always advisable to disclose potential conflicts of interest to your immediate supervisor or department head, so that these situations may be appropriately managed.

Requests for more information or any questions related to Conflict of Interest should be referred to Human Resources for staff or the Provost's Office for faculty.

## *CONFLICT OF COMMITMENT*

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Faculty and staff employed at the Institute owe professional allegiance to Caltech. Accordingly, they are expected to arrange outside obligations, financial interests and activities in such a way that they do not interfere with this principal, overriding commitment to Caltech. Both faculty and staff should engage only in those outside activities that do not interfere with the timely and effective performance of their work.

Requests for more information or any questions related to Conflict of Commitment should be referred to Human Resources for staff and the Provost's Office for faculty.

Caltech employees may not serve on the Board of Directors of any company that does business of any kind with Caltech. In special circumstances, such as a start-up company that licenses technology originating in a Caltech laboratory, an exception to this rule for researchers may be granted by the Provost.

## *OUTSIDE BUSINESS ACTIVITIES*

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Caltech employees may engage in outside business activities, such as consulting, teaching or other outside employment, provided there is no actual, apparent or potential conflict of interest or conflict of commitment. Specifically, employees' involvement in outside business activities must not adversely influence or affect their independence and objectivity in making decisions or interfere with the timely and effective performance of their Caltech work. All Caltech employees are expected to meet high standards of performance and exceptions cannot be made for individuals involved in outside activities.

Caltech staff members must refrain from engaging in activities for outside companies that do business with Caltech. For members of the Caltech staff, outside business activities must be approved in advance if any of the following conditions apply:

- There may be a conflict of interest or the appearance of such.
- The outside activity is the result of knowledge gained from or directly related to, employment at Caltech.
- The outside activity overlaps the scheduled Caltech workday.
- The outside activity requires more than six hours in any scheduled workday or more than 20 hours in any scheduled workweek.

Forms for requesting approval of outside business activities are available in the Human Resources Office.

Faculty members are also subject to certain restrictions in connection with outside business activities. The Caltech Faculty Handbook provides that:

- a faculty member may not hold a position of line responsibility in an outside enterprise for pay or profit; and
- a professor may not spend more than an average of one day per week consulting.

## *CONFLICT OF INTEREST IN PROCUREMENTS*

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Those of us who engage in purchasing activities on behalf of the Institute are expected to comply with Caltech's conflict of interest policy and otherwise to act in the best interest of Caltech in carrying out these responsibilities. For example, no one should participate in a procurement that involves a company in which the individual or a family member has a significant financial interest or other business or personal connections.

Institute procurement policy also prohibits individuals participating in procurements from:

- Soliciting, accepting or discussing future employment with a contractor competing for Caltech contract ("competing contractor").
- Disclosing supplier proprietary, or source selection information to a competing contractor.
- Seeking or accepting any money, gratuity or other thing of value from a potential, current or competing contractor.

Consistent with the Anti-Kickback Act of 1986, Institute policy also prohibits employees from soliciting, accepting or attempting to accept any kickback in a contract price charged by a vendor or subcontractor for the purchase of supplies, equipment, or services made by the Institute with Federal funds. "Kickbacks" are defined as any money, fee, commission, credit, gift, gratuity, thing of value or compensation of any kind that is provided directly or indirectly for the purpose of improperly obtaining or rewarding favorable treatment. Violations of the Act can result in severe civil and criminal penalties, and administrative and disciplinary sanctions by the Institute, including termination of employment.

Request for more information or any questions related to Conflict of Interest in Procurements should be referred to Purchasing Services or the Office of the General Counsel.

## *RESEARCH MISCONDUCT*

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Allegations of research misconduct are historically rare occurrences, especially at Caltech. Nevertheless, anyone conducting research at Caltech must be particularly careful about protecting the Institute's reputation for performing and reporting research accurately and honestly.

Research misconduct can be defined as fabrication or falsification of data or results, or plagiarism.

Research misconduct has serious ramifications for both the researcher and Caltech. Caltech has a responsibility to investigate all allegations of research misconduct. Should an instance arise of either real or apparent misconduct, Caltech must act swiftly and take interim action, as appropriate, to protect the interests of the complainant, the accused, research colleagues and the funding agency while the investigation proceeds.

Sanctions imposed by the Institute range from removal from the project to termination of employment. Those involved in Caltech research should be familiar with the Institute's Policy on Research Misconduct.

Request for more information or any questions related to Research Fraud should be referred to the Vice Provost or the Office of General Counsel.

## *WHERE TO GO FOR HELP*

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Ethical issues are not always black or white. You may find you need assistance in resolving certain ethical dilemmas. Resources are available on campus to assist you.

Employees with ethical concerns are encouraged to discuss the situation with their immediate supervisors or, if that is not practical, with Human Resources or the Ombuds Office.

Faculty members should address their ethical questions to their department heads or division chairs. The Vice Provost and Provost's offices are also available to provide guidance on the interpretation and application of Caltech's ethics-related policies and procedures.

Students seeking advice in this area may consult their faculty advisors, the Dean of Students Office or the Graduate Office, as appropriate.

The Ombuds Office is available, on a confidential basis, to all members of the campus community.

Employees, Faculty, and Students who have concerns regarding the regulatory, costing, monitoring, procedural, or indirect cost compliance related to grants/contracts or other Caltech operations can contact Audit Services and Institute Compliance or the Office of the General Counsel if other internal resolution mechanisms have not produced satisfactory results.

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