Georgia Tech had warning about looming ethics problem

Last December, Georgia Tech's president learned about an ethics complaint involving a contract with a German software company, so he talked with one of his highest-ranking administrators.

He didn't tell Steve Swant why he was asking him about the company, called RIB, but he knew an important fact: Swant was on the company's board.

George P. "Bud" Peterson memorialized the conversation with his executive vice president in neat handwriting on one page. The terse notes detail RIB's growing links to Tech in the three years since Peterson had authorized Swant to serve as a trustee on the company's board.

Two days later, Tech's Department of Internal Auditing was asked to look into an allegation that a senior Tech executive on RIB's board had used "undue influence" to award a contract to RIB. The auditors spent three weeks on it, and found no wrong-doing. Four months later, though, the University System of Georgia, which oversees all state colleges and universities, investigated a similar tip. Using Tech documents and talking to Tech employees, the system investigation reached entirely different conclusions.

It resulted in Swant's firing. A separate investigation around the same time, this one by Tech's auditors, uncovered a wider problem within Swant's division. Three highly paid staffers quit before it was completed.

Something clearly went wrong at Tech.
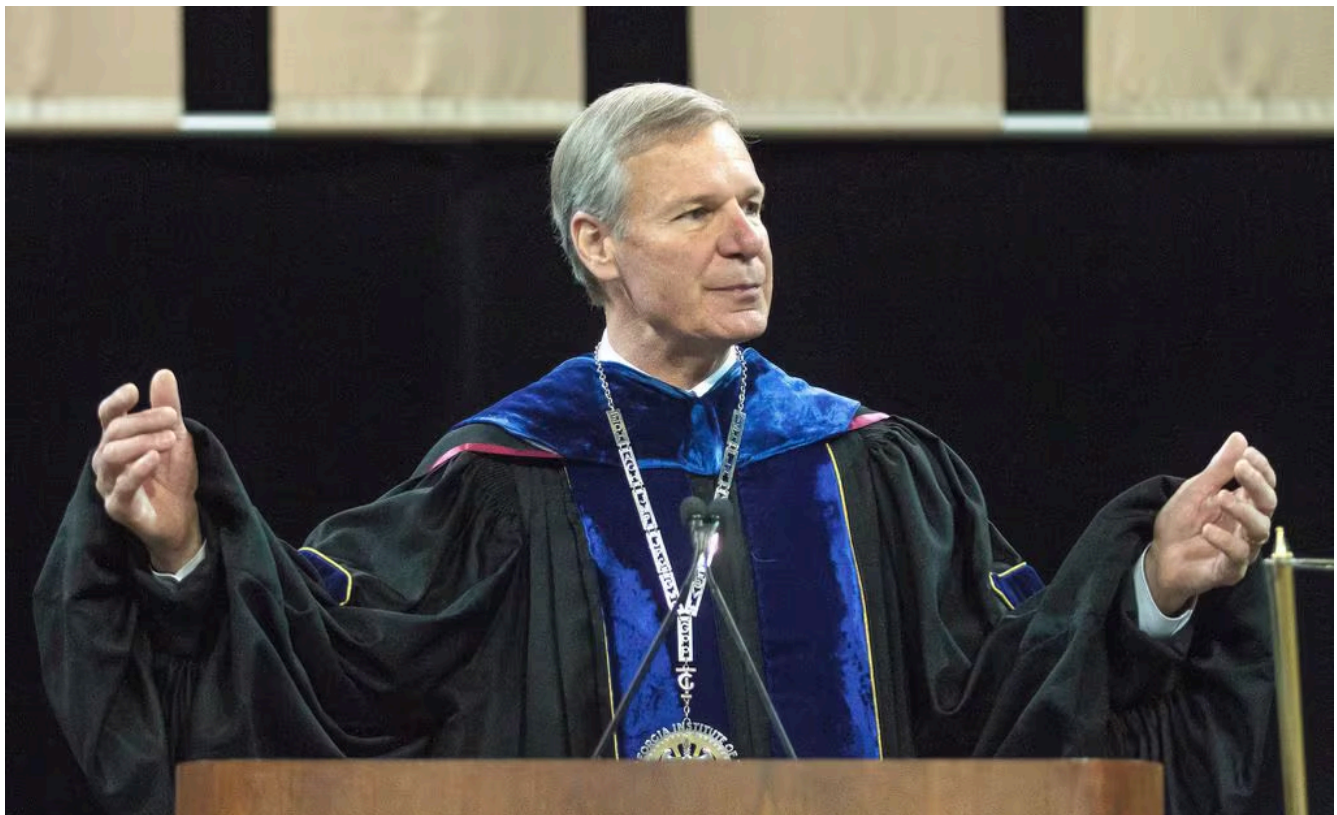
President G.P. "Bud" Peterson speaks to the crowd during the Georgia Tech graduation commencement ceremony at the McCamish Pavilion Saturday, May 5, 2018. STEVE SCHAEFER / SPECIAL TO THE AJC.

The university system investigation gave Peterson some cover, saying Swant "reportedly" didn't tell Peterson everything he needed to know when Peterson authorized Swant to join RIB's board.

But emails, personnel files, internal memos and other documents obtained by The Atlanta Journal-Constitution using Georgia's Open Records Act show that institute employees, including a legal advisor in Peterson's cabinet, had known since 2015 that Swant was sidling up to an ethical line. He'd been involved in university purchasing and staffing decisions that affected RIB. He had filed a mandatory disclosure about it.

Georgia Tech's President Bud Peterson is due to give a corrective plan of action Wednesday. Read about it here.

By that time, RIB had been paid $625,000 for software licenses. The company would later get nearly $1 million more in institute business, much of it with Swant's help, the system investigation said. It also said Peterson thought RIB was giving the software for free, hoping to get feedback on their product.

Peterson won't give an interview. The institute's communications staff fielded questions for him, blaming Swant and bureaucracy.

They wrote to the AJC, "we" take the responsibility for being good stewards of taxpayer money seriously, and "there are times when we fail in this area." The conflict of interest management system used by Georgia Tech was "flawed," they wrote, and "it was a lack of judgement by the Institute to expect an individual with the conflict to be tasked with managing it."

Common Cause Georgia Executive Director Sara Henderson said the revelations show a "runaway situation that went unchecked." Peterson was "asleep at the wheel" in allowing Swant to serve on the RIB board, she said.

"There's no excuse to be offered for this," Henderson said. "His statement should have been 'I signed off on this. I made a mistake.'"

While conflicts of interest are generally frowned upon in corporate and government settings, they are seen as a necessary risk at research universities. Tech professors start high-tech ventures based on their research, and this benefits the university. So reporting systems have been built to "manage" the conflicts and, theoretically, keep employees from crossing an ethical line.
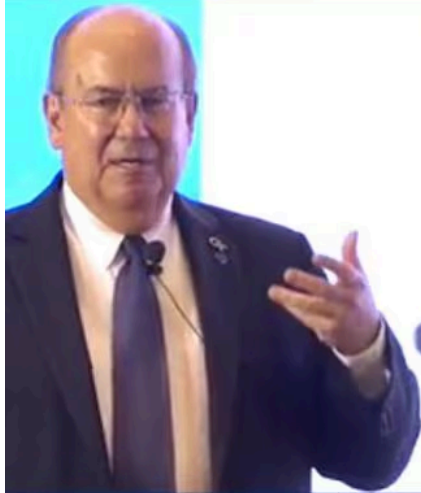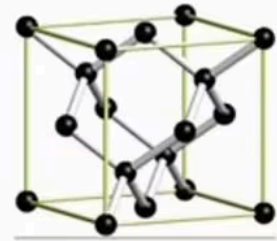
Steve Swant, Executive Vice President of Administration and Finance at Georgia Tech, gives a presentation at a seminar in China where he extols the virtue of a German tech company called RIB. He served on that company's board.

That Swant had a situation that merited watching was clear to officials who saw the disclosure he'd filed in 2015.

He wrote that he was joining the RIB board while, as a Tech leader, making decisions about purchasing services and software from RIB, and that he was also assigning staff to work with the company on "software implementation activities."

The director of the Conflict of Interest Management office alerted a Tech vice president, Pat McKenna in 2015.

McKenna wrote Swant an email in May of that year, saying "there are potential conflicts of interest to the extent that you participate in decisions to approve purchases from RIB and that Institute personnel work on a project with RIB that you are involved with." McKenna added, "I believe that you provided a document to the President indicating how you would manage these potential conflicts."

In addition to Swant's disclosure, McKenna's office heard from multiple employees about Swant's situation, the system investigation said. When asked whether McKenna shared what he knew with

Peterson, Tech's communication staff said he did not: "employees in Swant's division raised concerns with McKenna about Swant's relationship with RIB, however McKenna did not inform the president of these concerns and there was continued failure by Steve Swant to provide complete information." They also said that, although McKenna was in Peterson's cabinet, his office also reported to Swant, so he could not tell Swant what to do.

After Tech's auditors cleared Swant in January, he attempted to address the problem posed by his RIB board service.

In April, McKenna helped him edit revisions to his conflict of interest management plan. The biggest change: he would no longer accept pay from RIB for his board service. Instead, Tech would pay the amount, which had risen to about $17,000, by adding it to his annual compensation, by now $495,000, "to offset the loss of this opportunity," said the agreement Peterson signed May 1.

By May 21 Peterson decided it was a bad plan.

He wrote a memo to Swant, saying Swant's "association" with RIB had been "instrumental" in building a relationship between the company and Tech, but he wanted him to resign from the board. The reason Peterson gave: a recent conversation they'd had "regarding the potential expansion of Tech's relationship with RIB." Although the Conflict of Interest Management Plan they'd had in place "the past several years" had "served us well," Peterson wrote, "the expansion of our relationship will make it difficult for us to do so in the future."

Something else happened on May 21.

That's the date an anonymous tipster called the University System of Georgia's ethics line about a possible conflict of interest involving a Tech executive who served on the board of a company that was doing with business with Tech. The executive was jetting around the world, to Germany and China, and touting the company's relationship with the prestigious university. He was also making his staff attend meetings for the company and use its software, which the caller didn't seem to find all that functional.

"Georgia Tech has spent a boat load of money with this company and hasn't see [sic] any benefits so far," the caller complained. "The company uses the Georgia Tech name on their web site and especially their conferences like we love their product and use it a lot. We don't."

Four former top officials of Georgia Tech are out following allegations they misused their positions. They are from left Steve Swant, former executive vice president of administration and finance; Tom Stipes, former direcxtor of digital networks; Lance Lunway, former executive director of parking and transportation services; and Paul Strouts, former vice president of campus services.

It was the tip that launched the university system's investigation of Swant and RIB, an investigation that found multiple instances where Swant had intervened in procurement and staff work time decisions to the benefit of RIB, plus multiple, unavoidable conflicts of interest, not to mention violations of both Tech and University System polices.

On July 19, the day after the date on the report and a week before it would be released to the public, Peterson wrote a one paragraph explanation for his termination. It was due to "additional information recently obtained regarding your relationship" with a company doing business with Tech. The relationship, Peterson wrote, "creates a conflict of interest, which cannot be overcome."

Last week, Tech announced McKenna would be leaving. He had turned in his retirement letter on May 30, nine days after the university system got its anonymous tip.

The AJC was unable to reach McKenna or Swant.

The Tech communications staff said McKenna's departure was "not related" to the issues raised by the university system investigation.

Peterson conferred with his boss, system Chancellor Steve Wrigley, and agreed on several measures to tighten the ethics controls at his university. He has until Wednesday to brief Wrigley on his progress.

The system's investigation concluded with four recommendations, including one that was as obvious as it was unhelpful: "ensure that all conflict of interest management plans adequately address conflicts of interest."