

City of Austin



**A Report to the
Austin City Council**

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INVESTIGATION REPORT

**Austin Water: Solicitation and Acceptance of a
Favor from a City Vendor and Waste of City
Resources**

January 2017



REPORT SUMMARY

We found evidence indicating that Jason Hill, Program Manager for Austin Water's Public Information & Marketing Office, solicited and accepted a favor from a City vendor whose invoices Hill approves. We also found evidence that Austin Water's Public Information & Marketing Office appears to have used City resources in a grossly uneconomical way for advertising services with the same vendor and did not properly monitor the expenditures.

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CAIU INVESTIGATIVE STANDARDS

CAIU investigations 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 in 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 has 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 these responses in Appendices B and D.

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Copies of our investigative reports are available on request from City Auditor’s Integrity Unit



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January 2017



Investigation Report Highlights

Why We Did This Investigation

We conducted this investigation consistent with our responsibility under the Austin City Charter and the City Code.

The objective of this investigation was to obtain sufficient evidence to indicate whether the subject may have committed a material violation of the City Code's standards of conduct or other criteria.



For more information on this or any of our reports, email oca_auditor@austintexas.gov

AUSTIN WATER: SOLICITATION AND ACCEPTANCE OF A FAVOR FROM A CITY VENDOR AND WASTE OF CITY RESOURCES

ALLEGATION

In March 2016, the Office of the City Auditor received an allegation that the Program Manager for Austin Water's Public Information & Marketing Office, Jason Hill, directs City funds to vendors with whom he has a personal relationship.

- It was alleged that Jason Hill "steers advertising dollars to his friends and other people with who [*sic*] he does business outside of work time."

WHAT WE FOUND

We found evidence indicating that Jason Hill, Program Manager for Austin Water's Public Information & Marketing Office, solicited and accepted a favor from a City vendor whose invoices Hill approves. We also found evidence that Austin Water's Public Information & Marketing Office appears to have used City resources in a grossly uneconomical way to purchase advertising services from the same vendor and did not properly monitor these expenditures. These acts appears to constitute violations of:

Favor from a Vendor:

- City Code § 2-7-62 Standards of Conduct - (G) Accept or Solicit Any Gift or Favor
- Administrative Bulletin 06-03: Fraud, Waste, and Abuse Reporting, Investigation and Prevention – Abuse (1) Misuse of a City Office to Obtain Personal Gain or Favor
- City Personnel Policy - (I) Solicitation and Acceptance of Gifts

Waste of City Resources:

- Administrative Bulletin 06-03: Fraud, Waste, and Abuse Reporting, Investigation and Prevention – Waste (1) Grossly Inefficient or Uneconomical Use of City Assets or Resources, and Waste (2) Unnecessarily Incurring Costs to the City as a Result of Grossly Inefficient Practices, Systems, or Controls

BACKGROUND

According to Austin Water, the purpose of their Public Affairs Office “is to provide timely, accurate, and critical information regarding Austin Water to the residents of Austin.”

Program Manager Jason Hill works in the Public Affairs Office. Hill began working for the City in March 2010 and was promoted to his current position in May 2014. Hill’s responsibilities include the development and execution of web-based marketing. In addition, Hill has been in several of the City’s ethics training videos, including the 2016 video.

The City vendor described in this report offers web services that include website design and development.

INVESTIGATION RESULTS

We found evidence indicating that Jason Hill, Program Manager for Austin Water’s Public Information & Marketing Office, solicited and accepted a favor from a City vendor whose invoices Hill approves. We also found evidence that Austin Water’s Public Information & Marketing Office appears to have used City resources in a grossly uneconomical way for advertising services with the same vendor and did not properly monitor the expenditures.

Finding 1: Favor from a City Vendor

When interviewed by our office, Hill confirmed that in late 2015 he asked a City vendor to assist him in building a website related to his secondary employment. City payment records show that Hill approved transactions to this vendor in his City capacity both before and after the assistance was provided. According to Hill, the vendor provided this assistance free of charge. Hill described the assistance as a “professional courtesy.”

Website registration data showed that the City contact for this vendor was listed as the “registrant,” “admin,” and “tech” contact for the website related to Hill’s secondary employment. This evidence also showed that the website was created in 2015 and updated in 2016 while the company was a City vendor.

While Hill claimed in his interview with our office that he paid the registration fees for his website himself, Hill failed to provide evidence of this despite repeated requests by our office and Austin Water management. In addition, Hill stated that he did not think that he had disclosed his relationship with the vendor to his supervisor who was also responsible for reviewing transactions related to this vendor. Hill’s supervisor stated that he was not aware of Hill’s relationship with the vendor.

Investigation Criteria

The City Code on Standards of Conduct states that no City official or employee shall accept or solicit any gift or favor, that might reasonably tend to influence that individual in the discharge of official duties or that the official or employee knows or should know has been offered with the intent to influence or reward official conduct.
City Code: Standards of Conduct §2-7-62 (G)

See Appendix A for more details

Hill's solicitation and acceptance of a favor from the City vendor whose invoices Hill approves could reasonably be expected to impair his independence in judgement or performance of his City duties.

This act appears to constitute a violation of the following criteria, as detailed in Appendix A:

- City Code § 2-7-62 Standards of Conduct - (G) Accept or Solicit Any Gift or Favor
- Administrative Bulletin 06-03: Fraud, Waste, and Abuse Reporting, Investigation and Prevention – Abuse (1) Misuse of a City Office to Obtain Personal Gain or Favor
- City Personnel Policy - (I) Solicitation and Acceptance of Gifts

Finding 2: Waste of City Resources

We found evidence that Austin Water's Public Information & Marketing Office used City resources in a grossly uneconomical way for advertising services with the City vendor described above and did not properly monitor the expenditures.

Austin Water's Public Information & Marketing Office hired the vendor to provide advertising for Austin Water on seven website addresses owned by the vendor. Between July 2013 and October 2016, the City paid the vendor approximately \$67,000 for this service. During this time, the City's website analytics show that visitors clicked on an Austin Water ad on one of the vendor's websites and were directed to an Austin Water website in only 55 instances.

When comparing this "cost per click" with other advertisement options engaged in by the City, the amount appears grossly uneconomical. Broken down, this is a cost of over \$1,200 per click. In comparison, data provided by another City department doing online advertising showed costs per click that ranged from \$0.87 to \$6.65.

According to Hill's supervisor, Hill is responsible for the "heavy lifting" of Austin Water's advertising, including proposing an initial list of potential vendors and verifying that they receive an appropriate return on their expenditures. Unlike other City purchases, advertising is exempt from City and State competitive bidding requirements.

During his interview, Hill stated that Austin Water's Public Information & Marketing Office does not regularly ask for or look at analytics when determining whether to advertise with this vendor. Hill's supervisor, who also approves vendor invoices, said that "we don't really look at metrics and measures" and that he "wasn't very familiar" with the vendor in question. In fact, when pressed on how he knows that people are going to the vendor's websites, Hill's supervisor stated "I'm not sure that I have an answer for you."

Austin Water's Public Information & Marketing Office's practices for handling this advertising service appear to be grossly uneconomical and appear to constitute a violation of the following criteria, as detailed in Appendix A:

- Administrative Bulletin 06-03: Fraud, Waste, and Abuse Reporting, Investigation and Prevention – Waste (1) Grossly Inefficient or Uneconomical Use of City Assets or Resources, and Waste (2)

Investigation Criteria

The Fraud, Waste and Abuse Administrative Bulletin defines "waste" as either (1) the grossly inefficient or uneconomical use of City assets or resources; or (2) unnecessarily incurring costs to the City as a result of grossly inefficient practices, systems, or controls.

Administrative Bulletin 06-03: Fraud, Waste, and Abuse Reporting, Investigation and Prevention

See Appendix A for more details

Unnecessarily Incurring Costs to the City as a Result of Grossly Inefficient Practices, Systems, or Controls

METHODOLOGY

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

- reviewed applicable City Code,
- conducted background research,
- collected comparative data on City advertising,
- collected and analyzed vendor information and data,
- conducted interviews with employees in Austin Water, and
- interviewed the subject.

INVESTIGATION CRITERIA

Finding 1

Solicitation or Acceptance of a Favor

*City Code on Standards of Conduct states that no City official or employee shall accept or solicit any gift or favor, that might reasonably tend to influence that individual in the discharge of official duties or that the official or employee knows or should know has been offered with the intent to influence or reward official conduct. **City Code: Standards of Conduct §2-7-62 (G)***

*Administrative Bulletin 06-03 states that “abuse” means the misuse of a City office, employment, contract, or other position with the City to obtain personal gain or favor from another City employee, vendor, or citizen. **Administrative Bulletin 06-03: Fraud, Waste, and Abuse Reporting, Investigation and Prevention: Abuse (1)***

*City Personnel Policy states that no City employee shall accept or solicit any gift or favor that might reasonably tend to influence that individual in the performance of official duties or that the official or employee knows or should know has been offered with the intent to influence or reward official conduct. **City Personnel Policy - (I) Solicitation and Acceptance of Gifts***

Finding 2

Waste of City Resources

*Administrative Bulletin 06-03 states that “waste” is either (1) the grossly inefficient or uneconomical use of City assets or resources; or (2) unnecessarily incurring costs to the City as a result of grossly inefficient practices, systems, or controls. **Administrative Bulletin 06-03: Fraud, Waste, and Abuse Reporting, Investigation and Prevention: Waste (1) and (2)***

APPENDIX B

SUBJECT RESPONSE



MEMORANDUM

To: Nathan Wiebe, Chief of Investigations *Office of the City Auditor - Integrity Unit*

From: Jason Hill, Manager Public Information & Marketing

Date: January 6, 2017

Subject: Response to Investigation Report

My actions during my tenure with the city of Austin have in no way violated any city policies. The accusations in this report are exaggerated and biased. I am disappointed by the tone of this report despite fully cooperating with a 10 month investigation.

The Austin Water public information office is a 24 hour operation. My responsibilities include being on-call around the clock and often times 7 days a week. The scope of work that my position and the PIO office handles was grossly oversimplified in the report. The report reads, "The purpose of their public affairs office is to provide timely, accurate, and critical information regarding Austin Water to the residents of Austin."

Our office handles much more including, Marketing, Advertising, Media Relations, Public Relations, Open Records, Public Involvement, Crisis Communication and Education.

The marketing and advertising budget is managed by the Public Information Office. Campaigns are created and approved by the team, our division manager and assistant director before any spending takes place. My signatures on any advertising invoices is confirmation that the vendor has provided adequate proof that they have met the requirements of any advertising agreement.

Part of my role as marketing and public information program manager is to create, facilitate and nurture professional relationships with stakeholders, customers, city staff and vendors. Considering some of my previous and current roles as news anchor, public speaker, magazine editor along with spokesman/fundraiser for various charities it is impossible not to have ongoing professional relationships with vendors some that even predate my employment with the city.

As I explained in my interview the person in question who gave me some helpful tips on creating a website had nothing to do with any vendor status or "professional courtesy." This was first of all, a consideration between me and this person that began before my employment with the city and before this person's company was a city vendor. This person shared some website building knowledge out of respect for my professionalism, exemplary work ethic and enthusiasm for web technology that he has observed through the years of knowing me. This expert decided with his own free will to pass along to me some basic aspects and nuances of website building. No money, promises or expectations were exchanged and there was zero impact to the city, utility or any of its stakeholders or customers.

Advertising the vendor in question provided Austin Water was purchased with the expectation to increase the utility's presence and to raise public awareness while strengthening the Austin Water brand in the Lake Travis area. This vendor is one of a few small advertisers/vendors we use to hit specific markets including the Hispanic and African American communities and Austin's City Hall. We do not rely on analytics for these



smaller vendors like we do on the large advertising purchases that are done with radio stations and large print vendors. The smaller vendors we have engaged are small business owners along with women business enterprises and minority business enterprises also known as WBE and MBE. We have not scrutinized their analytics but have relayed more on their marketplace presence to reach certain demographics. The vendor in question was not scrutinized any more or less than any of our other small vendors that Austin Water has used for advertising purposes. It is stated in the draft report that my manager when asked confirmed that the management team does not review analytics for smaller contracts.

This report's cost per click comparison is completely irrelevant as I explained in the interview. It states, "When comparing this "cost per click" with other advertisement options engaged in by the City, the amount appears grossly uneconomical. Broken down, this is a cost of over \$1,200 per click. In comparison, data provided by another City department doing online advertising showed costs per click that ranged from \$0.87 to \$6.65."

The Austin Water Public Information office has not purchased any advertisements in the recent past by cost per click. The goal of Austin Water's advertising campaigns during the past 5 plus years has focused on public awareness and brand value not some sort of sales. Here are some documented reasons why Austin Water's Public Information Office has not used cost per click digital advertising;

- Unfortunately, there is no guarantee that a consumer clicking your ad will turn them into a buyer. You still have to pay for their click whether or not they did it accidentally or purposely.
- These ads are better served for product based advertising rather than campaigns focused on market saturation.
- These ads are better served for product based advertising rather than public awareness campaigns.
- Click fraud' is a real thing. Competitors can continuously click on your advertisement link until your budget has ended and your ad disappears, or until you're broke. Again, accidental clicks occur too, so be sure to factor those into your PPC budget.
- The cost of bidding for keywords using search engine results can be expensive. Depending on how broad of a term or even how specific truly matters. Your competition can be businesses that have been around and in the top rankings for ages; be sure to prepare for a bidding war, if necessary.
- Pay-per-click advertising takes time. If your traffic does not increase and you shut down the PPC after a month, you're not really giving it enough time to succeed in the first place. Successful PPC advertising can take anywhere from 3-6 months.
- People are skeptical about advertising. The reality in life is that people all over the world have become skeptical of advertising, including PPC. Marketing efforts are looked upon negatively because, let's face it, folks know that you are trying to sell them something. And people don't like to be sold or having advertising slammed down their throats when they are trying to surf the web for information or browse status updates on their favorite social networks. So remember, if you're using PPC advertising as a major marketing strategy the odds (meaning negative customer reaction to your ads) are already working against you.

The Public Information Office stands by the 3 year \$67,000 investment for digital advertising with the vendor in question. This was money well spent strengthening the Austin Water brand while raising awareness and distributing important messaging in the Lake Travis area especially during the construction of Water Treatment Plant 4, navigating the drought of record and responding to high water bill concerns that threatened customer trust in our billing system.

Our office has also successfully saturated the entire market with relevant content through creative marketing and advertising campaigns hitting our city's diverse demographic of water consumers and stakeholders. The Austin Water Public Information Office has fully cooperated and provided relevant justification for its marketing and advertising campaigns and expenditures whenever city leaders, staff, commissions or committees have requested background information. Our office has also received recognition for a job well done as well as inquiries from utilities around the nation on how to effectively and affordably communicate, educate and activate stakeholders and customers.

My work and professional relationships with city vendors has been in no way uneconomical or inappropriate and has not impacted my work, any colleagues, Austin Water customers or stakeholders.

I stand by my exemplary professional contributions that I have provided for the past 7 years to Austin Water's staff, Public Information Office, customers, stake holders, vendors and the City of Austin.

Respectfully,
Jason Hill

Jason Hill
Manager Public Information & Marketing
City of Austin | Austin Water
P: 512-972-0145 | C: 512-739-9792



APPENDIX C

OFFICE OF THE CITY AUDITOR RESPONSE TO SUBJECT RESPONSE

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

APPENDIX D

MANAGEMENT RESPONSE



MEMORANDUM

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

From: Greg Meszaros, Director, Austin Water 

Date: January 6, 2017

Subject: Draft Investigation Report (IN16020) re: Jason Hill

Austin Water (AW) is in receipt of the draft investigation report regarding waste of city resources and allegations against AW employee, Jason Hill. Our division of Human Capital and Risk Management (HCRM) will collaborate with AW management to review the report, findings, and then determine the appropriate next steps in this matter. Our response will include a comprehensive review of all marketing and advertising activities undertaken by Austin Water and a strengthening of controls and cost effectiveness of these programs.

In his January 6, 2017 response to your findings, Mr. Hill uses Austin Water letterhead and asserts that the Austin Water Public Information Office stands by the vendor relationship and use of funds that were the subject of your investigation. I want to be clear that it was inappropriate for Mr. Hill to use our official letterhead to respond to the investigation and his response is solely his personal opinion and not reflective of Austin Water's perspective on the findings contained in your investigation. For the record, I want to add that subsequent to the issuance of your draft investigation report, Mr. Hill resigned from the Utility effective January 6, 2017.

Thank you, and please contact me if you need additional information or updates.

cc: Daryl Slusher, Assistant Director, Austin Water
Sherri Hampton, HR Manager of HCRM, Austin Water

