



City of Austin



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January 8, 2009

To: Victoria Li, Director
Watershed Protection Development Review Department

From: Susan L. Wynne, Assistant City Auditor 
City Auditor's Integrity Unit

Subject: Report on Allegations of Integrity Violations by WPDR Employees

The purpose of this memo is to inform you of the results of a recent investigation conducted by the City Auditor's Integrity Unit (CAIU) regarding alleged integrity violations involving several electrical inspectors within the Watershed Protection and Development Review Department (WPDR) Building Inspections Division.

The CAIU received information from an anonymous informant alleging that conflicts of interest and nepotism existed involving several inspectors on the WPDR Electrical Inspections team. Specifically, the informant alleged that certain electrical inspectors had conducted City electrical inspections of work completed by family members who are electrical contractors. The informant also alleged that some senior electrical inspectors were responsible for supervising family members who were also performing electrical inspection work for the City.

Upon receiving this information, the CAIU initiated an investigation to determine the veracity of these allegations. The CAIU obtained the best evidence available related to the allegations by gathering and reviewing background information and relevant City documents, conducting interviews, and analyzing available data. The results of the investigation support the original allegations and point to the need for management to take corrective actions to address both personnel issues and weaknesses in departmental controls.

Specifically, the evidence we gathered demonstrates that at least two WPDR electrical inspectors have conducted City inspections of work performed by family members who are electrical contractors in violation of the City's conflict of interest prohibitions. In addition, we found that the organizational structure of the WPDR Building Inspections Division has

some family members supervising the work of other family members, in violation of the City's nepotism policies. Evidence we obtained suggests that some WPDR managers may have known about the nepotism problems since 2005. Additionally, in interviews with CAIU some electrical inspectors admitted to passing some inspections without actually conducting physical inspections. Finally, an electrical inspector admitted to inspecting his own personal property on two occasions. Attachment 1 contains a more detailed report of our investigative findings.

The results of this investigation indicate the need for management to take corrective actions not only to address potential personnel issues but also to improve controls within the Building Inspections Division. Upon the issuance of this report, we will contact you directly to set up a meeting with you and your staff to discuss needed controls improvements. Following that discussion we plan to issue an addendum to the report which outlines these improvements as well as your plans for their implementation.

This memo and the attached report is intended solely for use of management of the WPDR Department and the City of Austin and should not be used for any other purpose. Please contact me should you have any questions regarding this matter at (512) 974-3006.

Attachment 1: *CAIU FINDINGS REPORT*

Electronic copies: Marc Ott, City Manager
 Anthony Snipes, Chief of Staff
 Sue Edwards, Assistant City Manager
 Leon Barba, WPDR Assistant Director
 Stephen L. Morgan, City Auditor
 Taylor Dudley, Deputy City Auditor
 John Steiner, City Integrity Officer

**CAIU FINDINGS REPORT:
Integrity Violations Involving Electrical Inspectors in the
Watershed Protection and Development Review Department**

SUMMARY

The City Auditor's Integrity Unit (CAIU) has completed an investigation of alleged integrity violations involving personnel within the Building Inspections Division of the Watershed Protection and Development Review Department (WPDR). Evidence we gathered demonstrates that two WPDR electrical inspectors have conducted City inspections of work performed by family members who are electrical contractors in violation of the City's conflict of interest prohibitions. In addition, we found that the organizational structure of the WPDR Building Inspections Division has some family members supervising the work of other family members, in violation of the City's nepotism policies. Evidence we obtained suggests that some WPDR managers may have known about the nepotism problems since 2005. In fact, someone within WPDR revised the department's organization chart to indicate that management had addressed the problems; however, the reporting relationships reflected on the revised chart do not reflect the actual reporting structure.

Additionally, in interviews with CAIU some electrical inspectors admitted to passing inspections in AMANDA without actually conducting a physical inspection of the site. Finally, an electrical inspector within the WPDR Building Inspections Division inspected his own personal property on two occasions. More details related to these findings are explained in the sections below.

INVESTIGATIVE FINDINGS

At least two WPDR electrical inspectors have conducted City inspections of work performed by family members who are electrical contractors in violation of the City's conflict of interest prohibitions. The City Code (§2-7-63 through § 2-7-65) and City of Austin Personnel Policies (Chapter A. I. Conditions of Work, B. Employee Conduct) contain prohibitions against conflicts of interest as well as requirements for the disclosure of certain conflicts of interest for City employees. According to the City Code, a conflict of interest arises when a City employee has a substantial interest in another person or entity affected by that employee's exercise of discretionary authority. The City Code stipulates that a substantial interest of a close relative (within the second degree by blood or marriage) of a City employee is considered the same as an employee's own substantial interest.

The evidence collected in this case indicates that during 2008 Sam Verver, Electrical Inspector A, working under the supervision of his cousin Alex Verver (see more information on this relationship below), conducted at least 13 inspections of work performed by close family members. Specifically, records show that Sam Verver has inspected the work of his son, the owner and operator of Verver Electric; his brother, the owner and operator of Verver Investments; and his cousin, the owner and operator of Z-Non Electric. We obtained records of these inspections from the City's development review and inspection system of record, AMANDA. The records show that Sam Verver was the inspector that was assigned to and that conducted the inspections of electrical work performed by his family members' businesses. During an interview with CAIU, Sam Verver admitted conducting inspections of work performed by family members, but he stated that he never knew he was going to

inspect the work of a family member in advance. However, Verver also admitted that he would not always recuse himself from an inspection of work performed by a family member even after he became aware of the conflict. The CAIU learned that every building inspector and supervisor could check AMANDA records in advance to determine what contractor has performed the work they are assigned to inspect. Verver did admit that he knew this was possible, but he stated that he only recently learned this.

Records from the AMANDA system also indicate that John Pace, Electrical Inspector C, conducted at least two inspections of work performed by his son, the owner and operator of HP Electric and at least one inspection of work done by his sister-in-law, a Master Electrician at GMC Electric. During an interview with CAIU, Pace stated that he did not know he had inspected work performed by a family member. However, when asked if he was aware that he could check the name of the contractor in AMANDA, he stated he knew he could do so. Pace reported that it just was not part of his “normal routine” to check the names of the contractors.

Sam Verver, Alex Verver, and John Pace each have family members with substantial interests in business entities affected by their discretionary authority, which they exercised by conducting or supervising electrical inspections. Thus, the performance and supervision of these inspections were clear violations of the City’s conflict of interest prohibitions.

The organizational structure of the WPDR Building Inspections Division has some family members supervising the work of other family members, in violation of the City’s nepotism policies. According to City of Austin Administrative Bulletin 07-10, no person can be employed in a position in which he or she has direct or indirect supervisory authority over the terms and conditions of a relative’s (within the second degree by blood or marriage) employment. The City of Austin Personnel Policies (Chapter A. II. Staffing and Development, A. Selection, 4. Nepotism), contain the same prohibitions against nepotism. In the course of our investigation, we identified two employees within the Electrical Inspections Unit who have direct or indirect responsibility for supervising relatives. Specifically, Alex Verver, Chief Electrical Inspector has had the responsibility for the direct supervision of his cousin Sam Verver, Electrical Inspector A, since 1995. Also, Marvin Pace, Lead Electrical Inspector, exercises authority over the conditions of work of his brother, John Pace, Electrical Inspector C. As Lead Inspector, Marvin Pace is not responsible for completing his brother’s performance evaluations; however, he does routinely assign and direct the inspection work performed by John.

In 2005, the WPDR organizational chart was revised to give the appearance that the prohibited reporting relationships had been resolved, when in fact they had not. In 2005, the WPDR Human Resources Manager identified the Verver nepotism as well as another similar situation involving two other inspectors, brothers Carl and Joe Meuth. The HR Manager notified WPDR managers that the reporting relationships violated City policies and as such, they could not continue. Therefore, the HR Manager directed those involved in the conflicts to find new positions within the City within 90 days. Sometime after the HR Manager issued the directive, she was given a revised WPRD organizational chart, which reflected reassignments of Joe Meuth and Sam Verver. Specifically, Sam Verver was reassigned to the Residential Inspections workgroup under Carl Meuth, while Joe Meuth was reassigned to the Electrical Inspections workgroup under Alex Verver. In practice, however, these reassignments seem to have only changed the individual responsible for completing each employee’s performance evaluation. Information we gathered, including AMANDA system records, indicates that since 2005,

Sam Verver has continued to conduct electrical inspections for the workgroup supervised by his cousin Alex Verver. During an interview with CAIU, Sam Verver admitted that he has always been an electrical inspector and his cousin Alex has always supervised him. With respect to the other improper relationship identified by the HR Manager, Carl Meuth no longer works for the City.

The background details of the creation and dissemination of the revised WPDR organizational chart remain unclear. No one in WPDR that we interviewed, including managers and supervisors admitted to or knew who revised and issued the chart. The HR Manager recalls that a WPDR Assistant Director presented the revised chart to her, but the details of the reassignments were not discussed. According to the HR Manager, the changes reflected on the chart adequately addressed the prohibited reporting relationships, and she had no reason to question the veracity of the information on the chart. In fact, the HR Manager reported that she did not become aware that the reporting relationships depicted on the chart did not reflect the actual reporting relationships until a recent meeting with CAIU as a part of this investigation.

Some electrical inspectors admitted to passing inspections in AMANDA without actually conducting physical inspections. Electrical inspectors are expected to physically inspect work performed by electrical contractors which requires an electrical permit before “passing” the inspection in the AMANDA system. During the course of our investigation, several electrical inspectors admitted to passing inspections in AMANDA before physically visiting some job sites. The inspectors stated that the current workload makes it difficult, if not impossible, to meet the performance measure requiring inspectors to conduct 90 percent of their assigned inspections within 24 hours. Consequently, inspectors reported that they sometimes conduct “courtesy inspections,” by passing the inspections in AMANDA without a physical inspection of the work. According to these inspectors, such inspections are only done when inspectors have an “established relationship” with a particular contractor. If the inspector is busy and is unable to conduct the inspection within the 24-hour period, he may pass the inspection in AMANDA and attempt to conduct the actual inspection later. However, the inspectors admitted they are not always capable of conducting the physical inspections later. Inspectors report that they may also conduct courtesy inspections when trusted contractors require an inspection in a short time frame, so as not to delay the contractor. Several of the inspectors interviewed by CAIU justified this process as good customer service.

An electrical inspector within the WPDR Building Inspections Division inspected his own personal property on two occasions. According to the City of Austin personnel policy prohibiting conflicts of interest, no city employee may participate in a decision on a matter affecting a personal substantial interest. According to records from the AMANDA system, in May 2006, Mark Thompson, Electrical Inspector C, obtained the required permits to build a deck at his private residence. On May 17, 2006, the contracted electrician requested an inspection of the slab, which Thompson conducted himself on the same day. On May 24, 2006, the electrical contractor requested a final inspection of the electrical work, which Thompson conducted himself on the same day. During an interview with CAIU, Thompson admitted conducting the inspections on his own property; however, he claimed he did not agree that it constituted a conflict of interest since he did not perform the electrical work himself.