

CITY OF COVINGTON, KENTUCKY MANUAL OF OPERATING POLICIES				
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ARTIFICIAL INTELLIGENCE GOVERNANCE AND USE POLICY

PURPOSE

Generative Artificial Intelligence (GenAI) tools can generate new content based on patterns identified in large datasets or **Models**, often in a matter of seconds. Examples include text, images, music, code, and other data. However, the use of **Artificial Intelligence (AI)** by the City poses unique risks to **Employees**, businesses, residents, and visitors. While AI-generated material can appear authoritative and polished, it can be inaccurate, biased, or misleading. GenAI use can also heighten the risk of privacy breaches, unauthorized data sharing, and cybersecurity threats. Furthermore, overreliance on GenAI for decisions that affect the public’s rights or safety can reduce transparency, weaken accountability, and erode trust in government.

The purpose of this policy is to provide Citywide guidance on privacy, security, and data governance requirements for the responsible use of Artificial Intelligence; and to provide planning, implementation, procurement, and other general guidelines for the application of any Artificial Intelligence (AI) tools, whether currently existing or arising in the future, within our City government. The policy authorizes the implementation and utilization of AI tools, while establishing an operational framework that will assist in protecting City **Data** and the **Integrity** and **Quality** of the information delivered through any AI tool.

HISTORY

O-xx-2025, passed October 28, 2025

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**City of Covington
Artificial Intelligence Governance and Use Policy**

I. Definitions

- 1. Generative AI** – A kind of AI capable of generating new content such as code, images, music, text, simulations, 3D objects, videos, and so on. It is considered an important part of AI research and development, as it has the potential to revolutionize many industries, including entertainment, art, and design.
- 2. Model** – For the purposes of this policy, a Model is something that is trained on a broad set of unlabeled Data that can be used for different tasks, with additional fine-tuning.
- 3. Artificial Intelligence (AI)** – Interdisciplinary field, usually regarded as a branch of computer science, dealing with Models and systems for the performance of functions generally associated with human intelligence, such as reasoning and learning.
- 4. Employees** – For purposes of this Policy, Employee means any individual acting on behalf of the City of Covington in any capacity, including but not limited to: full-time or part-time City staff; temporary or seasonal staff; interns; volunteers; elected officials (including the Mayor and members of the Board of Commissioners); members of City boards, commissions, or committees; independent contractors; consultants; vendors; suppliers; and any other third parties who access, use, or manage City data, systems, or resources in connection with City business.
- 5. Data** – Coded representation of quantities, objects, and actions. The word “Data” is often used interchangeably with the word “information” in common usage and in this policy.
- 6. Integrity** - Guarding against improper information modification or destruction and includes ensuring information non –repudiation and authenticity.
- 7. Quality** – Degree to which the characteristics of Data satisfy City and implied needs when used under specified conditions.
- 8. AI Principles** – As defined by Gartner, the core AI Principles include: Fair (minimize bias), Accountable (purposeful and ethical – human feedback loop), Secure and Safe (Data privacy, security framework, risk management), Explainable and Transparent (build trust), Human-Centric and Socially Beneficial (service to the public).

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- 9. Underfitting** – Underfitting occurs when a statistical Model cannot adequately capture the underlying structure of the Data.
- 10. Overfitting** – Overfitting occurs when a Model tries to predict a trend in Data that is too noisy. Overfitting is the result of an overly complex Model with too many parameters. A Model that is overfitted is inaccurate because the trend does not reflect the reality of the Data. An overfitted Model is a Model with a trend line that reflects the errors in the Data that it is trained with, instead of accurately predicting unseen Data.
- 11. Data Bias-** Data bias in artificial intelligence (AI) refers to the presence of skewed or unrepresentative data in the training and fine-tuning datasets of AI models. This bias can adversely affect the behavior of AI systems, leading to unfair, inaccurate, or discriminatory outcomes.
- 12. Sensitive Data** – Sensitive Data is any type of Data that presents a high or moderate degree of risk if released, disclosed, modified, or deleted without authorization. There is a high degree of risk when unauthorized release or disclosure is contrary to a legally mandated confidentiality requirement. There may be a moderate risk and potentially a high risk in cases of information for which an Agency has discretion under the law to release Data, particularly when the release must be made only according to Agency policy or procedure. The Data may be certain types of Personally Identifiable Information that is also sensitive, such as medical information, social security numbers, and financial account numbers. It includes Federal Tax Information under IRS Special Publication 1075, Protected Health Information.
- 13. Personally Identifiable Information (PII)** – Information that can be used directly or in combination with other information to identify a particular individual. It includes:
- i.** a name, identifying number, symbol, or other identifier assigned to a person,
 - ii.** any information that describes anything about a person,
 - iii.** any information that indicates actions done by or to a person,
 - iv.** any information that indicates that a person possesses certain personal characteristics.
- 14. Confidential Personal Information** – Personal information that falls within the scope of Section KRS 61.791..884 of the Kentucky Revised Code and that an agency is prohibited from releasing under **Kentucky’s** public records laws.

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(Note-The first instance of each defined term in this policy appears in bold, italic text and is hyperlinked to the definitions section on pages 1-2 of this policy).

II. Scope

This policy applies to all City departments, divisions, elected officials, employees (temporary or contract), boards, any third parties with access to City systems, and commissions under the authority of the City Manager, Mayor, and Board of Commissioners.

III. Policy

While AI can deliver significant business value to the City of Covington, its adoption requires a careful and structured approach. This policy establishes principles, requirements, and detailed guidelines for integrating AI technologies into City services and provides guidance to ensure staff use Generative AI tools responsibly while safeguarding resident data, maintaining public trust, and protecting the security and integrity of City systems. Together we can ensure effective adoption of AI technologies while protecting data privacy, maintaining security, mitigating bias, and preserving public trust.

A. Guidelines:

AI and GenAI use must align with the following **AI principles** below:

- **Accountability:** Ensure human oversight, ethical, and appropriate use.
- **Security & Privacy:** Protect **sensitive data** or information and adhere to all security protocols.
- **Fairness:** Minimize bias and promote equitable outcomes.
- **Transparency:** Disclose AI use in sensitive or public-facing work, when applicable.
- **Human-Centric Design:** Prioritize public benefit, accessibility, and trust.

1. For all potential AI solutions, including development, planning, and implementation, City divisions shall follow the iterative process

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outlined below:

- a. **Procurement:** Procurement of any AI technology or solution must follow the City’s procurement guidelines pursuant to **ORD-81-22**, **and** the Kentucky Revised Statutes (KRS) Chapter 45A. **See Appendix A.**
- b. **Proof of Concept:** Divisions shall define a formal process for identifying AI needs, documenting, reviewing, and presenting use cases for AI tools and technologies in a proof-of-concept document. A Division’s proof of concept must align with the City’s **AI principles**, and the proof of concept or use case must be approved by the department head before submitting for approval from the IT Division.
- c. **Submission of AI tool Request:** Once approved by the department head, use cases must be submitted to the IT Division to verify that the AI tool or solution meets security guidelines and license requirements. Requests for review and approval from the IT Division must be submitted to: ITrequests@covingtonky.gov.
- d. **Testing:** Divisions must conduct any necessary data quality testing before full production of any AI deployments, i.e., pilot phase testing. Divisions are required to seek assistance from the Data Analytics Manager to validate testing. (*Example: AI Chatbot, should be validated and verified that the output is accurate and true*). Testing should include the following steps:
 - i. **Review-** Review and test any AI generated output for proper functionality and security.
 - ii. **Validate-** Confirm (where possible) the data sets used to train the AI [Models](#), to determine the degree of **underfitting** or **overfitting** data. Check for errors related to bias and variance between outputs (*i.e., Was the AI tool trained on the most upto-date census survey?*). Examine AI-generated output to validate that **data bias**¹⁰ is not introduced as models evolve.

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iii. **Document-** Track and document all activities properly. Define the hand-off criteria to determine when judgment and decisions for an AI solution are transitioned to a human operator. Documentation supports standard operating procedures for the AI solution and provide an information repository resource for the Division employees. *I.e., Finance creates SOPs using AI, and documents information about the AI tool or related information on the department network drive.*

iv. **Monitoring-** Division employees should continuously monitor the use and performance of the AI system or the generated output. Divisions must commit to reviewing AI outputs for accuracy, appropriateness, privacy, and security before being acted upon or disseminated. AI outputs shall not be assumed to be truthful, credible, or accurate. Ensuring that a human verification process exists for decisions made by AI that have a financial, human, organizational, legal, or regulatory impact.

B. Workforce Requirements: Training or certification may be required before employees can be authorized to acquire and use certain AI tools. The Information Technology Division shall establish AI training materials for the City’s employees, including but not limited to: AI literacy, AI security training, appropriate use of GenAI tools training, and policy training when necessary. These requirements will help ensure integrity, accountability, and transparency under the guidelines of this policy. All employees of the City should adhere to the following additional requirements:

1. **Authorization for Use:** The use of GenAI technologies must be for work purposes only. Access to any AI tools must be approved by the department director or designee. Authorization is contingent upon fulfilling requirements defined by this and other established City policies & guidelines, i.e IT Security Policy.
2. **Disclosing Use:** Users may be required to disclose the use of artificial intelligence systems & output to the public, regulators, or affected individuals by laws and regulations enacted by the Kentucky General Assembly, Kentucky Revised Statutes. Please refer to your department head when AI disclosure may be required.

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3. **Data Input Restrictions:** Employees should not enter protected *sensitive data*, such as PII (*personal identifiable information*), CPI (*confidential personal Information*), SSI (social security information), or HIPAA related data, into any AI tool or system, unless authorized.
4. **Verify Accuracy:** Review, revise, and fact-check all output from a GenAI solution before use. The human user is responsible for any material created with AI support. **Examples for how to verify data and output accuracy include:**
 - a. Cross-reference with 2–3 independent, reliable human sources i.e. (.gov or .edu resources, official research journals or credible research institutions).
 - b. Compare AI outputs from different tools when possible.
 - c. Look for consensus across fact-based sources rather than relying on a single AI output.
 - d. Employees should consult the Legal Department and seek its assistance whenever legal interpretation or regulatory compliance questions are involved.
 - e. Be alert about hallucinations i.e., when AI confidently states something with no factual basis.
5. **Ethical Considerations:**
 - a. AI input data should be anonymized or pseudonymized where feasible.
 - b. Material that is inappropriate for public release shall not be entered as input into AI tools unless explicitly approved by the department director, chief legal counsel, or designee for the intended use case.
 - c. Generative AI can make assumptions based on past stereotypes and the information input or output may need to be corrected. Efforts must be made to ensure AI outputs are fair and equitable across all demographic groups.

C. Procurements Requirements: When seeking to procure an AI solution, divisions shall adhere to the following requirements:

1. AI solicitations offered by any vendors, suppliers, or potential City partners, must adhere to the City’s procurement manual and align

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with the requirements of this policy.

2. All AI software services, even if they are free or part of a pilot or proof-of-concept project, shall be reviewed by the IT Division to ensure the software meets all necessary security, privacy, and licensing requirements. This requirement applies to downloadable software, Software as a Service (SaaS), web-based services, browser plug-ins, and smartphone apps. All new AI software requests shall be submitted for review to the department head and subsequently to the IT Division. Additionally, review by the Data Analytics Manager maybe required to ensure AI systems align with the City’s data governance and “CovData” strategy, for AI tools that involve City data. See next section.

D. During the procurement process, the Data Analytics Manager shall capture and evaluate the following elements for all AI tools or solutions that involve City data:

- a. Technical/design details of the AI system.
- b. How the AI system was trained.
- c. Data sources (documentation of all data sources), including but not limited to:
 1. Audit logging and reporting capabilities.
 2. Model or Machine Learning program training.
 3. Change management details and documentation that impact the AI system algorithms (i.e., decisions, inputs, outputs)
 4. Testing practices and results.

E. Prohibited Uses:

1. Employees shall not use personal email accounts or non-approved communication platforms when accessing, transmitting, or sharing AI-generated outputs, containing or pertaining to City data. All AI-related work must be conducted through official, enterprise-approved system accounts i.e., City email address.
2. Entering sensitive or protected information, PII (personal identifiable information), PHI (protected health information), SSI

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(social security information), or City financial data, into non-approved, public or private, AI tools or systems.

3. Creating deepfakes or misleading synthetic media.
4. Using AI to generate legal, regulatory, contractual, financial, or safety-related judgements or decisions without human review and oversight.
5. Divisions shall not use Generative AI for the purpose of generating official City contracts, without review from the legal department.
6. Using unlicensed software or tools.
7. AI tools shall not be used to make employment, disciplinary, or hiring decisions. (e.g. Asking AI whether or not an applicant should be hired or if disciplinary action is appropriate in a specific circumstance).
8. Divisions shall not use copyrighted, proprietary, or legally restricted data to input or output material from an AI system or tool without authorization from the legal department.
 - a. All copyrightable works not owned or licensed by the City that are created with the contribution of Generative AI i.e., derivative works, must include an accompanying annotation sufficient to meet the requirements of the U.S. Copyright Office (*Copyright Registration Guidance: Works Containing Material Generated by Artificial Intelligence (88 FR 16190)*). The annotation should include a brief acknowledgment that the material contains licensed copyright data. (e.g. “*This document was derived using Microsoft COPILOT, all rights belong to Thomson Reuters*”).
 - b. Employees shall not use Generative AI tools to create, reproduce, or distribute content in a manner that infringes upon the intellectual property rights of any third party.
 - c. All works created in whole or in part with City licensed Generative AI products, in the course of City business shall be deemed works made for hire and are the exclusive property of the City of Covington, regardless of whether created by City

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staff, contractors, or vendors.

- d.** Employees and contractors are prohibited from claiming personal ownership of, or seeking copyright registration for, any AI-assisted work produced on behalf of the City.
- e.** Vendors and suppliers providing AI solutions must warrant and represent that their tools, inputs, and outputs do not infringe on the intellectual property rights of others and must indemnify the City for any related claims. Generative AI may not be used to circumvent licensing agreements, copyright restrictions, or proprietary rights attached to data, software, or creative works.
- f.** All AI-related vendor contracts shall incorporate language requiring model transparency, data origin documentation, and audit rights.

F. Security and Privacy: Divisions shall ensure any implemented AI solutions adhere to City IT security policies and standards, along with laws enacted, enforced, or recognized by the Commonwealth of Kentucky. In addition, Divisions shall comply with the following requirements:

- 1. **Security:** Divisions should implement the following security controls when designing and planning for the use of any AI solutions:
 - a.** Conduct a risk assessment of a proposed AI solution, including considerations of exploitation by malicious actors or inadvertent uses by authorized users. Determine appropriate security controls to mitigate against such risk.
 - b.** Ensure that authentication and authorization controls align with City policy.
 - c.** *Sensitive Data*, including *Personally Identifiable Information (PII)* and *Confidential Personal Information* shall not be input into any Generative AI tools and publicly accessible service or training Models, unless authorized.
 - d.** Divisions shall take reasonable and proactive steps to protect the privacy of individuals when using AI solutions.

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This includes, but is not limited to, implementing privacy controls such as AI solutions shall only collect, use, share, and store data in accordance with KRS 367.3611, *et seq.* (Kentucky Consumer Data Protection Act).

G. Data Governance:

All Data Governance related questions should be directed to the Data Analytics Manager and reference the City’s Technology Use and Governance Policy. **See Appendix A.**

H. Policy Review

The Administration department, consisting of the City Manager, Data Analytics manager, IT manager, and Human Resource manager, together with the City Solicitor, shall establish a multi-division AI working group to govern City-wide use of GenAI solutions. The AI working group shall include representatives from each division. The AI working group meet annually to review and update this policy as necessary and provide oversight for the following:

1. Directing the establishment of and the ongoing usage of Citywide practices of GenAI to enhance the experience of the workforce and Covingtonians.
2. Examining the social, economic, and legal impacts of AI adoption on the workforce and Covingtonians.
3. Guiding-AI policies, processes, standards, roles, and responsibilities.
4. Define legal requirements for the use of third-party AI services, licenses, contracts or agreements for AI solutions.
5. Reviewing the framework for evaluating and authorizing the use of AI technology (e.g., architecture frameworks, software, infrastructure, and relevant tools).
6. Documenting protocols and procedures for assessing and handling inquiries or incidents regarding AI system anomalies.
7. Auditing current and future AI solutions to ensure alignment with the requirements of this policy.
8. All recommendations of the AI working group must be approved by the City Manager or his/her designee prior to implementation.

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I. Violation and Consequences

1. Non-compliance with this policy may result in:
 - a. Revocation of access to AI tools.
 - b. Referral for investigation if data privacy or ethical standards are violated.
 - c. Disciplinary action, up to and including termination of employment.

J. Questions and Support:

1. If you have questions regarding this policy, have ethical concerns, or would like additional information please contact the HR Division, of the Department of Administration by contacting HR@covingtonky.gov.

K. Disclaimer

All planning or implementation of AI tools will be evaluated at the Department level and receive final approval from the Information Technology Division of the Administration Department. Although GenAI tools approved by the Information Technology division provide stronger privacy and security protection compared to consumer AI tools, they still pose significant risks. These include bias, misinformation, factual errors, hallucinations, copyright data, and potentially inconsistent outputs. Such risks are heightened when City employees rely on these tools without exercising the necessary human oversight. To mitigate these risks, all GenAI outputs should be carefully reviewed to ensure accuracy, fairness, and alignment with City values and policies. City Employees are also required to follow existing data protection and computer use policies while maintaining transparency in accordance with the City’s AI Guidelines.

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Acknowledgement of Receipt and Understanding

I acknowledge that I have received, read, and understand the City of Covington Artificial Intelligence Governance and Use Policy (“Policy”). I understand that this Policy applies to all City employees, elected and appointed officials, contractors, vendors, volunteers, and other individuals acting on behalf of the City who may use or interact with Artificial Intelligence (AI) systems or tools in the course of City business.

I agree to comply with all requirements of this Policy, including but not limited to:

- Using only City-authorized AI tools for official purposes;
- Protecting confidential, sensitive, and personally identifiable information;
- Exercising human oversight and professional judgment over any AI-assisted content or decisions; and
- Reporting any suspected misuse or data security incident promptly to the IT Division or my Department Director.

I understand that violations of this Policy may result in disciplinary action, up to and including termination of employment or contract, removal from appointed position, as well as possible civil or criminal liability.

By signing below, I confirm my commitment to abide by this Policy and to seek clarification from my Department Director, the IT Division, or the Legal Department if I have any questions about its interpretation or application.

Employee/Official/Contractor/Other Name:

Title / Department:

Signature:

Date: _____

Supervisor / Department Director Signature (if applicable):

Date: _____

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Appendix A

Authority

ORD-XXXXX TBD

Revision History

This policy shall be subject to review and revision on an annual basis, or more frequently as circumstances may warrant.

Internal Resources

City of Covington Administrative Policies may be found online on the City’s SharePoint site located in the [City of Covington Personal Policy Manual](#), reference below from above sections.

- Procurement Manual ORD-81-22
- Kentucky Local Model Procurement Code - Kentucky Revised Statue (KRS) 45A.010 through 45A.990
- Technology Use & Governance Policy

Reference Material

[U.S. DEPARTMENT OF STATE](#)

[https://airc.nist.gov/AI RMF Knowledge Base/Glossary](https://airc.nist.gov/AI_RMFS/Knowledge_Base/Glossary)

<https://www.gartner.com/en/topics/generative-ai>

<https://nvlpubs.nist.gov/nistpubs/SpecialPublications/NIST.SP.800-53r5.pdf>