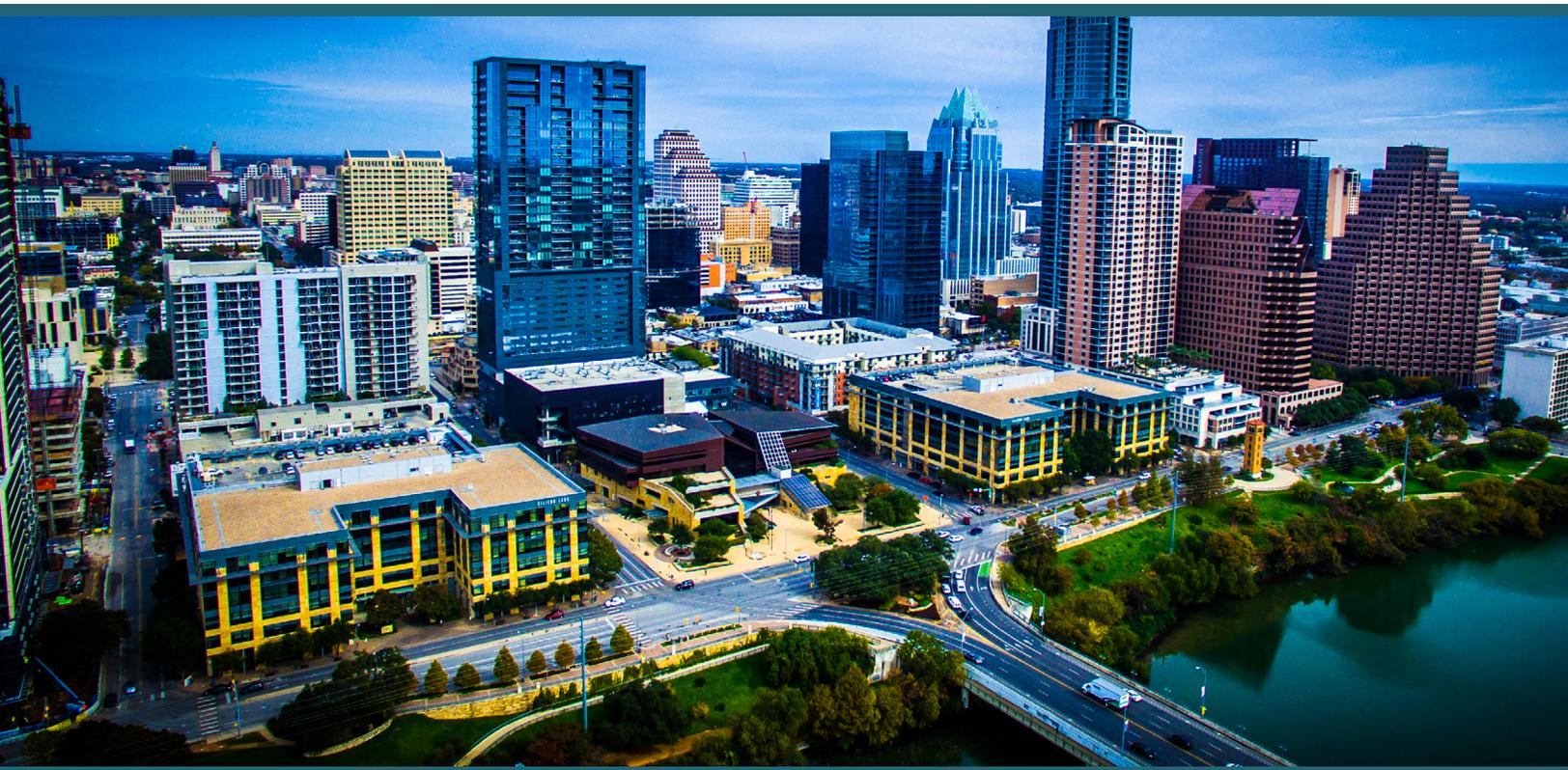


Investigative Report

Economic Development Department: Failure to Report Wrongdoing

February 2017



We found evidence indicating that Don Pitts, Program Manager in the Economic Development Department, was aware that his direct report appeared to have planned and committed fraud and did not report the employee to the appropriate authority.

Contents

Allegation and Background	2
Investigation Results	2
Appendix A - Subject Response	6
Appendix B - Office of City Auditor’s Response to Subject Response	13
Appendix C - Management Response	14
Investigation Criteria	16
Methodology and CAIU Investigative Standards	17

Cover: Aerial view of downtown Austin,
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Allegation

In January 2016, the Office of the City Auditor received an allegation against Music Program Manager in the Economic Development Department, Don Pitts. Specifically, the informant provided the information summarized below.

Allegation: Abuse of Official Position

- The informant alleged that Don Pitts promised a direct report that he would find a way to reimburse the employee for travel costs that were not approved by the City.

Background

The Music & Entertainment Division is within the Economic Development Department (EDD). Don Pitts, Music Program Manager, has worked for the City since January 2010. As Music Program Manager, he is responsible for the “day-to-day operations and management” of the division, including “ensuring all expenditures comply with [City] policies and procedures.”

Investigation Results Summary

We found evidence indicating that Don Pitts was aware that his direct report appeared to have planned and committed fraud and Pitts did not report this employee to the appropriate authority, as required by the City’s Fraud, Waste, & Abuse Bulletin. Specifically, the direct report used their City position to secure reimbursement from the City, to recoup personal expenses incurred during a City trip that was approved as “zero cost to the [City of Austin].”

Finding

Failure to Report Wrongdoing

“Zero Cost” Trip

In late April 2014, a Music Program Coordinator (“the Coordinator”) who reported directly to Pitts took a trip with a City vendor with the purpose “to expand the reach of the City’s partnership with [the vendor] and strengthen trade relationship with international cities and international businesses, and to discover opportunities for additional cross-cultural partnerships and exchange with new countries.” When interviewed, the Coordinator stated that Pitts asked her to put “at zero cost to the City” on the travel request to ensure that the request was processed quickly and in time for the trip. The City’s executive management approved the travel “at zero cost to the City”, meaning the City would not pay for expenses incurred to take the trip. However, when interviewed by our office, the Coordinator stated that Pitts had assured her that she could be reimbursed for the trip when she returned. When interviewed by our office, Pitts stated that he had counseled the Coordinator that there would be no costs paid by the City.

Formal Reimbursement

The Coordinator stated that she started preparing formal reimbursement paperwork when she returned from the trip, which was confirmed by other EDD employees. The Coordinator stated that she showed Pitts the travel expense estimate of over \$3,000, and he told her that she could not submit the request because management approved the trip as “zero cost to the City.” The Coordinator did not formally submit the paperwork to the City following this interaction. Pitts stated that every few months, the employee would bring up the fact that she needed to be reimbursed for the money she spent on the trip.

Alternative Reimbursement Discussions

We found an email correspondence from January 2015 between Pitts and the Coordinator, where the Coordinator provided details on another way she could be reimbursed. It involved submitting a fictitious invoice to the City for advertising expenditures of \$3,000. The Coordinator added in the email that “this one would sneak through without getting noticed because it is ‘advertising’ and doesn’t need a [purchase order number]” and “if you have another idea, please let me know.”

In response, Pitts emailed back “Let’s discuss. I will work with you on this but this can never happen again.” When interviewed, Pitts repeatedly denied knowing about any reimbursement scheme. When presented with the email evidence, Pitts then stated that he was aware of her intentions following this email, but that his intent was not to give her permission to create the fraudulent invoice. Pitts stated that he discouraged her after receiving the email.

The City of Austin Administrative Bulletin 06-03 – Fraud, Waste, and Abuse Reporting Investigation and Prevention requires all City officers and employees to “fully cooperate with an investigation.” Pitts’s misleading denials regarding any knowledge of a reimbursement scheme prior to

being presented with evidence indicate that Pitts failed to fully cooperate with this investigation.

We did not find evidence that:

- Pitts reported this email interaction to anyone in his chain of command.
- The Coordinator was disciplined as a result of the email.
- Pitts had discussed the reimbursement scheme in the Coordinator's performance reviews.

Fraudulent Reimbursement

The Coordinator told our office that she did not ultimately submit a purchase authorization request for advertising expenditures but that she had another idea for reimbursement, which she discussed with Pitts, and received support for. It involved creating a fictitious invoice for work performed by her boyfriend under a program that was under Pitts's and the Coordinator's purview. The Coordinator stated that Pitts told her verbally "great, just submit an invoice for 2,500 dollars and let's be done with it," which she did. Pitts denied ever telling the employee to submit an invoice for \$2,500.

The Coordinator later created and sent for approval a purchase authorization request dated early May 2015. The request included a quote for \$2,500 to pay the Coordinator's boyfriend "to provide sound engineering services" for a music program. Pitts was listed as the "originator" of the document, but there was no evidence of his signature. Later that day, Pitts emailed her to let her know that EDD's executive management did not want her boyfriend hired as a sound engineer. After this email, the Coordinator did not retract the purchase authorization request and followed up with a senior manager about processing the request. The senior manager approved the request in late May 2015.

According to City records, the City paid the Coordinator's boyfriend \$2,500. Despite the payment, a City staff member performed the duties that the City was charged for. We did not find evidence that the Coordinator's boyfriend provided any services to the City as a result of the payment.

Subsequent Discovery

In June 2015, a Music & Entertainment Division employee discovered the payment to the Coordinator's boyfriend and reported the concerns to Pitts. When interviewed, Pitts admitted that he did not report the unauthorized payment to his chain of command. Instead, after the discovery of the payment, Pitts stated that he contacted the Coordinator and instructed her to "take care of it." Pitts stated that he did not discipline the Coordinator. We did not find any evidence that Pitts had discussed the reimbursement scheme in the Coordinator's performance reviews.

Don Pitts's failure to report wrongdoing appears to constitute violations of the following criteria, as detailed in the investigation criteria section:

Fraud, Waste, & Abuse Bulletin: Reporting (A)(1)

- An employee who knows of or suspects wrongdoing shall report the wrongdoing immediately to the employee's manager or supervisor, or if that is not feasible, to the next highest person in the employee's chain of command...

Fraud, Waste, & Abuse Bulletin: Reporting (A)(3)

- A supervisor or manager who is contacted by a subordinate or by another City employee who alleges wrongdoing shall immediately report the allegation to the department director, the director of the department in which the wrongdoing is alleged to have occurred, or the City Manager's Office.

Repayment and Resignation

City records show that the \$2,500 was repaid to the City in June 2015. The Coordinator later resigned.

Appendix A - Subject Response

To: Ms. Corrie Stokes, City Auditor, City of Austin
From: Don Pitts
Date: February 3, 2017
RE: Response to Audit Report IN16011

Thank you for the opportunity to respond to this audit report. I am very sorry that this matter has taken so much time and appreciate the opportunity to explain how this happened and to promise that such matters will never happen again.

Let me begin by first stating that I take full responsibility for my actions that led to this audit report. Any errors were the result of inadvertence or an oversight on my part, and were not done with willful disregard of city policy. I take this matter quite seriously, and I did not willingly or knowingly act in a manner contrary to that required by the Administrative Bulletin cited in the report. I acted at all times in what I believed to be the best interests of the City of Austin, and once I discovered the Coordinator had approved an invoice from her boyfriend I acted immediately to recover taxpayer funds and verbally reprimanded the employee, who subsequently resigned from the Department. Nonetheless, I now realize that I should have reported this misconduct rather than merely ordering corrective action.

While this audit report focuses on what I left undone, I ask that City Management also please consider what I *have done* regarding this matter to do the right thing and take action as a good civil servant for City of Austin, including:

- I unequivocally, clearly and consistently told the employee her trip was approved at “No Cost To The City” and never signed or approved any reimbursement requests related to this matter.
- I directed the review that discovered the Coordinator had paid her boyfriend as a vendor. I never knew of or approved her actions, and had specifically rejected her request to hire her boyfriend as prohibited by City policy, and I was never any part of her reimbursement scheme, as confirmed in the audit report.
- As soon as I found the invoice and payment the Coordinator processed despite my orders, I took immediate action to remedy the situation by verbally reprimanding the employee (who later resigned), telling her this was not allowed, and changing the process to require my approval in the future.
- The City of Austin and the taxpayers remain whole: I made sure that all the money was returned, which happened in three business days.

The finding of the audit is that I failed to report the Coordinator’s wrongdoing. In retrospect, I realize that it wasn’t enough to identify and correct the problem, but that there was another step in correctly handling this matter that I left undone. I now understand how important this final step was in fully following the administrative policy of the City and ensuring the integrity of the operations of the Music Office. Since the time of the events in the audit report, the Department has worked closely with me to provide me with more training and guidance. In 2016, I successfully completed training on management and the supervision of employees that would have led me to report this matter today. The Department and I have developed and implemented new strategies to redirect my responsibilities to focus on primarily administrative management by delegating daily operations to staff.

Context Is Critical

To understand how this mistake happened in 2014-2015, context is relevant on several different levels. To be clear, I do not offer this context by way of excuse, but so that City Management can better understand how this mistake occurred and why it will never happen again. Below, please allow me to offer several relevant points of context, as the foundation of understanding.

Context 1. New Music and Entertainment Division: A Startup

Music has been a defining and beloved element of the City of Austin’s identity, culture, and quality of life for decades. Yet until 2010, even Austin, the “Live Music Capital of the World,” had not figured out a model for how the city government could play a meaningful role in growing and serving this important segment of the cultural and economic life of the city.

In 2010, the City of Austin launched its Music and Entertainment Division with my hire. This was literally like a startup company within the City. There was very little in place when the City hired me: a concert series at City Hall Plaza and a dormant loan program, but beyond that I would need to build processes, structure, budgets, programs, and staff. The early years of the Division required me to be the Division, and to run the Division; I did the day-to-day work of the Division while also building infrastructure, programs, and teams ranging from commissions to staff.

All of the processes of working within City government were new to me and very different from my previous work environment. I joined the City from the private sector entertainment industry having most recently been with Gibson Guitars for 16 years. Within the first two years, the department staff grew to four people, all of whom had little or no experience in working in government and who were in the early phases of their professional careers. It was not until late December 2014 that we added someone to our team with any public sector experience at all.

Context 2: Rapid Growth of Responsibility and Workload

Like most start-up companies which are emerging, fast-growing organizations created to meet a growing need in the marketplace, our Division was formed to address a broad range of strategic and tactical needs regarding music and entertainment that had previously not been addressed by the City. The original vision of the Division was to focus on economic development of the music industry and community. Within a few years of the creation of our Division, our work quickly and exponentially grew. The growth during the years involved in the audit report is evident in the shift from my SSPR FY 2013-2014, which had four general priorities to the one for FY 2014-2015, which grew to 12 actionable priorities.

SSPR FY 2013-2014	SSPR FY 2014-2015
Major Responsibilities: Priority 1: Music Program Development Priority 2: Marketing and Recruitment Priority 3: Management Priority 4: COA Competencies	Major Responsibilities: Priority 1: Day-to-Day duties as a Division Manager. Priority 2: Complete the Music Industry Census and Market Research Study; determine gaps and future growth opportunities. Priority 3: Explore the development of a commercial music industry economic impact report. Priority 4: Develop a Program of Work for the Music & Entertainment Division. Priority 5: Develop recommendations for the Austin Music Memorial. Priority 6: Apply for a minimum of three awards or grants. Priority 7: Develop and annual recognition program for internal and external stakeholders. Priority 8: Develop memos and/or reports in response to City Manager’s Office and Council-approved requests and directives. Priority 9: Update all web content at least quarterly. Priority 10: Manage the Music Venue Assistance Program. Priority 11: Timely prepare and submit all budget documentation and prepare and present information related to the M&E Division. Priority 12: City of Austin competencies.

Over the course of 2013- 2014, Council passed a series of ordinances that officially added Music Division review to the time intensive and time sensitive regulatory processes of review of temporary events sound permitting and sound ordinance matters. Austin's growth has produced a large body of work around sound complaints, permitting, and ordinances, which require direct interface with the community and are often characterized by controversial and heated debates between neighborhoods, venues, and events. In addition in 2015, the downtown construction boom created sound issues from concrete pouring which disturbed downtown residents, and this complaint was sent to the Music Division to handle. I was charged with creating an urban noise data-mapping project related to concrete pouring. This extra project, not actually related to music or entertainment, came at a time when my staff member specialized in sound engineering consulting was to be out on FMLA June-August of 2015. During this time I was easily spending 40 hours/week on sound permitting alone. All of this work was assigned to a small team operating on a mostly uncharted territory.

My Division's responsibilities and workload grew fast, and with the high-profile demands of the music and sound regulation, I worked hard but struggled to both get the work done while managing a young, understaffed team in a new Division.

Context 3: Communications Volume

In this modern age, our daily lives are filled with more communications than we can humanly consume, let alone respond to thoughtfully. As a civil servant leading a Division that addresses something as visible, as ubiquitous, and as controversial, as music in Austin, I am flooded with communications, 24/7 from colleagues and elected officials at the City, from citizens, from music venues, musicians, residences, events, and the list goes on. On average, in addition to meetings and in-person discussions, I receive ~500+ communications daily across email, text, phone, social media, etc. Even with my staff of three to four in 2014-2015 and of soon to be nine today, it is challenging to read and respond to this volume of communications, especially in the course of an already full workload.

The Heart of the Matter

With the appropriate context in place, I would like to fully and openly address the allegations that prompted the audit. The sole finding of the audit report, for which I accept full responsibility, is that I failed to appropriately report evidence of wrongdoing by an employee under my supervision as required by City administrative policy.

While finding no evidence that I took any action to support what in hindsight was this disgruntled former employee's fraudulent scheme, the audit report states that I made "misleading denials" and "failed to fully cooperate with this investigation." I fully and categorically reject this assertion. As more fully explained below, all of my actions show that I was in no way complicit, which explains the Coordinator's efforts to exculpate herself through these allegations. Moreover, I have endeavored at every step of the way to be truthful, open and cooperative in resolving this matter.

When it came to this "trip reimbursement," this former staff member took "not taking no for an answer" to a new level. From the outset and through every single communication I had with her on this matter, I consistently told her that her trip was at "No Cost to the City." She knew this but would not let it go. I tried letting her know I had heard her, I put it in writing, I told her verbally, I met with her in person, and I did everything I could to consistently tell her "no" and move on to

the current work. As the months went on and this denied request would continue coming into a conversation, I would simply stop or end the conversation as quickly as possible whenever it reared its head and then remind her again that the trip was “No Cost to the City.”

One of these attempts is noted in the audit report when she again wrote me an email in January 2015, nine months after the trip. I read a few lines of the email on my phone, and I’d seen enough. Here it was again. I honestly did not read the entire email, I just responded by telling her “Let’s discuss. I will work with you on this but this can never happen again. Rodney was clear that it was no cost to the city.” The last sentence of my response, in which I reiterated the Deputy Director’s direction that the trip be at no cost to the city, is omitted from the audit report’s discussion of this issue. This last sentence is significant in that it demonstrates that I again reiterated that she was not to be reimbursed for the trip. While the wording of my response is regrettable in retrospect, my intent at the time was to respond to her email, hear her out again and tell her no, again. Which is what I did. And, the part of the e-mail that says “let’s discuss” and I would “work with her” were not intended to convey agreement, but rather that I would be willing to once again hear out her request and then this needed to be over, and if she wanted more money, then I would work with her on that, if and when her job performance improved. Please understand that her conversations with me inevitably became about getting more money, whether through reimbursement for the trip or through her earning a higher salary.

In July 2016, when the Auditor presented me with the Coordinator’s full email from January 2015, it was honestly the first time I’d read the entire email. Contrary to suggestions that I was “confronted” with the email, I simply had never read the entire email and did not recall it. I never knew about her schemes described deeper in the email, and I certainly never endorsed them. Any interpretation of my response to this email that suggests I was willing to go along with her schemes is plainly contradicted by the facts and my behavior: I was absolutely consistent with her in all my actions -- even in that short email response focused on ending the conversation again -- that she would not be reimbursed. The evidence shows that the Coordinator did not seek or receive my approval to submit and process the payment to her boyfriend, and that I discovered and reversed her actions. At every step of the way before and after the email, my conduct confirms that I never was aiding her plan in any way or working with her on anything other than her doing a better job.

I had nothing to hide from the investigation and no reason to not truthfully answer all of the questions put to me. I never approved any reimbursement or invoice for her and only reiterated that she could not do that. She wore me down to the point that I stopped reading her emails on this topic and unfortunately responded to one without reading her email fully. This was one of the mistakes I made that contributed to this audit report. It was my human error. If you have ever sent a poor response to a half-read email, I hope you will have mercy on me for making this mistake. I won’t be making it again. But make no mistake that in spite of this, I was never part of her scheme and never condoned it.

That I in no way condoned the actions of this former staff member or in any way aided them is supported by the following undisputed facts:

- **I consistently and repeatedly denied any request for reimbursement, and did not sign or otherwise authorize the Coordinator to process the invoice and payment at issue.** As the audit report notes, I did not sign the request for reimbursement that was approved.

Indeed, I directly communicated to her in writing that her boyfriend was not to be hired for the sound work at issue. She subsequently went around me without my knowledge to secure processing of the invoice through an administrative specialist in the Department. At the time of submittal the Department did not have a protocol for obtaining the Division Manager's signature for expenses over the threshold of \$500.00. A process has now been put in place to require such approvals.

- **The fraudulent reimbursement request was discovered due to a review of Music Office invoices that I put in place and directed one of the Division's new employees to perform.** The audit report states that the fraudulent reimbursement was discovered by a Music & Entertainment Division employee, but fails to note that I myself directed that the review be performed—an action utterly inconsistent with any complicity in the matter. The fraudulent conduct of this former employee may never have come to light had I not directed this review, and acted immediately to address the fraudulent conduct. At the time, I didn't even realize that it was an attempt once again to be reimbursed for the trip, which contributes to why I didn't immediately see the full depth of the wrongdoing.
- **Upon discovering the invoice, I acted immediately to verbally reprimand the former staff member and secure the repayment of City funds.** When I discovered the invoice, I verbally reprimanded her, took action to correct the matter, and got all the money her boyfriend was paid returned to the City within three business days.

My thought was to just make right whatever wrong had been done and get back to work. When she so quickly reimbursed the City, upon my immediate direction, I took her to be sincere and apologetic. I also didn't want to believe that the act was indeed malicious. There had been other innocent mistakes on invoices and payments. [REDACTED]

I realize now that the policy does not leave it up to me to decide whether to report this wrongdoing. This is the part of the investigation that has caused me the most soul-searching. Regrettably, all these factors described above contributed to my action of handling the wrongdoing the way that I did, and I now know this fell short of what I was expected to do.

How It Happened and How It Won't Happen Again

With the contextual foundation in place, my hope is that City Management may be able to understand how this happened, and how it won't happen again.

Looking back now, I know my work is in managing staff amidst effectively navigating a heavy workload while following all the administrative rules. I need to make sure I am being the very best Division manager of a growing team, which includes knowing and following all the Administrative Bulletins.

Importantly, since the time of the events in the audit report, the Department and I have developed and implemented new strategies to redirect my responsibilities towards administrative management rather than operations. Going forward, this new strategy will prevent such issues and will ensure no future violation of policy. My work with the Department and the Deputy Director now includes a process for better management of direct reports, as well as time management controls to ensure my management responsibilities take priority over operational

work system. As part of this process, I successfully completed several management training courses in 2016, including:

- Personnel Policies I
- Personnel Policies II
- Acquiring Talent
- SSPR Overview
- Developing Others

I am committed to continuously addressing the underlying circumstances that lead to the policy violation and will continue to work on professional development to fulfill what is expected from a local government professional. The management training and executive team supervision I have received in 2016 has made all the difference. I am so grateful for it, and I need it to grow.

In summary, factors that contributed to the confluence of how this happened include:

- A new division lacking processes and personnel fluent in administrative policy
- A tremendous workload for a young, small team
- Going too fast to get through a sea of communications
- An employee [REDACTED] who would not stop requesting a denied reimbursement
- My mistake in doing too much of the work myself, rather than managing
- My mistake that identifying and correcting the wrongdoing was enough

It won't happen again because:

- Established department policies including a protocol of obtaining the Division Manager's signature for expenses over the threshold of \$500.00
- New staff positions and structure that bring more support to our growing workload, and allow me to focus on managing the division, not doing as much of the work myself
- The employee has resigned
- The training and support I am receiving from the executive team in learning how to more effectively supervise employees and operate within the administrative policies of the City of Austin
- I plan to send all my staff to Internal EDD training as well as COA training
- Everything I have painfully learned through this investigation about how I failed to report this wrongdoing, and why it was so important to do so

All of this occurred before I successfully completed training on management and the supervision of employees that would have led me to report this matter today. That training has been invaluable in helping me supervise my employees and maximize the efficiency and services performed by our staff. I will work to put in practice the management training I have received since all of these events transpired.

This investigation has been a serious wake-up call to me, and I want to assure City Management that I "get it" and understand how serious the allegations that the employee made against me are. **Thankfully, the Investigative Report confirms that the most serious allegations against me are not true (that I knew of the reimbursement, that I helped the employee, or acted to**

approve the invoice for sound engineering services). I did try and answer all of the questions put to me when I was interviewed and this response is intended to demonstrate that.

Please also note that with this investigation already being written up in the *Statesman* and other media in a manner that ambiguously suggests a broad range possible of misconduct, I am saddened to see that the Department, my family, and I have all been disparaged in this manner, and I am humbled and distraught by this punishment alone.

Conclusion

In the seven years, I have been employed with the City of Austin as the Music Program Manager, I have accomplished a lot, not the least of which is creating and establishing a Music and Entertainment Division for the City of Austin that is recognized and revered across North America. Over the years as responsibilities grew, so did the offerings of the Division. A few of my accomplishments over the last seven years are:

- **Reduction of annual sound complaints** from 7,894 in FY2012/13 to 1,932 in FY2015/16
- **Development of the Creative Media Center** through a partnership with Austin Music Foundation that provides musicians with access to mentoring, training, and to technology needed to create digital media.
- **Development of the Leaders in Austin Music program** through a partnership with Austin Music Foundation that unites the diverse members of the entertainment businesses while supporting established leaders in their essential role in the creative community.
- **Commissioned the Austin Music Industry Census**, the first data-driven assessment of Austin's commercial music industry.
- **Creation of the North American Music Cities Best Practice Summit** that convenes the music and entertainment staff from six North American cities (Austin, San Francisco, Seattle, Denver, Chicago, Nashville, Toronto).
- **Creation of atxmusic.org**, which provides a single point of entry for all things music in Austin including: a list of community resources, connection to the Austin Music Commission, permitting information for event producers and music venues, and more.
- **Creation of Music Venue Assistance Loan** that supports our valuable music venues and reduces sound complaints by offering low interest microloans to qualifying establishments for the purpose of enhancing the sound quality while reducing sound impact to neighboring uses.
- **Development and implementation of Music Venue Summits** to foster better communication on regulatory processes between the City and venues.
- **Development of Music Business Summits** to foster better communication and understanding of the various industry subsectors.
- **Development of ATX MUSIC Talks**, a monthly social media series discussing a variety of industry topics.

I believe I have done a lot of good for the City, in a job that I love, and I still have much to offer the City, the music community, and the taxpayers. It is my sincere hope that in this response, City Management receives my wholehearted apology for this matter.

Thank you for the opportunity to do this good work for the City of Austin, and for the opportunity to respond fully to this report.

Appendix B - Office of City Auditor's Response to Subject Response

We have reviewed the Subject Response. We believe our findings stand.

We have redacted the Subject Response to remove protected personnel information.

Clarification: The Subject Response contains a statement: *"Thankfully, the Investigative Report confirms that the most serious allegations against me are not true (that I knew of the reimbursement, that I helped the employee, or acted to approve the invoice for sound engineering services)."* To be clear, our report does not state whether those allegations are true or not. We did not to reach a conclusion regarding this, because we did not obtain sufficient evidence to determine whether or not they occurred.

Additionally, the email referenced in the Subject Response is attached below. We are including it to enhance the reader's ability to understand the context of the report and response. We have redacted email addresses and business names from this piece of evidence.

From: Don Pitts <personal email>
Date: January 12, 2015 at 7:47:25 PM CST
To: Ashley Buchanan <personal email>
Subject: Re: Europe

Let's discuss. I will work with you on this but this can never happen again.

Rodney was clear that it was no cost to the city.

Sent from my payPhone-

On Jan 12, 2015, at 6:16 PM, Ashley Buchanan <personal email> wrote:

Hey Don, I didn't want anyone to overhear me talking to you about this or send it on city email, but I redid the math for my Europe trip and it's around \$3,000. I didn't know the right process for international travel and I promise this will never happen again.

When I calculated everything with [REDACTED], it totaled around \$3,700 for flights, lodging and meal costs in Copenhagen, Aarhus, Stockholm, Oslo, Amsterdam and London. I told her Amsterdam wasn't work related but she told me to keep it in there anyways because it was during the entire trip--but I don't want to get reimbursed for anything that wasn't work related. Without that, it comes to around \$3100 over the course of two weeks that I was working, and I would never ask to be reimbursed for something I didn't feel was earned.

I think with everything [REDACTED] has going on right now it would be easy to do a \$3,000 invoice for [REDACTED] advertising and list all of the things they are doing. I'm doing so many invoices right now for [REDACTED] and Music for Kids that all need PO#, and this one would sneak through without getting noticed because it's "advertising" and doesn't need a PO#. Also, [REDACTED] is a vendor and still the House Manager for [REDACTED] so it could go to him and no one else would know about it. But if you have another idea, please let me know. I just want to get this out of the way so it's not lingering over my head! =)

--

Ashley Buchanan

Appendix C - Management Response



MEMORANDUM

TO: Nathan Wiebe, Chief of Investigations
Office of the Auditor

FROM: Kevin Johns, Director *Kevin Johns*
Economic Development Department

DATE: February 13, 2017

SUBJECT: **Draft Investigation Report Regarding Mr. Don Pitts**

The Economic Development Department is in receipt of the draft investigation report regarding Mr. Don Pitts and his failure to report an attempt to commit fraud by one of his employees.

Our department will review your findings, along with Mr. Pitt's response and determine the appropriate next steps in this matter.

Please feel free to contact me if I may be of further assistance at 512-974-7802 or Alejandra Lopez, Deputy Director at 512-974-2343.

Thank you.

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Investigation Criteria

Administrative Bulletin 06-03 states that “An employee who knows of or suspects wrongdoing shall report the wrongdoing immediately to the employee’s manager or supervisor, or if that is not feasible, to the next highest person in the employee’s chain of command to whom the employee may comfortably report the wrongdoing, including department director, the assistant city manager, and the city manager. **Administrative Bulletin 06-03: Fraud, Waste, and Abuse Reporting, Investigation and Prevention - Reporting (A) (1)**

Administrative Bulletin 06-03 states that “A supervisor or manager who is contact by a subordinate or by another City employee who alleges wrongdoing shall immediately report the allegation to the department director, the director of the department in which the wrongdoing is alleged to have occurred, or the City Manager’s Office. **Administrative Bulletin 06-03: Fraud, Waste, and Abuse Reporting, Investigation and Prevention - Reporting (A) (3)**

Methodology

To accomplish our objective, we performed the following steps:

- reviewed applicable City Code and policy;
- conducted background research;
- conducted interviews with City of Austin employees, and others;
- analyzed computer forensic data;
- analyzed purchasing documentation; and
- interviewed the subject.

CAIU Investigative Standards

Investigations by the Office of the City Auditor are considered non-audit projects under the Government Auditing Standards and are conducted in accordance with the ethics and general standards (Chapters 1-3), procedures recommended by the Association of Certified Fraud Examiners (ACFE), and the ACFE Fraud Examiner's Manual. Investigations conducted also adhere to quality standards established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE), Quality Standards for Investigations, and City Code.

The Office of the City Auditor, per City Code, may conduct investigations into fraud, abuse, or illegality that may be occurring. If the City Auditor, through the Integrity Unit, finds that there is sufficient evidence to indicate that a material violation of a matter within the office's jurisdiction may have occurred, the City Auditor will issue an investigative report and provide a copy to the appropriate authority.

In order to ensure our report is fair, complete, and objective, we requested responses from both the subject and the Department Director on the results of this investigation. Please find attached these responses in Appendix A and C.

The Office of the City Auditor was created by the Austin City Charter as an independent office reporting to City Council to help establish accountability and improve city services. We conduct investigations of allegations of fraud, waste, or abuse by City employees or contractors.

Chief of Investigations

Nathan Wiebe

City Auditor

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