

Investigative Report

# Austin Energy: Conflict of Interest and Failure to Reassign Employee

December 2020



We found evidence that Alex Perez, a project coordinator in Austin Energy, violated City Code by making official decisions that affected a company owned and run by members of his family. These decisions included signing off on hourly logs that recorded the amount of work done by the company's employees, including two of his children. In addition, Perez was listed as the contact on a permit for the company. Perez' decisions and actions directly affected his family's company's ability to perform its work and get paid.

We also found evidence that Perez' supervisor, Power System Principal Engineer Lora Teed, failed to enforce City Code when she assigned Perez to a project involving his family's company, despite knowing of Perez' conflict of interest. Approximately a year-and-a-half before she made the assignment, Teed received guidance from the City's Law Department that described Perez' conflict of interest and her responsibility to reassign Perez when his duties involved working with his family's company.

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## Allegation

In November 2019, the Office of the City Auditor received an allegation that Alex Perez had abused his position to hire his relatives and benefit a company owned by members of his family. The informant also alleged that in October 2019, Perez started approving timesheets for a project in which his family’s company was a subcontractor. According to the informant, at least two of Perez’ relatives were involved with this project.

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## Background

Austin Energy’s (AE) mission is to “safely deliver clean, affordable, reliable energy and excellent customer service.” Alex Perez is a project coordinator in AE’s On-Site Energy Resources division. In this role, Perez is responsible for communicating project information to internal and external customers, assisting in the development and monitoring of project budgets, and evaluating project plans and schedules, among other duties.

Perez’ supervisor is Lora Teed, a power system principal engineer in AE. Teed is responsible for assigning tasks to her team and monitoring their performance. As a supervisor, Teed is also responsible for training, counseling, and evaluating her direct reports.

AE’s On-Site Energy Resources division runs a District Energy & Cooling program that, in part, “provides customers’ HVAC [heating, ventilation, and air conditioning] requirements through a network of underground pipes serving multiple buildings in a service area.” In order to do this, AE installs pipes in these districts to “deliver chilled water from a district cooling plant” to their customers. One of these service districts is in the Robert Mueller Municipal Airport Redevelopment Zone.

In October 2019, AE discovered a chilled water leak in their Mueller system that required an emergency repair. Perez’ family’s company was a subcontractor on this repair.

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# Investigation Results Summary

We found evidence that Alex Perez, a project coordinator in Austin Energy, violated City Code by making official decisions that affected a company owned and run by members of his family. These decisions included signing off on hourly logs that recorded the amount of work done by the company's employees, including two of his children. In addition, Perez was listed as the contact on a permit for the company.

We also found evidence that Perez' supervisor, Power System Principal Engineer Lora Teed, failed to enforce City Code when she assigned Perez to a project involving his family's company, despite knowing of Perez' conflict of interest. Approximately a year-and-a-half before she made the assignment, Teed received guidance from the City's Law Department that described Perez' conflict of interest and her responsibility to reassign Perez when his duties involved working with his family's company.

We did not find evidence that Perez hired his relatives or had a role in selecting or approving the contractors involved in the project.

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## Finding 1 Conflict of Interest and Failure to Reassign Employee

Alex Perez' family owns and operates a company that provides a variety of construction-related services. According to notarized paperwork filed with Travis County in 2013, Perez and his wife own the company. Paperwork filed with the State of Texas identifies Perez as one of the company's directors, and tax records indicate that Perez and his wife currently own property related to the company. Additionally, State records identify Perez' sister-in-law as the company's director and president. When we spoke to Perez, he denied being an owner or director of the company and said he is no longer involved with it. However, Perez stated that his sister-in-law and father-in-law own the company, that his wife is a full-time employee with the company, and that two of his children work for the company. According to the City Code's conflict of interest rules, Perez shares the same interests as his wife, his children, and his in-laws. Therefore, any decisions he makes involving his family's company would violate City Code.

On October 15, 2019, an AE employee emailed several people including Perez, Perez' supervisor, Lora Teed, and AE's contractor for chilled water piping construction to report a leak in AE's Mueller district. Later that afternoon, AE's contractor responded to the email chain and provided a list of people who were going to work on the project. The list included four employees of Perez' family's company, one of whom is his child. The following email in the chain, written by a project manager in Perez' workgroup, says, in bold, "Alex Perez will be your contact." Two days later, Perez responded to the email chain to "fully explain what we are expecting so that we are on the same page."

AE's contractor was working under a part of their contract with the City that deals with emergencies. According to this contract, the contractor and their subcontractors would be paid based on the personnel and

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equipment they used to complete the job. From October 15 – October 21, 2019, Perez was listed as the “project inspector” and signed off on the hourly logs that tracked the personnel and equipment used for the day. Employees with Perez’ family’s company were listed on each log. In particular, one of Perez’ children, a foreman, was listed on all seven logs, and another child, a driver, was listed on three of them. In order to ensure the logs were accurate, Perez was expected to make site visits. When we spoke to Perez, he confirmed that he made site visits and saw his children at the worksite, but he did not think this was an issue, because they worked for the subcontractor. The City Code’s conflict of interest rules do not, however, treat subcontractors differently than other contractors.

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Investigation Criteria:

A City official or employee may not participate in a vote or decision on a matter affecting a natural person, entity, or property in which the official or employee has a substantial interest...

*City Code §2-7-63(A)*

*See Investigation Criteria for Details*

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In addition, Perez requested a permit related to the leak repair for his family’s company and listed himself as the “contact” on the permit. This created another conflict of interest, because in the event of a permit-related issue, Perez, as the contact, would have been notified. As a result, Perez could have been in a position to intervene on behalf of his family’s company.

By May 2018, roughly a year-and-a-half before the leak repair project began, Perez’ supervisor, Lora Teed, became aware of Perez’ family’s company and emailed the Law Department’s Ethics & Compliance team for advice on how to handle Perez’ potential conflict of interest. The Law Department responded, in bold, that Perez “may not participate in a decision affecting” his family’s company. The Law Department further specified that prohibited actions included, “evaluating project progress, issuing permits, [or] approving pay under a contract.” Teed sent Perez a copy of the Law Department’s guidance. When we spoke to Perez, he said he tried to “do the right thing” by minimizing anything that would look like “coercion,” and by not making himself responsible for anything his family’s company was involved with. However, he said that because the leak repair was an emergency situation, he found this challenging.

Perez should not have been in a situation where he could have made decisions affecting his family’s business. City Code requires supervisors to reassign the duties of an employee with a conflict of interest. However, Teed specifically assigned Perez to assist with the water leak repair project, because he had recent experience completing the paperwork required for emergency repairs like this one. Teed was included on emails from the project’s inception that identified Perez’ family’s company as a subcontractor on the project, named one of Perez’ children as an employee who would be working on the project, and identified Perez as the “contact” for the project’s hourly activity logs.

When we spoke to Teed, she said that Perez had made her aware that his family’s company was involved with the project. She kept him on the project, however, because she wanted Perez to train other employees in his workgroup on the proper way to fill out the paperwork. According to Teed, she did not intend for Perez to complete the paperwork himself or to do other tasks related to his family’s company. Teed said her directions were made verbally, but she was “absolutely positive” that she was clear about her intention to keep Perez away from his family’s company. However, when we spoke to Perez and another employee involved with

the project, both of them said that Perez was responsible for completing hourly logs and performing other tasks.

Teed ultimately removed Perez from the project on or about November 4, 2019. Although this stopped Perez' conflict of interest, it does not change the fact that Teed assigned Perez to a project where he made several decisions that the Law Department had specifically told her would violate City Code.

By making decisions affecting a company owned and run by his family and signing off on hourly logs that documented the amount of work done by his family's company's employees, including two of his children, Perez appears to have violated the following criteria:

- City Code §2-7-63(A): Prohibition on Conflict of Interest
- City Code §2-7-65(C): Substantial Interest of a Relative

By assigning Perez to a project where he would have a conflict of interest, Teed appears to have violated the following criteria:

- City Code §2-7-64(C): Disclosure of a Conflict of Interest



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## Appendix A - Subject Response - Alex Perez

11/05/2020

RE: Investigative Report – Austin Energy: Conflict of Interest and Failure to Reassign Employee.

I, Alex Perez, believe that the findings in the report misrepresent the true nature of the circumstances surrounding the allegations and exclude details related to what actually transpired. In my response, I will point out the incorrect statements and provide my explanations of them.

The investigation states that I and my wife own the company in question and that I am one of the directors of the company which could not be any further from the truth. It is my opinion that the report misstates this finding based upon a shallow records search that brought up outdated information. When this information was brought to my attention during the investigation, I stated that this information was incorrect. I was willing to work with them to demonstrate that neither I, my wife, or any of my children had any ownership in the company, furthermore at no time did I ever receive any wages, salary, benefit, dividend, or any other compensation from the company. The investigation did not pursue any follow up actions with me in order to correctly and accurately reflect the truth. If the investigators would have inquired further, I could have worked with them to demonstrate that the 2013 tax records were filed in error by the county and that in subsequent years there was correspondence sent by the company accountant to the county to correct the miss-information. Additionally, I could have worked to show that even thou I agreed to act as a director of the company within the first few months of startup (which was years before I began working for Austin Energy), I separated myself from the company without any investment or compensation. There are no corporate records that show my involvement beyond those first few months.

There are several statements in the investigation report that state that I “made decisions” involving my families company. This is incorrect. My tasks on the project as a coordinator related to the general contractor was to:

- A) Point out to the general contractor and on-site Austin Energy representatives which sections of the contract that would govern how they would need to document the emergency work activities.
- B) Collect the documented activities from the general contractor and the Austin Energy representative to give the Austin Energy project manager.

I made specific efforts from the beginning to make sure that I did not make any decisions on the project and deferred any requests for decisions to the on-site Austin Energy representative (AE inspector) or the Austin Energy project manager. It was my understanding that the project manager in conjunction with the AE inspector was tasked with making project decisions. I only interacted with the AE inspector and the general contractor directly and never with any of the subcontractors which it turned out that my sister-in-law’s company was one. The interaction with the general contractor was only to collect documents for the project manager and to make sure that the documents followed the contract guidelines.

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## Appendix A - Subject Response - Alex Perez

The October 19, 2019 e-mail referenced in the investigation was from the AE project manager in charge of the project. His statement that “Alex Perez will be your contact” was in reference to my tasks A & B described above only and not for the whole project as the investigation asserts. My response in the e-mail chain was in reference to A and B above as well.

It is true that I ended up having to sign daily documents from the general contractor, but as stated before, I did not make any decisions related to the direction of the project and my signature was only agreeing that the resources that the general contractor listed were on the project. This project was emergency repairs in the city right-of-way which is not a regular occurrence for the Austin Energy business unit or the general contractor. Because of the emergency nature, things were moving very quickly and when I attempted to consult with the AE inspector that I was told was on-site and tasked with working with the general contractor to document the activities, it became apparent that the AE inspector was either not willing or not capable of following the contract guidelines with the general contractor. This was brought to the AE project managers attention by me at which point I was directed to make sure that the work was documented per the contract. I believed at the time that there was no conflict of interest as I was only affirming the resources that were being stated by the general contractor. A similar example to what I was signing would be looking at the sky and agreeing with the general contractor that it is blue. There are no decisions involved with that activity. Additionally, there were multiple layers of review of what was being signed between myself and the related subcontractor which included the general contractors project manager, the general contractor’s foreman, as well as the AE inspector and AE project manager. It would have taken the entire group involved in order for me to have abused or misused my position as alleged in the investigation. By me not taking the steps to make sure that the emergency activities got documented as the project unfolded by signing the daily reports, it could have meant that there would be delays in getting the emergency repairs completed. In the moment I acted in the best interest of the city in order to minimize delays and possible contractual disputes from the general contractor for Austin Energy not signing the daily reports.

It is true that I was also tasked with coordinating with Austin Right-of-Way Management to make sure that Austin Energy followed the requirements when working in the cities right-of-way (ROW). The investigation states that I requested a permit for the family related company. This is false. The related company was subcontracted by the general contractor to excavate and therefore was required by ROW Management to apply for an excavation permit. As a licensed City of Austin ROW contractor, they would have been required to receive a permit regardless if it is an energy or not. Attached is a copy of their permit which was given to Austin Energy for project recordkeeping. The permit was applied for by the company on their own and listed their own contact information as required by the city. I had no part in the related companies permit application process. The only interaction I had was to follow up with the general contractor to make sure that there was a permit for the excavation activity. As part of my coordination task with ROW Management, I liaised with them as a representative of the owner of the underground utility being repaired in the ROW. As stated before, since the Austin Energy group did not have a lot of experience with emergencies in the ROW, it was important that we kept good communication with ROW Management to make sure that no step was overlooked as it related to the utility owner’s responsibilities. As part of that communication, ROW Management asked that Austin Energy get a ROW permit as the utility owner. This was separate from any other contractor permits. The main purpose of this permit was to make sure that ROW Management knew who the utility owners were and who to contact with anything related to utility ownership. Attached is a copy of that permit

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## Appendix A - Subject Response - Alex Perez

which I believe is the permit in question in the investigation report. The permit does list the licensed contractor that ROW had on file as doing the excavation (my family related company), but that is information only. It was my understanding that there is no designation of responsibility applied or otherwise with that as the contractor has their own permit with their own inspector assigned to it. It was my understanding that since I was the one from Austin Energy coordinating with ROW Management that it should be my contact information on the Austin Energy (AE) permit. I did not believe at the time that this was conflict of interest as AE's permit as the utility owner was separate from the contractor's. My understanding was that I would be contacted on my permit for anything related to utility ownership. An example would be if the assigned ROW inspector had questions about specifications related to backfilling the utility. I also understood that if there were any ROW traffic control or other related safety violations found by the ROW inspector, that they would be addressed directly with the contractor under their own permit with ROW Management.

In closing, from the start the term "misuse" in the title of the investigation is just the first incorrect characterization & goes to show just how biased this report really is. The investigators could not find any evidence that I "misused" my position, authority, or influence because I did not do so. They could only demonstrate that there could have "possibly" been misuse if a large amount of effort was exerted from not just from myself, but from the project team as a whole.



# Appendix A - Subject Response - Alex Perez



## City of Austin

### RIGHT OF WAY EXCAVATION PERMIT



**\*COPY OF APPROVED PERMIT MUST BE PRESENT ON SITE DURING CONSTRUCTION\***

<b><u>PERMIT NUMBER</u></b> 2019-207838-EX		<b><u>STATUS</u></b> Active	<b><u>PRIORITY</u></b> 1	
<b><u>STREET</u></b> PHILOMENA ST		<b><u>CROSS STREET</u></b>	<b><u>BETWEEN</u></b>	<b><u>CROSS STREET 2</u></b>
<b><u>HOUSE #</u></b> 1328-1353		<b><u>START DATE</u></b> 10/16/2019	<b><u>EST. COMPLETION DATE</u></b> 10/23/2019	
<b><u>REQUESTOR</u></b> Alex Perez (512) 505-7820		<b><u>LOCATOR REF #</u></b> 0	<b><u>DECISION DATE</u></b> 10/18/2019	
<b><u>INSPECTOR/RADIO #</u></b> John Jones 231	<b><u>CONTRACTOR:</u></b> UNDERGROUND WATER <b><u>WORK PHONE:</u></b> (512) 278-9333		<b><u>CONTACT:</u></b> Alex Perez (512) 505-7820	
<b><u>JOB DESCRIPTION</u></b> Emergency Repair of leaking chilled water lines ant the SW corner of Mueller Blvd. and Philomena St. Excavation will take place behind the curb in the sidewalk. Area of excavation will be approximately 6 feet wide by 20 feet long. The work zone will include a portion of a street parking lane and the closure of the sidewalk both on the south side of Philomena, between Mueller Blvd. and James Wheat St.				
<b><u>LOCATION DESCRIPTION</u></b>				
<b><u>INSTRUCTIONS</u></b> ROW TYPE: Residential, EMERGENCY OPERATIONS  WORK HOURS/DAYS: Mon-Sun, 7 a.m. to 7 p.m.  TRAFFIC CONTROL PLAN: ROW has not reviewed temporary traffic control proposed for this emergency request, and assumes no liability for emergency traffic control set up. For additional traffic guidelines see <a href="http://bit.ly/2y5uz0k">http://bit.ly/2y5uz0k</a> .  MISC: SUBMIT NEW PERMIT REQUEST, including proposed traffic control, FOR FINAL RESTORATION. FOR FULL ROAD CLOSURES, NOTIFY 311 (512-974-2000) A MINIMUM OF THREE DAYS PRIOR TO PERMITTED CLOSURE.  **See <a href="http://bit.ly/2y5uz0k">http://bit.ly/2y5uz0k</a> for a complete listing of right of way permit conditions.**				

Permittee must adhere to all applicable local, state, and federal laws and regulations, including conditions of this permit. Permittee is responsible for actions performed under this permit. Permit and applicable standard detail(s) and/or traffic control plan must remain on site at all times. Only competent persons trained in traffic control shall set traffic control devices. Notify Austin 3-1-1 - (512)974-2000 - to report lane and sidewalk closures. Notify Right of Way Management - (512)974-7180 - if conflicts exist prior to starting work. Failure to comply with permit conditions may result in delays, penalties, or red tag of job. SEE ADDITIONAL PERMIT CONDITIONS AT <http://bit.ly/2y5uz0k>.

# Appendix A - Subject Response - Alex Perez



City of Austin

## RIGHT OF WAY EXCAVATION PERMIT



**\*COPY OF APPROVED PERMIT MUST BE PRESENT ON SITE DURING CONSTRUCTION\***

2019-207838-EX

**Area Name**

1328-1353 PHILOMENA ST

**Description of Work Permitted**

Open Cuts : Sidewalk  
Open Cuts : Behind Curb  
Closure : Sidewalk  
Closure : Unmetered Parking

Permittee must adhere to all applicable local, state, and federal laws and regulations, including conditions of this permit. Permittee is responsible for actions performed under this permit. Permit and applicable standard detail(s) and/or traffic control plan must remain on site at all times. Only competent persons trained in traffic control shall set traffic control devices. Notify Austin 3-1-1 - (512)974-2000 - to report lane and sidewalk closures. Notify Right of Way Management - (512)974-7180 - if conflicts exist prior to starting work. Failure to comply with permit conditions may result in delays, penalties, or red tag of job. SEE ADDITIONAL PERMIT CONDITIONS AT <http://bit.ly/2y5uz0k>.

# Appendix A - Subject Response - Alex Perez



City of Austin

## RIGHT OF WAY EXCAVATION PERMIT



**\*COPY OF APPROVED PERMIT MUST BE PRESENT ON SITE DURING CONSTRUCTION\***

<b><u>PERMIT NUMBER</u></b> 2019-207623-EX		<b><u>STATUS</u></b> Active	<b><u>PRIORITY</u></b> 1	
<b><u>STREET</u></b> MUELLER BLVD		<b><u>CROSS STREET</u></b>	<b><u>BETWEEN</u></b>	<b><u>CROSS STREET 2</u></b>
<b><u>HOUSE #</u></b> 4700		<b><u>START DATE</u></b> 10/16/2019	<b><u>EST. COMPLETION DATE</u></b> 10/18/2019	
<b><u>REQUESTOR</u></b> Mari Jaimes (512) 278-9333		<b><u>LOCATOR REF #</u></b> 0	<b><u>DECISION DATE</u></b> 10/16/2019	
<b><u>INSPECTOR/RADIO #</u></b> John Jones 231	<b><u>CONTRACTOR:</u></b> UNDERGROUND WATER <b><u>WORK PHONE:</u></b> (512) 278-9333		<b><u>CONTACT:</u></b> Erik Pelayo <b><u>PRIMARY PHONE</u></b>	
<b><u>JOB DESCRIPTION</u></b> Excavating for Austin Energy. All work is behind the curb. 15'x 15' pit FOR EMREGENCY WATER LEAK REPAIR.				
<b><u>LOCATION DESCRIPTION</u></b>				
<b><u>INSTRUCTIONS</u></b> ROW TYPE: Residential, EMERGENCY OPERATIONS WORK HOURS/DAYS: Mon-Sun, 7 a.m. to 7 p.m. TRAFFIC CONTROL PLAN: ROW has not reviewed temporary traffic control proposed for this emergency request, and assumes no liability for emergency traffic control set up. For additional traffic guidelines see <a href="http://bit.ly/2y5uz0k">http://bit.ly/2y5uz0k</a> . MISC: SUBMIT NEW PERMIT REQUEST, including proposed traffic control, FOR FINAL RESTORATION. FOR FULL ROAD CLOSURES, NOTIFY 311 (512-974-2000) A MINIMUM OF THREE DAYS PRIOR TO PERMITTED CLOSURE. **See <a href="http://bit.ly/2y5uz0k">http://bit.ly/2y5uz0k</a> for a complete listing of right of way permit conditions.**  FOLLOW PUBLIC WORKS STANDARDS & SPECS/ CALL 974-7161 FOR INSPECTION 1 HOUR PRIOR TO EXCAVATION/ BF/CONC. POUR/PAVING. R-O-W USAGE FEES OF \$5.50/DAY SIDEWALK/DRIVEWAY & \$9/LANE/DAY ACCRUE DAILY UNTIL FINAL RESTORATION.				

Permittee must adhere to all applicable local, state, and federal laws and regulations, including conditions of this permit. Permittee is responsible for actions performed under this permit. Permit and applicable standard detail(s) and/or traffic control plan must remain on site at all times. Only competent persons trained in traffic control shall set traffic control devices. Notify Austin 3-1-1 - (512)974-2000 - to report lane and sidewalk closures. Notify Right of Way Management - (512)974-7180 - if conflicts exist prior to starting work. Failure to comply with permit conditions may result in delays, penalties, or red tag of job. SEE ADDITIONAL PERMIT CONDITIONS AT <http://bit.ly/2y5uz0k>.

# Appendix A - Subject Response - Alex Perez



City of Austin

## RIGHT OF WAY EXCAVATION PERMIT



**\*COPY OF APPROVED PERMIT MUST BE PRESENT ON SITE DURING CONSTRUCTION\***

2019-207623-EX

**Area Name**

4701-4725 MUELLER BLVD

**Description of Work Permitted**

Open Cuts : Sidewalk  
Open Cuts : Behind Curb  
Closure : Sidewalk  
Closure : Unmetered Parking

Permittee must adhere to all applicable local, state, and federal laws and regulations, including conditions of this permit. Permittee is responsible for actions performed under this permit. Permit and applicable standard detail(s) and/or traffic control plan must remain on site at all times. Only competent persons trained in traffic control shall set traffic control devices. Notify Austin 3-1-1 - (512)974-2000 - to report lane and sidewalk closures. Notify Right of Way Management - (512)974-7180 - if conflicts exist prior to starting work. Failure to comply with permit conditions may result in delays, penalties, or red tag of job. SEE ADDITIONAL PERMIT CONDITIONS AT <http://bit.ly/2y5uz0k>.

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

We have reviewed the Subject's response. We believe our findings stand.

It is unclear what Perez is referring to when he objects to the use of the term "misuse." Misuse is not and never was in our report title, nor is it ever used in the contents of the report. Instead, the report includes evidence that establishes that Perez violated the City Code's conflict of interest rules.

Perez had a conflict of interest regardless of his current status as an owner or director of the relevant business. As Perez acknowledged in an interview with our office and in his response to this report, his wife's family, specifically Perez' sister-in-law and father-in-law, own the business. In addition, Perez' wife is an administrator for the business, one of Perez' children is a foreman for the company, and another of Perez' children is a part-time driver for the company. Perez's conflict of interest stems from his family's ownership and involvement with the business, wholly separate from the state records which list Perez as an owner and director of the business.

The decisions Perez made are clear and documented. He was responsible for verifying the daily resources used in the project. These resources included the time his family's employees, including two of his children, charged to the project. Perez' approval was a necessary step before the City would pay the contractor for their work. Additionally, while Perez denied the fact that he requested a permit on behalf of his family's company, the first permit he included in his response clearly lists Perez as the permit's "requestor" and "contact," and lists his family's business as the "contractor."



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## Appendix C - Subject Response - Lora Teed

My largest dispute with the Auditor's report is that it seems to convey that I had full visibility into this situation from the very beginning and willfully chose to put Alex in a position of conflict with this assignment. Neither of these points are true. It further seems to discount or omit a large part of the information I provided to the Auditor's office during the investigation. Finally, the report states that Alex was assigned as an inspector to the emergency effort, which was not the case.

For reasons unrelated to a potential conflict of interest, I assigned Alex to a very limited scope for the emergency effort. I made it very clear to both Alex and the project manager who was assigned to lead the effort that I wanted his scope to be limited to training the assigned inspector and ensuring that the paperwork was being completed correctly. I did not intend Alex to lead on creating the documents, but rather to review and ensure the proper information was captured to facilitate the project manager in reaching a fair cost for the work per our contract documents. This occurred before I was notified that Alex's family's company was assigned as a subcontractor on the work.

The project manager chose to delegate much of his work to Alex without my knowledge or agreement. I may have been carbon copied on an email; however, that did not change my direction or intention of Alex's role. There is no guarantee that I read the email in detail, since I was a CC, and, obviously, I overlooked the part where the project manager claimed Alex as the lead. Again, this was contrary to my direction.

I did not know the names of Alex's children, and Perez is a fairly common family name. Thus, in the email where they were listed as staff, I wouldn't have recognized them as related. In the same email, Alex's family's company was listed by an acronym, which was different than the common acronym we use for the company around the office. This would further obscure who was on site.

When I was directly informed that Alex's family's company was on site, I determined that the limited scope that Alex was assigned to – training the project inspector, reviewing the paperwork for completeness for the PM – was in alignment with the Law Department's guidance. This is the one point where I will concede I should have double checked Law's statement and/or with Law to ensure compliance with City policy. However, at that point, Alex was already performing tasks outside his assigned scope that I was not aware of.

At the time I became aware that Alex was performing duties beyond his specific assignment and that he was signing documents that included timesheets for family members, I immediately removed him from the project, informed him that behavior was not consistent with our City ethics training and issued a verbal correction.

I believe these actions are in alignment with City policy and my duty as a supervisor. Through this investigation, I learned far more about the specifics of this situation than I was told in real-time.

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## Appendix D - Office of City Auditor's Response to Subject Response - Lora Teed


We have reviewed the subject's response. We believe our findings stand. We included Teed's stated reason for her decisions in our report. However, no evidence supporting her claim could be identified. The other interviewees and documentary evidence support the finding that Teed assigned Perez to work on a project that involved his known conflict of interest, and he worked in a capacity that was not limited in the manner she claimed.

## Appendix E - Management Response



### MEMORANDUM

**TO:** Brian Molloy, Chief of Investigations, Office of the City Auditor

**FROM:** Jackie A. Sargent, General Manager, Austin Energy 

**CC:** Mark Dombroski, Deputy General Manager and Chief Financial & Risk Officer  
Elton Richards, Interim Deputy General Manager and Chief Operating Officer  
Jeff Burton, Director Employee Development  
Cindy Steffen, Human Resources Manager

**DATE:** November 25, 2020

**SUBJECT:** Draft Investigation Report (IN 20006) re: Alex Perez and Lora Teed

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Austin Energy is in receipt of draft investigation report IN 20006. The draft report details allegations and investigation findings against Project Coordinator Alex Perez for Conflict of Interest related to making official decisions that affected a company owned and run by members of his family.

The draft report also details allegations and investigation findings about Power System Principal Engineer Lora Teed for failing to enforce City Code when she assigned Mr. Perez to a project involving his family's company.

The Austin Energy Human Resources team is collaborating with Austin Energy Management to review the report and findings to determine the appropriate next steps in this matter.

Should you need additional information, please contact Human Resources Manager Cindy Steffen at 512-322-6249

*The City of Austin is committed to compliance with the Americans with Disabilities Act (ADA).  
Reasonable modifications and equal access to communications will be provided upon request.*

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# Investigation Criteria

## Finding 1

### **City Code §2-7-63(A): PROHIBITION ON CONFLICT OF INTEREST**

A City official or employee may not participate in a vote or decision on a matter affecting a natural person, entity, or property in which the official or employee has a substantial interest; provided, however, that this provision shall not prohibit any member of the city council from participating in a discussion relating to a petition certified to the city council by the city clerk which petition seeks the recall of said member of the city council.

### **City Code §2-7-65(C): SUBSTANTIAL INTEREST OF A RELATIVE**

A City official or a City employee may not participate in a vote or decision affecting a substantial interest of a person to whom the official or employee is related in the first or second degree of consanguinity or affinity. This subsection does not apply to a substantial interest of a relative based on the relative's employment by a governmental body.

### **City Code §2-7-64(C): DISCLOSURE OF A CONFLICT OF INTEREST**

To comply with this section, a City employee shall notify in writing his supervisor of any substantial interest he may have in a natural person, entity or property which would be affected by an exercise of discretionary authority by the City employee and a supervisor shall reassign the matter.

### **City Code §2-7-2(12): DEFINITION OF SUBSTANTIAL INTEREST**

SUBSTANTIAL INTEREST means an interest in another person or an entity if: the interest is ownership of five percent or more of the voting stock, shares or equity of the entity or ownership of \$5,000 or more of the equity or market value of the entity; or funds received by the person from the other person or entity either during the previous 12 months or the previous calendar year equaled or exceeded \$5,000 in salary, bonuses, commissions or professional fees or \$20,000 in payment for goods, products or nonprofessional services, or 10 percent of the person's gross income during that period, whichever is less; the person serves as a corporate officer or member of the board of directors or other governing board of the for-profit entity other than a corporate entity owned or created by the city council; or the person is a creditor, debtor, or guarantor of the other person or entity in an amount of \$5,000 or more except that a home mortgage loan for the person's homestead or a loan or lease of a personal automobile shall not be deemed a substantial interest in the creditor or guarantor if entered into at a market rate with a commercial lending institution before the previous 12 months.

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## Methodology

To accomplish our investigative objectives, we performed the following steps:

- reviewed applicable City Code and policy;
- conducted background research;
- reviewed contracts and subcontracts involving relevant vendors;
- reviewed procurement data for relevant vendors;
- reviewed forensic data;
- reviewed daily logs of relevant vendors;
- interviewed AE staff;
- interviewed the subjects.

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## 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 for investigations established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) 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, C, and E.



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.

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