



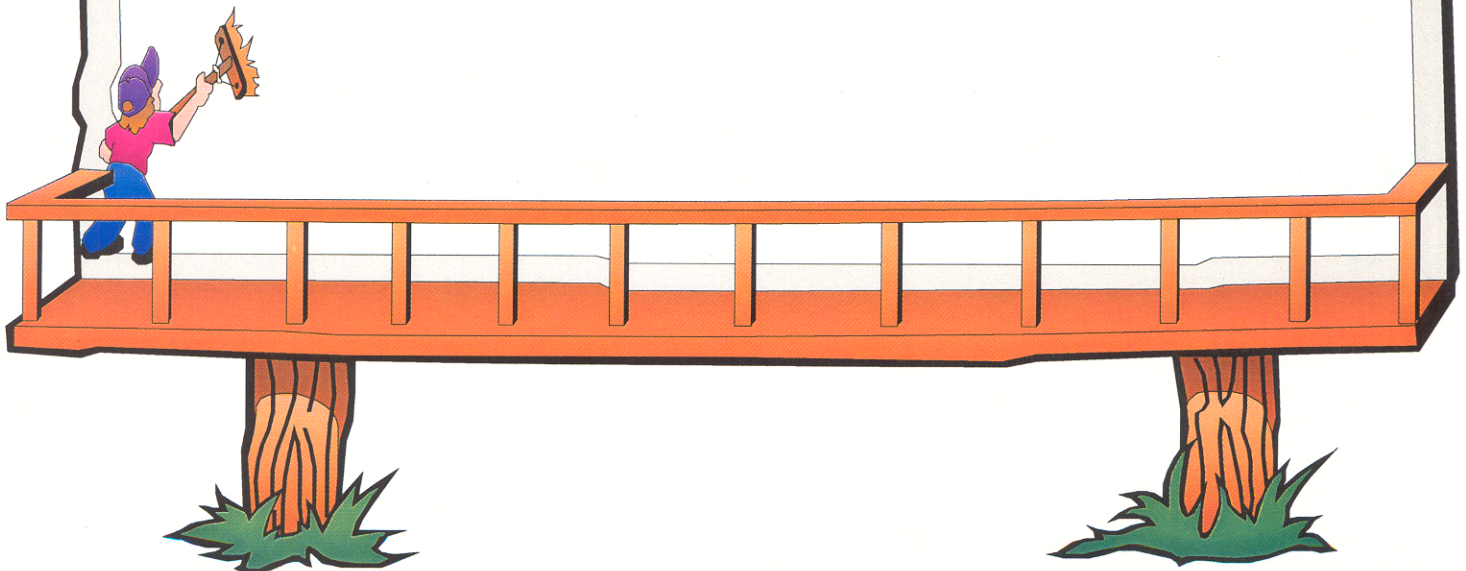
**HEADQUARTERS
POLICY FLASH**

POLICY FLASH 2004-25

DATE: October 1, 2004
TO: Procurement Directors
FROM: Office of Procurement and Assistance Policy, ME-61
Office of Procurement and Assistance Management

SUBJECT: **Nepotism in Contracting**

SUMMARY: This Policy Flash forwards the attached memorandum reminding contracting personnel to avoid any conflict of interest that might arise when friends or



family members of DOE officials are contractor employees and to avoid even the appearance of favoritism or preferential treatment in the award of contracts. Questions may be addressed to Steve Zvolensky at (202) 287-1307 or stephen.zvolensky@hq.doe.gov.

Richard Langston for

Michael P. Fischetti
Acting Director
Office of Procurement and
Assistance Policy, OMBE

Attachment

cc:

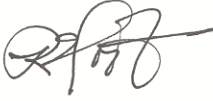
PPAG Members
Sandra Cannon
Mark E. Decot
Donald Lentzen



Department of Energy
Washington, DC 20585

October 1, 2004

MEMORANDUM FOR DISTRIBUTION

FROM: RICHARD H. HOPF, DIRECTOR 
OFFICE OF PROCUREMENT
AND ASSISTANCE MANAGEMENT

SUBJECT: Nepotism in Contracting

On August 6, 2004, I signed a memorandum regarding the *Proper Use of Other Agencies' Contracts*, issued under Procurement Policy Flash 2004-23. This follow-up memorandum addresses another area of concern in Government contracting known as nepotism. Nepotism involves showing favoritism by someone in power to relatives and friends. Earlier this year, the Government Services Administration (GSA) Inspector General began an investigation of contracts that were awarded to a company which employed relatives of a GSA acquisition official.

Sections 2635.502 and 2635.702 of Title 5, Code of Federal Regulations (CFR), prohibit Federal employees from taking official action in matters that are likely to have a direct and predictable effect on the financial interests of a member of the employee's household or a friend, if a reasonable person, with knowledge of the relevant facts, would question the employee's impartiality.

Section 2635.502 states, in part, "Where an employee knows that a particular matter involving specific parties is likely to have a direct and predictable effect on the financial interest of a member of his household, or knows that a person with whom he has a covered relationship is or represents a party to such matter, and where the employee determines that the circumstances would cause a reasonable person with knowledge of the relevant facts to question his impartiality in the matter, the employee should not participate in the matter unless he has informed the agency designee of the appearance problem and received authorization from the agency designee..."

Section 2635.702 states, in part, "An employee shall not use his public office for his own private gain, for the endorsement of any product, service or enterprise, or for the private gain of friends, relatives, or persons with whom the employee is affiliated in a non-Governmental capacity, including nonprofit organizations of which the employee is an officer or member, and persons with whom the employee has or seeks employment or business relations."

You are reminded to avoid any conflict of interest that might arise when friends or family members of the Department of Energy (DOE) officials are contractor employees and to avoid even the appearance of favoritism or preferential treatment in the award of



contracts. Acquisition personnel must be vigilant in contracting situations involving, or giving the appearance of, potential conflicts of interest. If you have any questions on this subject, please contact the Assistant General Counsel for General Law, GC-77, (or local ethics Counsel at field offices) which provides ethics advice on the standards of conduct for DOE employees.

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Michael Allison, Procurement Director, Savannah River Operations Office
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