

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ACTION REQUEST

Subject: Regental Action Required Under the State of
Michigan Conflict of Interest Statute

Action Requested: Authorization for the University to enter into an agreement with BHJ Tech, Inc. (University of Michigan Employee, Jinan Li, spouse of the owner and the sole employee of BHJ performing all the work on this University project)

Background:

The University of Michigan UMH Materiel Services seeks approval to extend an agreement with BHJ Tech, Inc. ("BHJ") for software development and maintenance and support fees for multiple applications. BHJ was selected because they developed the applications after multiple MS Access databases that were previously in use were no longer supported by MCIT. The agreement extension will be from January 1, 2014 through October 31, 2014.

The proposed agreement falls under the State of Michigan Conflict of Interest Statute as Jinan Li is a University employee as Application System Analyst with MCIT and would be a party to the contract as the sole employee of BHJ and the effective beneficiary of the funding.

However, the Statute allows the University to enter into such agreements if the following conditions are met:

- a) The public servant promptly discloses any pecuniary interest in the contract to the official body which has power to approve the purchase, which disclosure shall be a matter of record in its official proceedings.
- b) The purchase is approved by a vote of not less than 2/3 of the full membership of the approving body in open session without the vote of the public servant making the disclosure.
- c) The official body discloses the following summary information in its official minutes:
 - i) The name of each party involved in the contract.
 - ii) The terms of the purchase, including duration, financial consideration between the parties, facilities or services of the public entity included in the purchase, and the nature and degree of assignment of employees of the public entity for fulfillment of the purchase.
 - iii) The nature of any pecuniary interest.

The following information is provided in compliance with the statutory requirements contained in Section (c) above:

- i) The parties to the contract are the Regents of the University of Michigan and its UMH Materiel Services Department and BHJ.
- ii) The agreement is for software development for multiple applications and includes a one-time fee for modifying the Medical Equipment Manager System for integrating the Inventory Module. It also includes monthly support and maintenance fees through October 31, 2014 for a total cost of \$81,000.
- iii) The pecuniary interest arises from the fact that University of Michigan employee, Jinan Li is the sole employee of BHJ performing all the work on this University project and the effective beneficiary of the funding.

Jinan Li has met state law requirements with the disclosure of his pecuniary interest and formal appointment arrangements with the University of Michigan. Requirements, if any, that may be applicable under the Medical School's or OVPR's Conflict of Interest Committee's procedures are separately analyzed and managed.

We recommend that the Board of Regents approve the agreement between the University of Michigan and BHJ subject to requirements, if any, that either the Medical School's or OVPR's Conflict of Interest Committee may impose.

Respectfully submitted,



Douglas L. Strong
Interim Executive Vice President
and Chief Financial Officer

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