



SUPPORTING BUSINESS INTEGRITY



City of Austin Ethics, Compliance and Culture Summary Report

October 2023

Prepared for the City of Austin by the Ethics & Compliance Initiative

This report summarizes the results and analysis of three bodies of work contracted between the City of Austin and the Ethics & Compliance Initiative (ECI).

About ECI's work with the City of Austin

The City of Austin contracted with ECI to identify strengths, areas of opportunity and recommendations in the City's ethics and compliance (E&C) program and culture. ECI utilized three resources to conduct this evaluation as follows:

1. High-Quality Ethics & Compliance Program (HQP) Assessment: ECI's HQP Assessment is utilized to assess an organization's E&C program against a framework that includes 5 principles, 27 supporting objectives and 100+ leading practices. The HQP 5 Principles include:

- Strategy: E&C is central to business strategy;
- Risk Management: E&C risks are identified, owned, managed, and mitigated;
- Culture: Leaders at all levels across the organization build and sustain a culture of integrity;
- Speaking up: The organization encourages, protects, and values the reporting of concerns and suspected wrongdoing;
- Accountability: The organization takes action and holds itself accountable when wrongdoing occurs.

The City conducted a self-assessment using the HQP framework during the summer of 2022. The assessment was administered to those familiar with the E&C activities and to senior leaders across the organization.

2. Ethics Culture Survey: ECI administered the City's Ethics Culture Survey based on ECI's Ethics Culture Assessment question set. The confidential census survey comprehensively gauges an organization's culture by measuring several elements including:

- E&C Program: Measure employees' awareness of E&C program resources and whether or not the resources are effective.
- Ethics Culture: Understand employee perceptions of senior leadership, supervisors, and coworkers to provide a holistic view of your organization's ethics culture.
- Ethics Outcomes: Assess and track the rates at which employees observe misconduct and report it, among other key ethics outcomes.

The City's survey launched February 27, 2023, and closed on March 23, 2023, with the report of findings issued in June 2023.

3. Interviews with Key City of Austin Staff: An ECI Senior Advisor interviewed 9 City employees who have a role in administering the City's E&C program. Employees from the City Attorney's Office, City Auditor's Office, Human Resources, and the Open Government

team were included in the interviews. The interview topics were framed around the results of the HQP self-assessment and Ethics Culture Survey to identify strengths, areas of opportunities and recommendations based on best practices. Senior advisor interviews were conducted in September 2023.

A detailed summary of results from these three workstreams follows with recommended actions at the end of this report.

2022 City of Austin High-Quality Ethics & Compliance Program (HQP) Assessment

The City's HQP self-assessment launched June 6, 2022, and closed on August 26, 2022. The assessment was administered by ECI to the City's Ethics and Compliance team and senior leaders across business functions. Four usable responses were received from the Ethics and Compliance team, yielding a response rate of 67%. Twenty-three usable responses were received from the City's Senior Leaders yielding a response rate of 44%. Note that with this small sample size, the response of one participant can affect the overall results, this should be considered when interpreting the data.

The HQP methodology maps the results of the self-assessment across the 5 HQP Principles (Strategy, Risk Management, Culture, Speaking Up and Accountability) against E&C Program Maturity Levels, defined below:

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

Note: The City Auditor's Office has the detailed self-assessment report which contains ECI proprietary information. The detailed report can be shared internally with individuals who have a need to know but cannot be released to the public.

Additional insights into each principle follow:

Principle 1 - Strategy: E&C is central to business strategy.

Maturity level: Adapting

Generally, the City's E&C Team's score was rated below the HQP Benchmark for the Strategy principle. Areas of opportunity include:

- E&C has the resources to ensure independence but lacks the resources to ensure proper integration in key operations.

- The E&C program is integrated in day-to-day business decisions but is not yet designed to complement or support strategic objectives.
- The E&C organization only shares its learning on an ad hoc basis.

The E&C program can be enhanced by ensuring that E&C personnel are routinely included and integrated into discussions about day-to-day business decisions and integrated into strategic discussions. E&C should also focus on regularly evaluating the program and trends to identify and implement continuous improvements.

Principle 2 - Risk Management: E&C risks are identified, owned, managed, and mitigated.

Maturity Level: Managing

Risk management was assessed as a strength in the City’s E&C program with 4 of 6 supporting objectives assessed higher than the HQP benchmark. A few strengths are:

- Appropriate resources are assigned to the risk assessment process.
- Risk assessments are carried out by organizational units and supported by organization leadership.
- Training and support for handling key risks are provided to employees based on their role and department.

A few areas of opportunity exist within risk management.

- The E&C program should be monitored as a risk area for both the program and the state of the organization from an E&C perspective.
- E&C risk assessment should be more fully integrated in the broader enterprise risk management process.

Principle 3 - Culture: Leaders at all levels across the organization build and sustain a culture of integrity.

Maturity Level: Managing

Culture was assessed as a strength in the E&C program with 3 of 4 supporting objectives assessed higher than the HQP benchmark. A few strengths are:

- Leaders are expected and incentivized to act with integrity and are held accountable to do so.
- All employees are supported and expected to act in line with organization expectations of conduct and held accountable to do so.

An area of opportunity exists to enhance the culture.

- Systems should be put in place to hold leaders accountable for building a strong ethical culture.

Principle 4 - Speaking Up: The organization encourages, protects, and values the reporting of concerns and suspected wrongdoing.

Maturity Level: Managing

Speaking up was assessed as a strength with 5 of 6 supporting objectives assessed higher than the HQP benchmark. A few strengths are:

- Employees are encouraged to speak up about concerns and suspected wrongdoing.
- The organization respects employees' rights to report concerns to government authorities.
- The organization has a non-retaliation policy, and employees are aware of the policy.

A few areas of opportunity exist to enhance speaking up.

- The organization can build trust and mitigate the risk of retaliation by implementing proactive processes that elevate awareness around retaliation, monitor reporting parties to ensure they do not experience retaliation and demonstrate the consequences when retaliation is discovered.
- The organization can enhance communication around the process for managing reported concerns/wrongdoing. Communication should focus on the individual who reported the concern and includes information on how the matter was investigated, the outcome and corrective action.

Principle 5 - Accountability: The organization takes actions to hold itself accountable when wrongdoing occurs.

Maturity Level: Managing

Accountability is a strength of the E&C program with 4 of 5 supporting objectives assessed higher than the HQP Benchmark. A few strengths are:

- The organization's investigation processes are carried out by trained individuals.
- Systems for escalation and response are well developed and regularly tested and leaders are held accountable for compliance.
- The organization appropriately discloses matters to regulatory or other government agencies.

A few areas of opportunity exist to enhance accountability.

- The organization should consider implementing methods for regularly communicating that disciplinary actions will be taken for individuals who violate organization standards of conduct and the law.
- Consistent disciplinary action builds trust and supports the deterrence of wrongdoing. The organization should review and track disciplinary action to ensure consistency.
- Helpline trends and key cases should be shared with senior leadership to determine actions to enhance compliance and culture.

2023 City of Austin Ethics Culture Survey

The survey was administered by ECI and includes comparison data between the City's results and the U.S. employee benchmarks from ECI's Global Business Ethics Survey® (GBES®).

The survey was a census survey of all City of Austin employees and was administered via an online survey. The survey launched February 27, 2023, and closed on March 23, 2023. The survey was administered in both English and Spanish.

There were 5,830 useable responses, yielding a response rate of 44% (comparable response rate to similar surveys).

ECI's research shows that organizations with a high-quality ethics & compliance program (HQP) are more likely to have strong ethical cultures.

Note: The City Auditor's Office has the detailed culture survey report which contains ECI proprietary information. The detailed report can be shared internally with individuals who have a need to know but cannot be released to the public.

E&C Analysis Framework:

ECI research shows that organizations with high-quality ethics programs are more likely to have strong cultures that impact ethics outcomes. The survey results are broken into these three elements.

1. E&C Program
2. Ethics Culture
3. Ethics Outcomes

Prior to sharing the specific culture survey results related to the three elements of the E&C Analysis Framework it is relevant to share a few demographics from the survey.

- 11% of the survey respondents to the survey have less than one year tenure with the City.
- 39% of the survey respondents preferred not to identify their employee/management level.

Consistently, ECI's research and Global Business Ethics Survey has found that organizational change impacts the perception of ethical conduct. The City has clearly undergone organizational changes. There have been changes at the top and across multiple levels of the organization and some senior leadership positions are currently designated as interim. These organizational changes should be considered when evaluating the culture survey results and when developing the next steps or action plans.

Following are the highlights of the City of Austin's Ethics Culture Survey:

Note: Comparative statements made are relative to U.S. employee GBES benchmark ("benchmark").

1. E&C Program: Higher quality E&C program leads to stronger cultures and improved ethical outcomes.

The results of the E&C Program section are mixed. The following analysis framework sections will provide clarifying information about these mixed results.

- Employees are more aware of E&C program elements than benchmark.
- Employee application of Workplace Ethics Standards is below benchmark.
- Employees are less willing to seek advice when they are unsure of the appropriate legal or ethical course of action than benchmark.

2. Ethics Culture: A strong ethics culture is key to achieving desired ethical outcomes.

Overall survey results indicate that the ethical culture of the City falls below that of the benchmark. Employees believe that the ethical actions of coworkers are higher than those of supervisors, managers, and top management (for every level of leadership).

- Communication about integrity in the workplace is important. Employees are satisfied with communications around integrity from their supervisor, however all other levels of leadership fall below the benchmark.
- Positive feedback when work is conducted with integrity also generally falls below the benchmark.
- Setting a good example and trustworthiness falls below the benchmark.
- Co-workers and supervisors demonstrate a willingness and aptitude to support ethical actions in the workplace.
- Employees' perception of accountability is below the benchmark and is mixed but not surprising. Employees are uncertain if senior leaders and supervisors are held accountable, yet they have more confidence that non-management colleagues are held accountable.
- Employees are also uncertain if they can question the decisions of leaders.
- Yet employees trust their supervisor; they feel encouraged to speak up and heard after talking with them.
- From a diversity, equity, and inclusion perspective the City rated lower than benchmark on four elements:
 - A culture that values diversity and inclusion
 - Employees are treated with dignity and respect
 - Welcoming diverse backgrounds, experiences, and perspectives
 - Being just and fair

3. Ethics Outcomes: Ethics Outcomes measured by employee perspectives, actions, and behaviors.

Overall survey results indicate that the ethical outcomes of the City fall below that of the benchmark, some of these outcomes are desirable and others are not desirable.

- Pressure to compromise the organization's ethical standards falls well below the benchmark (desirable).
- Observed misconduct is also below the benchmark (desirable).

- Reported misconduct and satisfaction with the response to the report is below the benchmark (not desirable).
- Perceived and reported retaliation are also below the benchmark (desirable).

ECI research indicates that a high-quality E&C program plus a strong ethical culture leads to increased reporting with lower pressure to compromise an organization’s ethical standards, lower observed misconduct, and lower rates of retaliation. It is important to note the increased reporting of misconduct comes in the form of employees ensuring that the organization is doing the right thing. Although each of the topics covered in this section represent statistically significant deviations from the benchmark it is notable that the lack of satisfaction related to the response to reported concern/wrongdoing is the widest gap between the City and the benchmark.

2023 Interviews with Key City of Austin Staff

After thorough review of the results of the City’s HQP Assessment and Ethics Culture Survey an ECI Senior Advisor conducted interviews with nine key personnel in the City Attorney’s Office, City Auditor’s Office, Human Resources, and the Open Government team. The interviews were confidential and were used to further assess the City’s Ethics and Compliance program and to identify strengths and areas of opportunity.

Key themes of this section are organized first by ECI’s HQP Framework providing the ECI Senior Advisor’s assessment of the City’s E&C Program. The Senior Advisor chose to use the HQP Framework to share the interview results as the HQP Framework is based on proven principles and practices of high-quality and highly effective E&C programs and provides a robust tool to continually assess the strength of an E&C Program.

As a reminder the HQP methodology maps the results of the self-assessment across the 5 HQP Principles (Strategy, Risk Management, Culture, Speaking Up and Accountability) against E&C Program Maturity Levels, defined below:

- Underdeveloped: A new E&C program or an existing one that has not progressed far in embedding HQP elements.
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- Optimizing: An E&C program that contains the majority, if not all, HQP elements.

Overarching strengths and areas of opportunity are also identified at the end of this section.

Several interviewees described the City's E&C program to be primarily focused on five core compliance risk areas (conflicts of interest; gifts and gratuities; fraud, waste and abuse; secondary employment and use of city resources). The interviewees were not aware of a broader and more integrated E&C program that extends across all departments of the city. For this and a few other reasons noted by section below, the ECI Senior Advisor assessed the City's Maturity Level for 4 of the 5 principles lower than the City's self-assessment.

Principle 1 - Strategy: E&C is central to business strategy.

City's Assessment of Maturity Level: Adapting

ECI Senior Advisor Assessment of Maturity Level: Adapting

Most interviewees were uncertain of how the E&C program and personnel were integrated into strategic and day-to-day decision making. The interviewees also stated confusion around the City's current Values and how they relate to the City's E&C program.

Other observations include:

- Organizational Values (PRIDE) are not used daily for decision making.
- Confusion exists around the currency of the PRIDE Values.
- Values and E&C are not integrated into leadership decision making.
- Values are not regularly embedded in communication, performance management and expectations of leadership.

Principle 2 - Risk Management: E&C risks are identified, owned, managed, and mitigated.

City's Assessment of Maturity Level: Managing

ECI Senior Advisor Assessment of Maturity Level: Defining

All interviewees consistently identified five compliance risks as E&C risks but could not delineate how the broader city-wide compliance risks were managed in an integrated fashion.

Other observations include:

- Five E&C risks identified by all interviewees include:
 - Conflict of interest
 - Gifts and gratuities
 - Fraud, waste, and abuse
 - Secondary employment
 - Use of city resources
- Departments are responsible to identify, monitor and mitigate compliance risks associated with their function.
- Results of compliance risk assessment, monitoring and mitigation are not shared across departments.
- An integrated approach to identify, monitor, and mitigate compliance risks across all departments is not in place.

Principle 3 - Culture: Leaders at all levels across the organization build and sustain a culture of integrity.

City's Assessment of Maturity Level: Managing

ECI Senior Advisor Assessment of Maturity Level: Defining

The Culture Survey demonstrated very mixed results compared to the benchmark, with several components falling below the benchmark. Interviewees expressed confusion and uncertainty around the use of the PRIDE Values and Strategic Direction 2023. Further interviewees shared information on City code and policies, all of which are rules and compliance based without a cultural component linked to core Values.

Other observations include:

- Pride in public service and the importance of transparency were prevalent in discussions.
- Annual employee training is used to elevate awareness and establish expectations including:
 - Ethics and compliance risks (5 noted above)
 - Responsibility to report concerns and suspected wrongdoing
 - Multiple channels for reporting concerns and suspected wrongdoing
 - Organization's anti-retaliation policy
- Supervisor and executive training are also used to elevate awareness and establish expectations at the appropriate level. However new supervisor training is not mandated across the City's departments.

Relative to Culture it is important to note that several interviewees shared that the City has undergone significant leadership changes and organization changes over the last 12 to 24 months. A few interviewees stated that nearly 30% of City employees have one year or less tenure. Significant organizational change often drives cultural uncertainties and can increase employees' perception of ethical wrongdoing.

Principle 4 - Speaking Up: The organization encourages, protects, and values the reporting of concerns and suspected wrongdoing.

City's Assessment of Maturity Level: Managing

ECI Senior Advisor Assessment of Maturity Level: Adapting

The City provides training on the multiple reporting channels and sets expectations for employees to report. However, the processes used to manage the multiple reporting channels are not integrated. Anonymous reporting is not universally available to employees through all reporting channels. The processes used to manage the reporting channels and to ensure matters are consistently dealt with are not communicated to employees. Lastly, a non-retaliation policy exists yet there are no formal processes to ensure reportants do not experience retaliation.

Other observations include:

- Multiple channels for reporting exist including Open Government group mailbox and phone line, City Auditor's Office phone line, supervisor, Human Resources, and senior leaders.
- Non-retaliation policy exists, however no formal processes exist for monitoring for retaliation after an employee reports a concern or suspected wrongdoing.

- Anonymous reporting exists within the City Auditor’s Office reporting system for fraud, waste, and abuse but is not universally available through other reporting channels.
- Case data and trends are not regularly reported to senior leadership or the Ethics Review Commission.

Principle 5 - Accountability: The organization takes action and holds itself accountable when wrongdoing occurs.

City’s Assessment of Maturity Level: Managing

ECI Senior Advisor Assessment of Maturity Level: Defining

Culture Survey results indicate that employees question how the tone of accountability flows from the top of the organization. They also question if supervisors and senior leaders are held accountable at the same level as employees. Interview feedback indicated that variability exists in how reporting channels are managed, how suspected wrongdoing is investigated and how leadership is made aware of trends and specific reports of wrongdoing.

Other observations include:

- Employees are held accountable via the organization performance management system.
- Functions (i.e., City Attorney’s Office, City Auditor’s Office, Human Resources, and Open Government) track matters reported via departmental processes and systems.
- Case management systems are built in-house with some being as simple as a tracking log or an excel spreadsheet. A level of uncertainty exists on the accuracy of case data.
- Case data is not utilized to identify trends or to identify potential “hot spots”.
- Investigations are conducted by numerous organizations with no integrated framework for ensuring smooth hand-offs, proper case closure and adequate corrective actions (employee and process).
- Consistent disciplinary action for ethical wrongdoing is a concern; several interviewees were not familiar with how disciplinary action decisions are made; others commented on the lack of consistency within HR and the Ethics Review Commission.

Areas of Strength:

- A clear focus on transparency is evident across the organization and with external stakeholders.
- Expectations of conduct for the key corporate risk areas are embedded in mandatory training materials including:
 - New Employee Orientation
 - Annual E&C Training
 - New Executive Training
 - Supervisor Academy Training (note, this training is not mandatory)
- Key “core” corporate E&C risk areas are identified with clear ownership of the risk area:
 - Conflicts of interest (Open Government)
 - Gifts and gratuities (Open Government)
 - Fraud, waste, and abuse (City Auditor’s Office)
 - Secondary employment (Open Government)

- Use of city resources (Open Government)
- The Learning Management System is used to deploy E&C training and to track completions. Automatic reminders are sent to employees to complete the training with Human Resources monitoring completion rates.
- Multiple channels of reporting are outlined in the annual New Employee Orientation and annual Ethics & Compliance training.
- Employees are made aware of the organization's anti-retaliation policy.

Areas of Opportunity:

- Currency of the organization's Values (PRIDE). Questions exist if the PRIDE Values are still in use.
- E&C leaders and processes may not be integrated with strategic and day-to-day decision making.
- The compliance risk management process is not well defined or integrated across all departments.
- Reports of concern or suspected wrongdoing are managed by several departments based on risk area lacking consistent processes for intake, triage, investigation, and close-out.
- Anonymous reporting is not consistently available (only available for concerns reported to the City Auditor's Office).
- Monitoring for retaliation after an employee reports a concern or suspected wrongdoing is not in place.
- Robust case management tracking mechanisms/systems are not in place.
- Case metrics are not consistently shared with appropriate senior leaders.
- Consistency of the application of employee corrective action (including through Ethics Review Commission).

Recommended Actions/Adjustments to Ethics and Compliance Program

These recommendations are based on best practices referenced in ECI's research and HQP Framework and the experience of ECI's Senior Advisors.

Recommendation 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.

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.

Recommendation 3: 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.

Recommendation 4: 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.

Recommendation 5: 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.

Recommendation 6: 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.
- Share summary of employee corrective action measures with appropriate leaders to enhance awareness of accountability actions and be used by risk management personnel.

It is also recommended that the City repeat the HQP Self-Assessment and Culture Assessment after a period of time to measure progress. Recommend that the **CECO** take the lead on this effort and should be the point of contact for this effort.

ECI Staff and the Senior Advisor team can be made available to respond to questions and follow-on dialogue around the three workstreams.

About ECI

The Ethics & Compliance Initiative (ECI) is the leading membership organization driving business integrity for a better, more ethical world. We provide Ethics & Compliance professionals with the resources they need to become great leaders, build exceptional teams, and create ethical workplaces that set the highest standard. We equip ethics leaders for success by giving them the confidence that they are in compliance and the intelligence to anticipate what's coming around the corner. www.ethics.org.

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