

Ethics Assessment: The Ethics & Compliance Initiative issued six recommendations to improve the City of Austin’s Ethics and Compliance Program

Ethics *noun* eth·ics (‘e-thiks) : a guiding philosophy : the principles of conduct governing an individual or a group

Objective

Is the City’s ethics program working effectively to promote and ensure high standards and service to the community?

Background

In mid-2022, the Office of the City Auditor contracted with the Ethics & Compliance Initiative (ECI) to assess the City of Austin’s Ethics and Compliance (E&C) program.

ECI is recognized as a leading ethics resource on a global scale. Their extensive reach allows them to make effective ethics program comparisons among organizations.

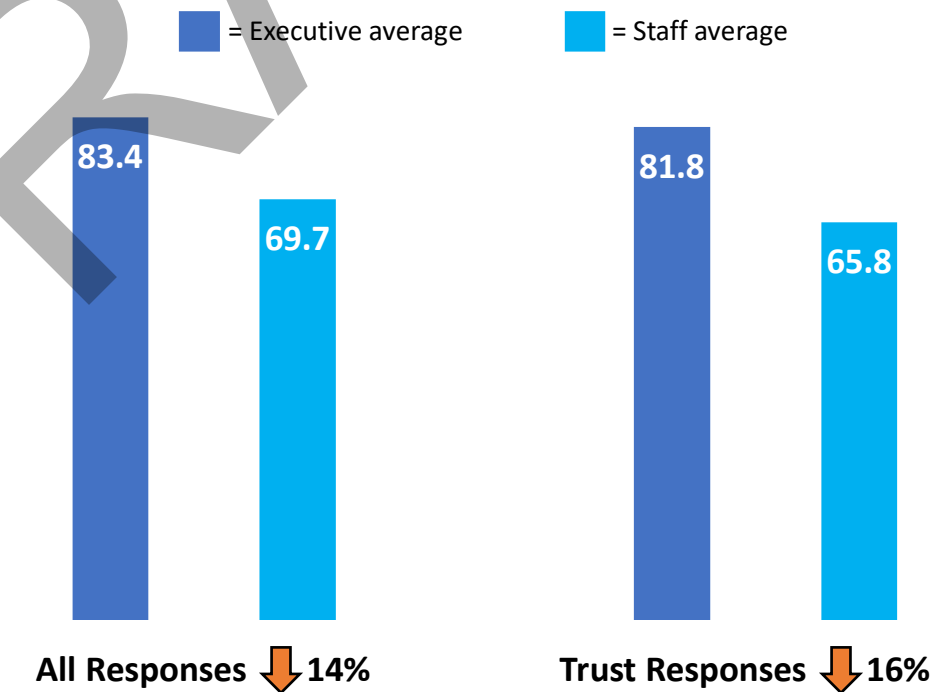
According to ECI’s final summary report, the City of Austin has many of the components needed for an effective E&C program. However, results suggest not all components are in place or working together. ECI issued six recommendations to address identified gaps.

We appreciate ECI’s work over the last year to gather feedback from all parts of the City. We will track the City’s progress on these recommendations through our public [recommendation dashboard](#).

What We Learned

Based on ECI’s three-phase analysis described in the summary report, there was a consistent difference in perspective reported by staff and executive-level management. This was especially true for perspectives focused on trust, accountability, and retaliation. For example, we looked at the high-level measures of the ethical environment from ECI’s Ethics Culture Survey. This survey gathered feedback from all City employees. Responses from staff were an average of 14 points lower than responses from executive management. For questions measuring trust, the average difference was 16 points lower.¹

Exhibit 1: On average, staff perspectives about ethics in the City of Austin were consistently lower than executive perspectives, especially for questions about trust



Source: OCA analysis of responses from ECI’s “Ethics Culture Survey,” October 2023

¹ We calculated these results by categorizing the high-level measures and averaging the responses.

Ethics Assessment

What We Learned, Continued

The Ethics Culture Survey was the most comprehensive effort to listen to employee perspectives in many years. The City has surveyed its employees in the past with the “Listening to the Workforce” survey. However, City management cut back on key question areas over the last several years. Management also cut the frequency of that survey. These actions could be a source of the deficit of trust identified in ECI’s survey. It is possible that as each year passed, these deficits added up to a large debt of trust that can be hard to repay. Our office has engaged with City management to explore a path to restore “Listening to the Workforce” as an effective tool to gauge and address where action is needed, especially related to ethics. We will continue these efforts.

In addition, we saw the trust debt reflected in the top three reasons ECI survey respondents said they did not report issues:

1. **Staff did not believe corrective action would be taken.**
 - We also heard this as a reason why staff from one department were not responding to the survey in meaningful numbers.
 - ECI’s recommendation six should help address this accountability issue.
2. **Staff did not think their report would remain anonymous.**
 - During the survey, ECI reported several City staff called their help line with questions about the confidentiality of the survey.
 - ECI’s recommendation five should help expand and ensure anonymous reporting options in the City.
3. **Staff reported they feared retaliation.**
 - In the survey, staff reported the form of retaliation they experienced most often as “other,” which makes it hard to identify specific areas to address this issue.
 - Each of ECI’s recommendations are meant to help the City build a stronger ethical culture which should help address trust issues, including fears about retaliation.

We also saw a similar management-staff disconnect in the two phases of ECI’s work that focused on their High-Quality Ethics & Compliance Program (HQP) Assessment. The HQP Assessment sought information to determine the maturity level of the City’s E&C program according to five principles. The maturity levels are noted below (the principles are listed in Exhibit 4).

Exhibit 2: Ethics & Compliance Program Maturity Levels

1	Underdeveloped:	A new E&C program or an existing one that has not progressed far in embedding HQP elements
2	Defining:	An E&C program that contains a number of HQP elements reflecting some important attributes, but with room for improvement
3	Adapting:	An E&C program that has a few HQP elements, but still lacks many important attributes.
4	Managing:	An E&C program that can be considered effective or good, but not an HQP
5	Optimizing:	An E&C program that contains the majority, if not all, HQP elements

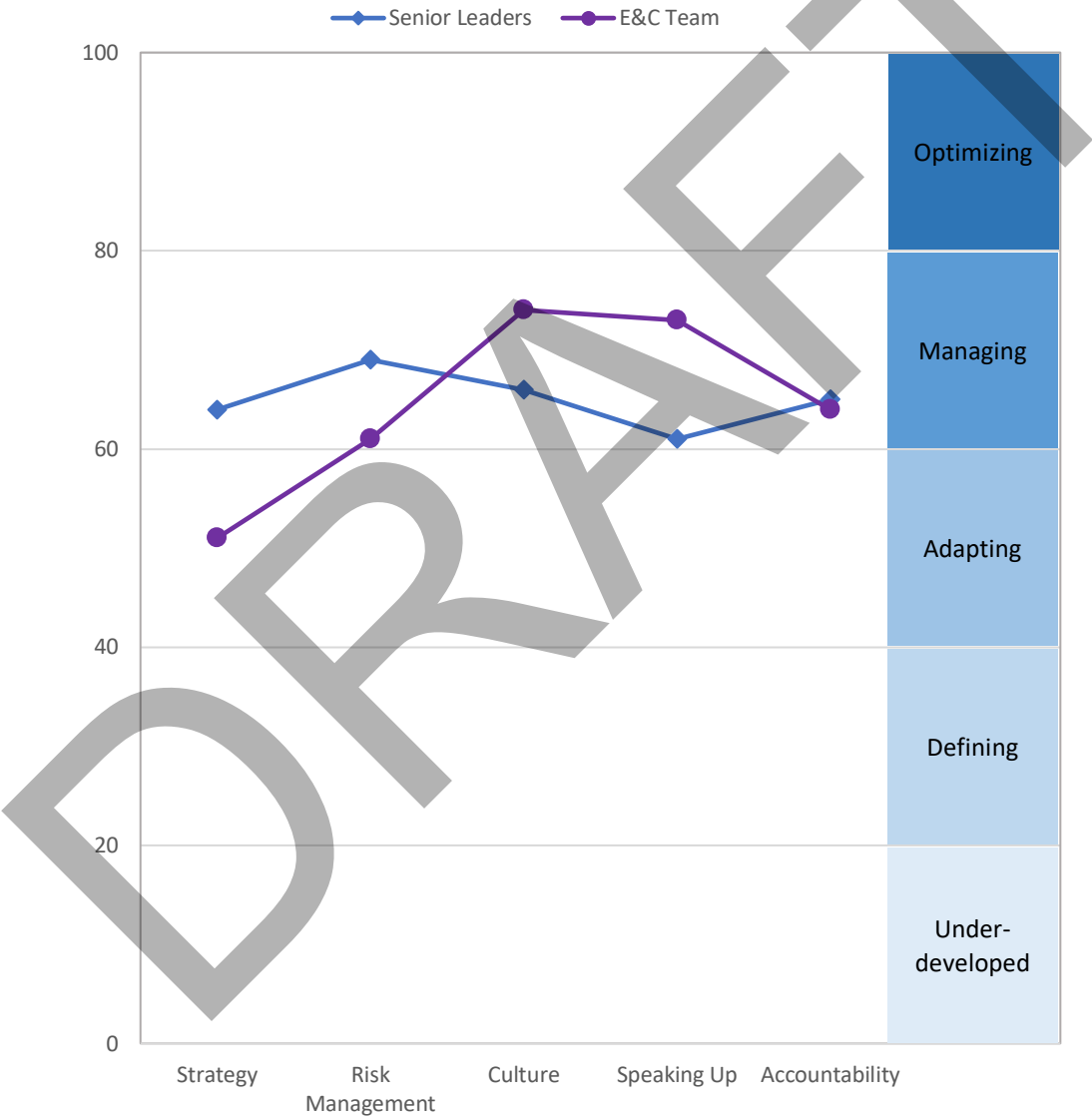
Source: ECI’s “City of Austin Ethics, Compliance and Culture Summary Report,” October 2023

Ethics Assessment

What We Learned, Continued

For the HQP work, ECI surveyed members of the City’s E&C team as well as senior City leaders in late 2022 to establish the City’s self-assessment rating. Ratings for the first four principles were consistently different between E&C team members and senior leaders as shown in Exhibit 3. Specifically, E&C Team members rated the Strategy and Risk Management principles lower than senior leaders. Conversely, E&C Team members rated the Culture and Speaking Up principles higher than senior leaders. Both groups rated the Accountability principle nearly the same.

Exhibit 3: City leaders and ethics staff held different perspectives about most principles of their ethics program



Source: Results of ECI’s High-Quality Ethics & Compliance Program (HQP) Assessment, September 2022

The last phase of ECI’s work involved interviews with key E&C team members in September 2023 to gather additional context about Austin’s ethical culture. Exhibit 4 lists the HQP principles, the combined 2022 maturity level assessment by City leaders, and the maturity levels assigned by ECI staff based on all their work. In the exhibit, maturity levels are represented by their associated number. For example, a “3” equates to the Adapting level, as noted in Exhibits 2 and 3 above. Note that Exhibit 4 clearly shows City leaders again perceived the City’s ethics program to be much better than the evaluation from ECI experts based on their interviews and feedback from all parts of the City’s staff.

Ethics Assessment

What We Learned, Continued

Exhibit 4: In 2022, City leaders perceived the City’s ethics program to be approaching the Managing level while ECI’s evaluation placed the City’s program between Defining and Adapting

High-Quality E&C Principle	HQP Maturity Level		Difference
	2022 City Self-Assessment	2023 ECI Evaluation	
Strategy	3	3	0
Risk Management	4	2	-2
Culture	4	2	-2
Speaking Up	4	3	-1
Accountability	4	2	-2
Average	3.8	2.4	-1.4

Source: OCA analysis of the ethics program maturity level assessment scores included in ECI’s “City of Austin Ethics, Compliance and Culture Summary Report,” October 2023

As noted in ECI’s summary report, the City of Austin has experienced several changes since early 2023, notably in the City’s senior leadership team. We feel the results noted in ECI’s report reflect perspectives built up over time and may not fully reflect perspectives shared by the current leadership team. We also see the ECI recommendations as an opportunity for City management to take decisive action to improve the City’s ethical culture through its E&C program.

Except for ECI’s summary report, the detailed results of ECI’s work contain proprietary information and cannot be shared publicly. ECI issued six recommendations to help improve the City’s E&C program, including a recommendation for our office to share ECI’s work with City management. We agree with this recommendation. We discussed the remaining five recommendations with City management and they agreed with all of them. We look forward to working with City management to help improve the culture of ethics in the City of Austin.

City management’s response to the ECI recommendations is on the next few pages. ECI’s recommendation to our office, along with our response, is below.

Recommendation 2: Share results of HQP Self-Assessment and Ethics Culture Survey:

- Recommend that **City Auditor’s Office** share the results of the ECI HQP Assessment and Ethics Culture Survey with appropriate leadership to include newly appointed CECO, City Manager, City Attorney, Human Resources, and Open Government leader. Consider if other department leaders should be involved.
- Facilitate a discussion around the results and the desired objectives moving forward with top leadership. Strive to garner top leadership alignment on next steps and targeted outcomes.

City Auditor’s Response: Agree.

Proposed Implementation Plan: The City Auditor will share ECI’s proprietary reports with City management, along with any other information that may be helpful as management works to implement ECI’s recommendations to improve the City’s E&C program and the culture of ethics in the City of Austin.

Proposed Implementation Date: March 2024.

Ethics Assessment

Management Response



MEMORANDUM

TO: Corrie Stokes, City Auditor

FROM: Jesús Garza, Interim City Manager *J.G.*

DATE: January 19, 2024

SUBJECT: Management Response – Ethics & Compliance Assessment Report

I appreciate the work of the Office of the City Auditor regarding the City of Austin's ethics and compliance (E&C) program and culture. Thank you for the assessment and the recommendations made by Ethics & Compliance Initiative (ECI). I agree with the recommendations and plan to implement as outlined below.

1. Clearly identify the person and organization that is responsible for the city-wide E&C Program:

- Recommend that **City Manager** evaluate organization structure and complexity of ethics and compliance matters city-wide to determine appropriate leadership, staffing and resources to manage an integrated E&C program.
- Consider establishing the role of Chief E&C Officer (CECO) that has a direct reporting relationship to the City Manager.
- Evaluate options for the CECO role including creating a stand-alone governance organization or combining the role with an existing function such as the City Attorney's office.
- Ensure appropriate resources are assigned to manage the city-wide integrated E&C program.
- Clearly communicate the new CECO role including authority and accountability broadly across the organization.

Management Response: Agree.

Proposed Implementation Plan: I will name an Interim Chief Ethics & Compliance Officer to oversee the City's Ethics and Compliance Programs and implement ECI's recommendations including coordinating the City's compliance risk management processes as well as enhancing the employee reporting and case management processes by streamlining and integrating systems from multiple departments. The Interim Chief Ethics & Compliance Officer will report directly to the Chief of Staff in the City Manager's Office to ensure the role has a city-wide

Ethics Assessment

Management Response, Continued

approach with access to resources required for successful implementation of strategies, systems, and processes.

Proposed Implementation Date: The Interim Chief Ethics & Compliance Officer will be named by February 2024 to begin the immediate implementation of these recommendations. After one year, the City Manager's Office will evaluate the progress of this work and will determine at that time whether this role shall continue implementing these strategies or whether the systems and processes established are successfully operationalized by departments on their own with oversight by the City Manager's Office.

2. **Revisit Organization Values:** Revise, refresh or re-establish the organization's core Values that include a focus on ethics and compliance.
 - Recommend that the **City Manager** working with the senior leadership team evaluate the current core Values to determine appropriate next steps.
 - Establish values that are inspiring, actionable, measurable, and relevant to the organization. Ensure Values include an E&C component.
 - Communicate Values through multiple channels: City Manager, Department Directors, Supervisors, newsletters, websites, etc.
 - Establish expectation of leaders (at all levels) to model Values and embed them in their daily discussions.
 - Ensure Values are embedded in performance management and reward/recognition systems.

Management Response: Agree.

Proposed Implementation Plan: I will name a staff member responsible for leading the strategy formulation and management including developing the City's strategic plan as well as revising, refreshing, or re-establishing the City's core Values. This individual will work with the City Manager's Office, Law Department, Human Resources Department (HRD), and Financial Services Department (FSD) to ensure the values are actionable, measurable, and relevant to the organization's strategic initiatives and ensure they include an ethics and compliance component. This individual will communicate the Values through multiple channels and work in conjunction with FSD and HRD to ensure they are embedded in performance management and reward/recognition programs. The individuals will report to the Chief of Staff in the City Manager's Office to ensure the role has a city-wide approach with access to resources required for successful implementation of strategies.

Proposed Implementation Date: The staff member will be named by April 2024 to begin this work.

Ethics Assessment

Management Response, Continued

3. **Integrate Compliance Risk Management:** Formalize compliance risk management processes to include top compliance risks across the entire city.
- Recommend that the newly appointed **CECO** take the steps to formalize the compliance risk management program that includes a city-wide view of compliance risks.
 - Consider risk appetite, capacity, tolerance, and monitoring.
 - Identify risk owner for key risk areas.
 - Define risk area owner's responsibility for reporting and coordinating mitigation processes, controls, and monitoring to the broader team that integrates compliance risk management.
 - Establish a compliance risk management calendar that includes reporting, monitoring, and mitigation actions.
 - Ensure integration and alignment with City's enterprise risk management framework.

Management Response: Agree.

Proposed Implementation Plan: I will name an Interim Chief Ethics & Compliance Officer to oversee the City's Ethics and Compliance Programs and implement ECI's recommendations including formalizing the City's compliance risk management program. Each City department is uniquely regulated by their respective federal and state agencies (Federal Energy Regulatory Commission, Environmental Protection Agency, Federal Aviation Administration, Transportation Security Administration, Texas Commission on Environmental Quality, etc.). The Interim Chief Ethics & Compliance Officer will work with each of the departments' compliance teams to align their regulatory compliance processes, controls, and monitoring as well as their internal policy risk management strategies. This will be utilized in developing and implementing a framework to monitor and ensure all City compliance risk management processes are aligned and coordinated. The Interim Chief Ethics & Compliance Officer will also partner with the Human Resources Department, specifically Employee Relations, and the Chief Learning Officer to review potential violations and consistent disciplinary actions to develop and execute the ethics training and other necessary training. The Interim Chief Ethics & Compliance Officer will report directly to the Chief of Staff in the City Manager's Office to ensure the role has a city-wide approach with access to resources required for successful implementation of strategies, systems, and processes.

Proposed Implementation Date: The Interim Chief Ethics & Compliance Officer will be named by February 2024 to begin the immediate implementation of these recommendations. After one year, the City Manager's Office will evaluate the progress of this work and will determine at that time whether this role shall continue implementing these strategies or whether the systems and processes established are successfully operationalized by departments on their own with oversight by the City Manager's Office.

Ethics Assessment

Management Response, Continued

4. **Streamline Employee Reporting and Case Management:** Enhance employee reporting and case management process and systems. Streamline and integrate systems from multiple departments (i.e., City Attorney, City Auditor's Office, Human Resources, others).
- Recommend that the newly appointed **CECO** lead the effort, including all City departments that conduct investigations.
 - Consolidate internal helplines (phone), group mailbox, web portals to reduce confusion, streamline processes and increase efficacy. Reporting mechanisms need to include the ability to report anonymously, confidentially or as a known reportant.
 - Develop common intake, triage, and case assignment (investigation) processes that support the needs of the multiple departments and investigation types.
 - Implement one case management system to track reported concerns and suspected wrongdoing through investigation, outcome, and corrective action (process or employee).
 - Monitor and analyze case data to identify trends. Use data to elevate awareness of expectations and to develop risk mitigation plans.

Management Response: Agree.

Proposed Implementation Plan: I will name an Interim Chief Ethics & Compliance Officer to oversee the City's Ethics and Compliance Programs and implement ECI's recommendations including enhancing the employee reporting and case management processes by streamlining and integrating systems from multiple departments. The Interim Chief Ethics & Compliance Officer will report directly to the Chief of Staff in the City Manager's Office to ensure the role has a city-wide approach with access to resources required for successful implementation of strategies, systems, and processes.

Proposed Implementation Date: The Interim Chief Ethics & Compliance Officer will be named by February 2024 to begin the immediate implementation of these recommendations. After one year, the City Manager's Office will evaluate the progress of this work and will determine at that time whether this role shall continue implementing these strategies or whether the systems and processes established are successfully operationalized by departments on their own with oversight by the City Manager's Office.

5. **Promote Accountability:** Review employee corrective action history to ensure adequacy and consistency. Validate that the corrective actions are adequate for the infractions. Validate consistency across departments and employee/manager levels.
- Recommend that City's **Human Resources** Leader lead this effort and coordinate with other stakeholders (i.e., CECO, City Attorney, City Auditor's Office, City Senior Leadership, and appropriate Union Leaders).
 - Consider developing a formal employee corrective action process that outlines types of infractions and resulting corrective actions. Mitigating and aggravating factors should be defined and considered when determining corrective action.
 - Conduct periodic reviews of disciplinary consequences for violations looking for trends and potential inconsistencies by topic, department, and level.

Ethics Assessment

Management Response, Continued

- Share summary of employee corrective action measures with appropriate leaders to enhance awareness of accountability actions and be used by risk management personnel.

Management Response: Agree.

Proposed Implementation Plan: The Human Resources Department (HRD) agrees that all departments should provide their recommended disciplinary actions to HRD for review of the requested action and policy violation. Currently, departments are required to provide this information through the Human Resources Department Employee Relations division for any Municipal Civil Service (MCS) appealable actions (Disciplinary Suspension, Disciplinary Probation, Demotion, or Discharge) and enter the information into a Citywide database. This was put in place in 2014 to ensure that disciplinary actions were administered consistently across the City upon the implementation of the MCS Rules. HRD is currently working on implementing a new Human Capital Management system that is set to go live in 2024. As part of this new system, an employee relations tracking module will be built to allow implementation of the recommendations including establishing a formal process for implementing disciplinary action; reporting ability to review and analyze trends; and develop summaries to provide to City leadership. The trend analysis can also be used to identify additional training needs or other focus areas. HRD can also work on developing a matrix of disciplines for certain types of substantiated behavior. This could include providing examples of disciplines; however, since each case has unique set of facts, it would not be all encompassing.

Proposed Implementation Date: The new Human Capital Management system development is underway. Complete implementation is expected in April 2025.

cc: Susana Carbajal, Chief of Staff
Anne Morgan, City Attorney
Ed Van Eenoo, Chief Financial Officer
Rebecca Kennedy, Interim Human Resources Director