



Lexington-Fayette Urban County Government  
OFFICE OF INTERNAL AUDIT

## **INTERNAL AUDIT REPORT**

DATE: August 20, 2012

TO: Jim Gray, Mayor

CC: Richard Moloney, Chief Administrative Officer  
Jane Driskell, Commissioner of Finance & Administration  
Janet Graham, Commissioner of Law  
Clay Mason, Commissioner of Public Safety  
Steve Feese, Director of Waste Management  
Ronnie Bastin, Chief of Police  
Phyllis Cooper, Director of Accounting  
Todd Slatin, Acting Director of Purchasing  
Susan Straub, Communications Director  
Urban County Council Members  
Internal Audit Board Members

FROM: Bruce Sahli, Director of Internal Audit  
Chris Ensslin, Deputy Director of Internal Audit

RE: Electronics Recycling Facility Review

### **Background**

The Office of Internal Audit has completed a review of allegations brought to our attention by an LFUCG employee. The original allegations are as follows:

1. Retired LFUCG police mountain bikes were taken from the Electronic Recycling Facility by an LFUCG employee without proper authorization;

2. An LFUCG employee falsified a shipping and receiving manifest to indicate that three handheld multi-meters and a small refrigerator were picked up by recycling vendor Global Environmental Solutions (GES) when they were not;
3. An LFUCG employee gave stereo equipment to a vendor called Pops Resale without proper authorization rather than sending the equipment to recycling vendor GES as required by the GES contract with LFUCG; and
4. An LFUCG employee changed the bid/contract with GES after the bids were opened.

All four of these allegations were against one LFUCG employee. The last allegation was the only one of these four that was not substantiated.

During our fieldwork, an additional allegation was made by two different employees while being interviewed by the Deputy Director of Internal Audit. This allegation stated that a relative of the LFUCG employee who worked on the GES bid is an owner or employee of GES. This allegation also was not substantiated.

### **Scope and Objectives**

The scope and objectives for the review were to determine with reasonable assurance whether or not the allegations brought to the attention of the Office of Internal Audit as stated in the Background section of this report were substantiated.

During the course of this review, we interviewed numerous LFUCG employees, examined online records with the Kentucky Secretary of State, examined accounting documents, contracts, and documents at the Electronics Recycling Facility. As reported to the Internal Audit Board, our examination found there was merit to some of the allegations.

Our work focused on investigating the specific allegations brought to our attention. We did not perform an audit, and therefore we cannot provide an opinion regarding Electronics Recycling Facility operations or programs. Our investigation substantiated all but one of the original allegations, and also identified opportunities for improvement regarding the electronic recycling process and materials recycling process. Those opportunities for improvement are also included in this report.

### **Priority Rating Process**

To assist management in its evaluation, the findings have been assigned a qualitative assessment of the need for corrective action. Each item is assessed a high, moderate, or low priority as follows:

High - Represents a finding requiring immediate action by management to mitigate risks associated with the process being audited.

Moderate – Represents a finding requiring timely action by management to mitigate risks associated with the process being audited.

Low - Represents a finding for consideration by management for correction or implementation associated with the process being audited.

## **SUMMARY OF FINDINGS**

### **Finding #1: Retired Police Mountain Bikes Were Taken by an LFUCG Employee Without Proper Authorization**

**Priority Rating: High**

#### **Condition:**

Approximately 10 to 12 Police Mountain Bikes were initially taken to the Electronics Recycling Facility (ERF) by the Division of Police to be retired. These bikes were in need of repair due to missing seats, broken sprocket chains, worn-out components, etc. Some of the bikes were purchased in 1997 but most were purchased in 1999, and the bikes had been fully depreciated. The bikes were padlocked and stored at the Materials Recycling Facility (MRF).

Although the bikes had some residual value, the decision was authorized by the Director of Waste Management to donate the bikes rather than auction them online or recycle them for their scrap metal value. The Director of Waste Management stated his objective was to find a charity that would repair the bikes and distribute to them needy children during Christmas, and the initial intent was to donate the bikes to the UK Sustainability Office, but this arrangement did not work out.

Sometime afterwards, the Program Manager Senior in charge of donating the bikes took them to her home. This employee informed the Office of Internal Audit that her intent was to repair two or three of the bikes by using good parts from other less repairable bikes, and the repaired bikes would then be donated to charity. However, the bikes were not repaired, and at our request the employee brought back nine bike frames and twelve wheels to the LFUCG.

In addition, the Operations Manager at Waste Management made the decision to give one bike to a Labor Works employee who works at the MRF and ERF. This decision was

authorized by the Operations Manager. It is our understanding that several employees requested a bike.

The exact number of retired police mountain bikes originally taken to the ERF could not be determined because the proper transfer paperwork (Form FA-9) could not be found. This is a separate finding in our report, and contributed to the issue of the bikes not going through the normal asset retirement process.

**Effect:**

The Program Manager Senior at Waste Management took nine to twelve bikes to her home in order to repair the bikes. She made a unilateral decision to take the bikes without proper authorization from the Director of Waste Management. As a result, the LFUCG did not collect revenue from inventory that could have been sold at an online auction or sold for scrap aluminum. In addition, allowing a temp agency employee to have one of the bikes, when several other employees requested one, creates the potential for allegations of favoritism. When management reacts to such a request without a policy or procedure in place, it creates the potential for inconsistency and exposes management to possible criticism whenever employees do not agree with the decisions.

**Recommendation:**

Senior management should review this matter further to determine if a violation of law or LFUCG policy has occurred and determine if disciplinary action is necessary. In addition, a policy should be implemented to ensure the consistent retirement and disposition of inventory and other materials brought to the ERF and MRF. The policy should specify the corrective action that will occur if the policy is not followed.

**Director of Waste Management Response:**

The actions of the employee are considered to be insubordinate as specific directives were not followed. Disciplinary action is pending. DWM has met with the Director of Purchasing to set up a formal government wide policy on the appropriate method of retiring surplus property.

**CAO Response:**

Concurs with the response of the Director of Waste Management, and will follow-up within six months to ensure a policy is in place.

**Finding #2: Employee Provided Misleading Information on Shipping and Receiving Manifest**  
**Priority Rating: High**

**Condition:**

The Program Manager Senior wrote misleading information on a shipping and receiving manifest, indicating that three handheld multi-meters and a small refrigerator went to recycling vendor GES. The refrigerator was actually taken to the employee's office, and the multi-meters were reportedly taken by the GES Account Manager (it could not be determined if this employee later delivered the multi-meters to his employer, GES). All of these items had been delivered to the ERF by Fayette County residents for the purpose of being recycled.

There is no policy allowing LFUCG employees to take such items to their office. The Program Manager Senior represented to the Deputy Director of Internal Audit that she obtained permission from the Account Manager at GES to keep the refrigerator. However, the Account Manager at GES signed the shipping & receiving manifest indicating receipt by GES.

**Effect:**

By submitting misleading information on a document, the Program Manager Senior exposed herself to an allegation and set a poor tone at the top example for lower level employees.

**Recommendation:**

Senior management should review this matter further to determine if a policy has been violated and if disciplinary action is necessary. LFUCG senior management should also determine if there is a liability issue or other risks associated in allowing LFUCG employees to use electronic equipment in their offices that the public has delivered to the ERF. If not, a standard operating procedure (SOP) should be created to allow LFUCG employees to transfer recyclable equipment from the ERF to LFUCG for office use (e.g. computer monitors, televisions, etc.). This could aid in reducing certain equipment expenses at the LFUCG, lowering the cost of recycling with GES, and meeting the goal of Waste Management which is to reduce, reuse, and recycle.

**Director of Waste Management Response:**

The actions of the employee are also considered to be insubordinate and disciplinary action is pending. While our current policy for disposition of items dropped off at the E-waste Facility clearly states that all items become the property of 'GES, Veolia or Wise Metals', we will be updating that statement to provide more clarity as to the specific rationale behind the policy and the consequences for not following the policy.

**CAO Response:**

Concurs with the response of the Director of Waste Management and will follow-up within six months to ensure the policy is updated.

**Finding #3: Employee Gave Stereo Equipment to Unauthorized Vendor**  
**Priority Rating: High**

**Condition:**

The Program Manager Senior gave recyclable stereo equipment to a vendor named Pops Resale without proper authorization, rather than sending the equipment to GES as per their contract with the LFUCG. This electronic equipment had been brought to the ERF by Fayette County residents in order to be recycled. It should also be noted that LFUCG does not pay GES to recycle stereo equipment.

**Effect:**

This action placed the LFUCG at risk of being in breach of contract with GES, who is the authorized vendor for the receipt of recycled electronics.

**Recommendation:**

The LFUCG does not pay anything to have stereo equipment recycled by GES. LFUCG should send the stereo equipment to this vendor as contracted. Senior management should review this matter further to determine if disciplinary action is necessary.

In addition, when a new contract is put in place, the language should be changed to allow the LFUCG to send electronic equipment to multiple vendors depending on the price. At the time this event occurred, the contract language did not allow the LFUCG to send electronic equipment for recycling to any other vendor.

We also recommend senior management evaluate setting aside good electronic equipment and having an online auction or an on-site auction periodically. This could reduce the amount the ERF costs the LFUCG and get the ERF closer to a break-even point.

**Director of Waste Management Response:**

The actions of the employee are considered to be insubordinate. Disciplinary action is pending. DWM is considering issuing a procurement document for the E-waste Facility to solicit private operation at the existing location. In the event that a viable candidate cannot be found, a multiple vendor approach will be pursued.

**CAO Response:**

Concur with the response of the Director of Waste Management and will review status of operations at the end of six months.

**Finding #4: Inappropriate and Unsafe Items and Unsecured Personal Identification Items Displayed in the Operations Manager's Office**  
**Priority Rating: High**

**Condition:**

While the Deputy Director of Internal Audit was in the Operations Manager's office at the MRF, he observed inappropriate items hanging on the wall (i.e. leather whips), unsafe items on a table (i.e. a couple of machetes and a plastic shotgun), and unsecured personal identification items (i.e. drivers licenses that were pulled from the MRF recycling line). The Program Manager Senior admitted during the interview with the Deputy Director of Internal Audit that she was aware of these items being displayed, and in fact placed them in a bag after they were observed by him.

**Effect:**

The display of inappropriate and unsafe materials is inconsistent with CAO Policy and may result in subordinates assuming that such behavior is tolerated by management. This creates the potential for allegations of a hostile work environment, etc. Drivers licenses found on the line, that are not secured or destroyed, increase the possibility of identity theft.

**Recommendation:**

A standard operating procedure (SOP) or policy should be developed that prohibits employees from removing items from the line due to sanitary and safety reasons. Items that cannot be recycled should be pulled from the line and disposed of in an appropriate manner. Senior management should also review this matter further to determine if the display of inappropriate and unsafe materials is a violation of CAO Policy 34 and if disciplinary action is necessary.

**Director of Waste Management Response:**

An SOP prohibiting reuse of the items dropped off at the E-waste facility had been developed and issued but apparently had been removed from the SOP notebook by a Public Service Supervisor whose dismissal hearing is pending. This policy, with the employee sign-off sheet, has been reissued at the facility. An SOP will be developed that clearly articulates the protocol for items taken from the MRF recycling line. The policy will be posted and a sign-off form for all employees will be developed.

**CAO Response**

Concur with the response of the Director of Waste Management.

**Finding #5: Standard Operating Procedures Not Implemented**

**Priority Rating: High**

**Condition:**

Standard operating procedures (SOPs) have not been properly implemented and signed off on by employees at the ERF and MRF. These procedures should state that MRF employees are not to take items from the MRF recycling line, and should state that ERF employees are not to take any electronic equipment from the ERF. Since one of the requirements for the public to use the electronic recycling service is for them to be Fayette County residents, the SOPs should require citizens to show proof of Fayette County residence. Under the current practice, the LFUCG could be increasing the cost of recycling by taking electronics from individuals who do not live in Fayette County.

**Effect:**

The absence of SOPs may lead to less effective and efficient operations, and reduces management's ability to train employees and hold them accountable for fulfilling their duties.

**Recommendation:**

The Director of Waste Management should oversee the development of MRF and ERF SOPs and approve the final version. Once this has been completed, management should meet with all MRF and ERF employees to train them on the SOPs and obtain their signatures indicating they have received and understand the SOPs. The signoff sheets should be retained by management as proof of instruction.

**Director of Waste Management Response:**

An SOP prohibiting reuse of the items dropped off at the E-waste facility had been developed and issued but apparently had been removed from the SOP notebook by a Public Service Supervisor whose dismissal hearing is pending. This policy, with the employee sign-off sheet, has been reissued at the facility. An SOP will be developed that clearly articulates the protocol for items taken from the MRF recycling line. The policy will be posted and a sign-off form for all employees will be developed.

**CAO Response:**

Concur with the response of the Director of Waste Management.



**Finding #6: FA-9 Not Located for Police Mountain Bikes****Priority Rating: High****Condition:**

Approximately ten to twelve police mountain bikes were taken to the ERF by LFUCG Police, but the proper transfer documentation (Form FA-9) could not be located.

**Effect:**

The absence of the requisite FA-9 reduces evidence of proper authorization for the retirement of the bikes. This lack of proper documentation may have contributed to the bikes being taken by an LFUCG employee rather than going through the normal asset retirement process of being sold or disposed of for scrap metal.

**Recommendation:**

When assets are retired, a Fixed Asset Inventory Transfer and Equipment Retirement Form (FA-9) should be completed and routed to the Division of Purchasing for final disposition of the asset on a consistent basis.

**Chief of Police Response:**

The FA-9 forms for the police bicycles and appropriate documentation related to this incident have been completed. The Division of Police will complete the FA-9 forms consistently and timely as recommended.

**Commissioner of Public Safety Response:**

I concur.

**Finding #7: GES Allowed to Bill LFUCG for Microwaves Which Should Have Been a Pass-through****Priority Rating: High****Condition:**

The LFUCG was invoiced for microwave recycling at a cost of \$0.25 per pound. However, microwaves were not a separate line item in the LFUCG contract with GES, and therefore should have been categorized as a miscellaneous item which is a pass-through at no cost. During the review, we obtained emails between GES and Division of Waste Management employees that demonstrated GES did not take into consideration that LFUCG would be shipping those microwaves to be recycled. Because of the volume of microwaves that were going to GES, the GES Account Manager contacted the Public Services Supervisor at the

Division of Waste Management stating GES needed to charge LFUCG for this service because microwaves contain hazardous material that must be disposed of, resulting in a more costly recycling process. The Public Service Supervisor therefore made a decision to pay GES \$0.25 per pound.

We have also validated that there is merit to the GES Account Manager's claim that some microwaves contain hazardous material. Some microwaves have a magnetron which may contain a small amount of beryllium oxide, depending on the unit's age, and this is considered a hazardous material. The California EPA lists a number of models that it considers to be environmental hazards and not suitable for ordinary recycling as noted below:

<http://www.iwma.com/directory-aj/electronics.html>

<b>Product Type</b>	<b>Manufacturer</b>	<b>Model No.</b>
Microwave Oven	GE Dual Wave II	JE1465001
Microwave Oven	Montgomery Ward 1.5	KSA 8223A
Microwave Oven	Sharp Carousel II	R4A83A
Microwave Oven	JC Penney Microwave	863553570

Although we recognize that GES had a legitimate hazardous waste removal cost issue that was not addressed in their contract with LFUCG, the Public Service Supervisor acted beyond the scope of his authority when he agreed to the \$0.25 per pound cost for recycling microwaves. Any changes to a bid contract should go through the Division of Purchasing and follow standard LFUCG contract addendum procedures.

#### **Effect:**

The unauthorized microwave billing rate may have resulted in the overbilling of at least \$1,000. At the time of this report, we did not have all the invoices and support to calculate the total overbilling. Once the final calculation is available, this will be provided to senior management.

#### **Recommendation:**

Any modification to a bid contract should go through the Division of Purchasing and follow the standard contract addendum procedures. Invoices should also be reviewed

by management to determine if the weight, unit price, and total amount billed are correct before the invoice is paid. Also, since all microwaves are not as hazardous as others, the LFUCG should negotiate a price per pound for hazardous microwaves and a pass-through rate on non-hazardous microwaves, which would have to be palletized separately for tracking and billing purposes. Management should determine if the Public Service Supervisor should be given a coaching and counseling session regarding his acting beyond the scope of his authority.

**Director of Waste Management Response:**

If DWM is not successful in pursuing private operation of the E-waste Facility, an RFP will be issued to address all items accepted at the facility. The responsibility for reviewing and reconciling invoices for all recyclable commodities is now the responsibility of the recently hired Commodity Marketing Manager.

**CAO Response:**

Concurs with the response of the Director of Waste Management, and will follow-up within six months to ensure compliance.

**Finding #8: Unauthorized Vendor Recycled Some Electronic Equipment**  
**Priority Rating: High**

**Condition:**

On January 19, 2012, the company 2trg was allowed to collect 13,750 lbs. of recycled electronics (apparently TV's and monitors) even though LFUCG was under an exclusive electronics recycling contract with GES. The Commodity Marketing Manager informed us that he was contacted by the Acting Purchasing Director and told to cease and desist from using 2trg. We were told that the Acting Director of Purchasing approved these electronic items going to 2trg and he subsequently changed his mind after the items were already shipped to this vendor.

**Effect:**

Using other electronic recycling vendors while under exclusive contract with GES could represent a breach of contract.

**Recommendation:**

The contract between LFUCG and GES has since expired. Even though LFUCG and GES are operating without a contract, GES has continued to honor the contractual prices and as of February 2012 has even lowered some prices.

LFUCG should obtain a new electronic recycling contract with its vendor of choice based on purchasing procedures for obtaining such a contract. The bid/contract language should be changed to allow LFUCG the flexibility of trying other vendors to assure the best pricing on disposing of electronic equipment.

**Director of Waste Management Response:**

Per the response to Finding #7, DWM will work with the Division of Purchasing to issue a procurement document designed for multiple vendors in the event that a suitable private E-waste Facility operator cannot be found.

**CAO Response:**

Concurs with the response of the Director of Waste Management, and will follow-up within six months to ensure compliance.

**Acting Director of Purchasing Response:**

It was initially understood that the existing contractor (GES) was unable to cost-effectively fulfill the terms of the contract with regards to certain electronic items (TV's and Monitors); therefore per section C of the Procurement Contract Bid Conditions the LFUCG retains the right to procure items on the open market. It was later learned that GES was able to fulfill the contract and Waste Management was instructed to cease sending equipment to 2trg.

GES and the LFUCG are operating on a month to month basis at a reduced fee while the Division of Waste Management prepares a new specification to re-bid the contract.

**Commissioner of Finance & Administration Response:**

I agree with the Acting Director of Purchasing Response.

**Finding #9: Adult Material Magazines Allegedly Taken Off MRF Recycling Line**  
**Priority Rating: High**

**Condition:**

A Public Service Supervisor informed us that when he was put in charge of the MRF he noticed a collection of adult material magazines of all varieties and fetishes stashed behind the line at the MRF. He stated some employees would take magazines off the line that were going to be recycled and placed them in this collection. The employee stated that once he became aware of the collection, he made sure it was recycled and told employees (mostly temps from Labor Works) not to pull these magazines off the line again.

Collecting adult magazines at any LFUCG facility is a violation of LFUCG's anti-harassment policy and CAO Policy 5R (Policy and Procedure for Harassment Complaints).

**Effect:**

Such actions could lead to claims of a hostile work environment, sex discrimination, and sexual harassment.

**Recommendation:**

MRF employees should be retrained on the LFUCG anti-harassment policies. MRF SOPs should be developed requiring all such material be recycled, and specify disciplinary action that will be taken against any employees who remove such materials from the recycle line, consistent with CAO Policy.

**Director of Waste Management Response:**

MRF employees will go through retraining on anti-harassment training as soon as a class is available. The SOP update referenced in the response to Finding #7 will also address the disposition of recyclable items on the recycling line.

**CAO Response:**

Concurs with the response of the Director of Waste Management, and will follow-up within six months to ensure compliance.

**Finding #10: Unauthorized Equipment Used at the ERF**

**Priority Rating: High**

**Condition:**

We identified several pieces of unauthorized equipment that were being used in the ERF (e.g. computer monitor, camera, HP printer, fax machine). This electronic equipment had been brought to the ERF by Fayette County residents to be recycled.

**Effect:**

Removing electronic materials received at the ERF for use in LFUCG facilities could potentially constitute a breach of contract between LFUCG and GES. This practice also creates the risk that electronic items received at the ERF may be used to replace LFUCG property and thereby conceal the theft of such property.

**Recommendation:**

Until a new contract is executed with a recycling vendor, senior management should evaluate the possibility of an online auction or periodic on-site auction for functional

electronics (excluding computers due to information security concerns). If senior management considers the risk of reusing electronic equipment (excluding computers) to be minimal, LFUCG should develop a procedure for incorporating such equipment into LFUCG equipment records for internal tracking purposes. This could also reduce ERF costs.

**Director of Waste Management Response:**

DWM policy will reflect a zero tolerance for using any item dropped off at the E-waste facility for re-use either internally or externally at this point because of limited staff and to provide clarity of mission. All accepted items are to be processed, packaged and shipped to the designated vendor(s). This is not to say that DWM will not consider changing the mission of the E-waste Facility or the planned HHW Facility (which has a re-use component in the initial design) to include a re-use component.

**CAO Response:**

Concurs with the response of the Director of Waste Management.

**Finding #11: Laptop Bins Not Secured**

**Priority Rating: High**

**Condition:**

The laptop computer bins used at the ERF to secure recyclable laptops did not have locks on them during our walkthrough of the facility. We also noted that the position of the bin gates would allow someone to reach through them and remove a laptop even if the bin was locked.

**Effect:**

Citizens bringing laptops to the ERF have a reasonable expectation that the laptops are going to be recycled either via shredding or via a wipe of the hard drive, which assures private information is not accessible by another party. Leaving the laptop computer bins unlocked creates the risk that these laptops could be removed by unauthorized personnel for re-use of resale, and therefore potentially compromises the security of this private information.

**Recommendation:**

The laptop bins should be padlocked on a consistent basis and should only be opened by authorized personnel to receive recyclable laptops or for their pickup by the recycle vendor. The bin gate should be re-positioned or secured with additional metal in place to prevent the possible unauthorized removal of laptops through the gates.

**Director of Waste Management Response:**

After the change in personnel at the E-waste facility, the laptop and cell phone bins are now secured and padlocked on a continuing basis. They are only opened by authorized personnel when the bins are full and ready to be loaded on the truck for shipment.

**CAO Response:**

Concurs with the response of the Director of Waste Management.

**Finding #12: Security Cameras Need to be Repositioned**

**Priority Rating: High**

**Condition:**

Security cameras at the ERF are not placed at optimal positions, creating blind spots that compromise the effectiveness of the surveillance system's ability to observe and deter theft.

**Effect:**

Security camera blind spots increase the potential for unobserved theft.

**Recommendation:**

Reposition the security cameras to maximize coverage of the warehouse. Management should evaluate whether additional security cameras are needed to adequately cover the area so that blind spots are eliminated.

**Director of Waste Management Response:**

The security cameras are being repositioned at the E-waste Facility and an evaluation will be conducted in the next three months to determine if other cameras are needed to provide adequate coverage.

**CAO Response:**

Concurs with the response of the Director of Waste Management.

**Finding #13: Bid/Contract Opening Meeting Needs Attendance Log**

**Priority Rating: High**

**Condition:**

The Division of Purchasing does not have an attendance log for bid/contract opening meetings which are open to the public. The Acting Director of Purchasing told us that two

LFUCG employees were present at the bid opening in question (wherein it was alleged that an LFUCG employee changed the bid/contract with GES after the bids were opened). We found no substantive evidence to support the allegation of bid tampering.

**Effect:**

Not having a bid opening attendance log could give the appearance that bid meetings may not be open to the public. A bid could be modified if only one employee is present at this meeting and opens the bids. If there is no one from the public at the meeting and there is no attendance log to demonstrate there were at least two employees present when the bids are open, it could lead to an allegation of bid tampering.

**Recommendation:**

An attendance log should be signed at the bid opening meeting by all people who are present (employees & public). This log could be printed on the bid folder and be archived according to policy and retention laws.

**Acting Director of Purchasing Response:**

The Division of Central Purchasing has created and implemented a new process requiring a sign-in sheet for all bid openings. All bid opening attendees including the two buyers must sign the bid opening sheet at each public bid opening.

**Commissioner of Finance & Administration Response:**

I agree with the Acting Director of Purchasing Response.

**Finding #14: Conflict of Interest Reporting Requirements Should Be Strengthened**  
**Priority Rating: High**

**Condition:**

During our fieldwork, an allegation was made by two different employees while being interviewed by the Deputy Director of Internal Audit. This allegation stated that a relative of the LFUCG employee who worked on the GES bid is an owner or employee of GES. This allegation also was not substantiated. However, there is a disconnect between purchasing standard operating procedures (SOPs) and the Ethics Act, in that the purchasing SOPs do not extend Ethics Act conflict of interest reporting requirements to all employees who could influence the contract award.

**Effect:**

If this allegation had been true, it would have been a conflict of interest. However, LFUCG does not have a purchasing policy that requires employees, who write technical bid specifications and may make the recommendation as to which vendor is selected to



win the bid/contract, to self-report his/her potential conflict of interest. The conflict of interest in general is covered by the Lexington-Fayette Urban County Government Ethics Act {Lexington-Fayette Urban County Government Code of Ordinances 25-5 (1-4)}, and the purchasing SOPs should mirror the Ethics Act.

**Recommendation:**

The Division of Purchasing should amend the bid/contract policy to include a conflict of interest statement signed by all LFUCG employees working on the bid/contract technical specifications, including Division of Purchasing employees. This would add a process to assure employees are reminded about conflicts of interest when working on bid/contracts, and should require that they recuse themselves from working on bid/contracts wherein an actual or perceived conflict of interest may exist.

**Acting Director of Purchasing Response:**

The Division of Central Purchasing will modify the bid specification submission process and require that a non-conflict of interest statement be included at time of submission.

**Commissioner of Finance & Administration Response:**

I agree with the Acting Director of Purchasing Response.