City of Austin
Office of the City Auditor

Investigative Report

Conflict of Interest by Former Building Services Assistant Director

June 2025

Walter Drane, a former Assistant Director at the Building Services Department, violated City Code by acting on a conflict of interest. Drane's wife worked at a City contractor with which Drane had operational oversight including authorizing payments and making recommendations for contract extensions. While he disclosed his conflict of interest verbally to his supervisor, he did not disclose it in writing as required by City Code.

Darrell Alexander, Director of the Building Services Department, also violated City Code by failing to reassign management over the City contractor after Drane verbally disclosed his conflict of interest to Alexander.

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Cover:Permitting and Development Center

Allegation

In April 2023, we received an allegation that Walter Drane, a former Assistant Director in the Building Services Department (BSD), may have used his position with the City to secure a job for his wife with a City contractor. According to the informant, Drane's wife worked for the contractor as an Assistant Property Manager from June 2021 to October 2022, a period when Drane had influence over the contractor's performance.

While we did not find evidence indicating Drane used his position to secure a job for his wife, we did find the City Code violations detailed below.

Background

The Building Services Department (BSD) provides property management, custodial, maintenance, project management and other asset management services to optimize the comfort and operational efficiency for their fellow City departments. BSD's mission is "to provide reliable, efficient and sustainable City facilities."

Walter Drane is a former Assistant Director at the Building Services Department. He worked in this role from June of 2014 to March of 2025. As an Assistant Director, Drane's responsibilities included managing several different work groups tasked with maintaining City facilities. In this role, Drane oversaw the property managers of City facilities even though they are employed by a City contractor.

In February 2020, the City contractor relevant to this report started providing on-site property management for two of the City facilities that Drane oversaw in his role at the City.

Darrell Alexander is the Director of the Building Services Department. Alexander started working in this role in 2020. He was Drane's direct supervisor.

Investigation Results

Summary

In 2021, Walter Drane, former Assistant Director at the Building Services Department, made official decisions related to a City property management contractor while he had a conflict of interest with that contractor because of his wife's employment. At the time Drane had operational supervision over the contractor, his wife earned an annual salary in excess of the $5,000, which constitutes a substantial interest under City Code. Drane's operational supervision included making funding decisions affecting the contractor.

Drane verbally disclosed his conflict of interest to his supervisor Darrell Alexander, the Director of the Building Services Department, but failed to disclose it in writing as required by City Code. Alexander violated City Code by failing to reassign Drane's management of the contractor after Alexander learned Drane's wife worked for the contractor.

Finding #1

Walter Drane acted on a conflict of interest

Investigation Criteria:

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

City Code §2-7-62(I)

See Investigation Criteria *for details*

Walter Drane acted on a conflict of interest by improperly making operational decisions, including funding decisions, affecting a City contractor that employed his wife. Both Drane and his supervisor, Darrel Alexander, stated in interviews that Drane made decisions relating to funding of the City Contractor. Drane also admitted he made these decisions while his wife was employed by the contractor. When we reviewed City records and emails related to the contractor, we found examples of Drane making a funding decision and recommending a contract extension.

On two occasions, we found that Drane influenced the way in which City funds were granted to his wife's employer. In May 2021, Drane facilitated an email exchange wherein he advocated to authorize City funding for the contractor to hire additional staff. Due to the contract expenses being under budget, Drane suggested that the remaining City funds be spent to hire additional contractor staff.

In October 2021, Drane emailed Building Services management, including Alexander, his review of the company's proposed contract amendment with the City. In this exchange, Drane recommended that the City enter into a multi-million-dollar contract with this contractor.

We found that Drane's wife worked for the same contractor as an Assistant Property Manager from July 2021 to October 2022. Drane's wife was paid an annual salary in excess of $5,000 while he made funding decisions related to their contract with the City.

During an interview, Drane admitted that he made decisions related to City funding for this contractor while his wife worked for them. Drane noted that his wife did not perform work related to City facilities while working for the contractor.

Additionally, he told us that he started making funding decisions prior to his wife working for the contractor. When shown the emails described above, Drane believed that they were representative of the work he performed affecting the City contractor.

When we spoke Drane's supervisor, Darrell Alexander, he confirmed that the emails were an accurate example of the type of work Drane performed related to the contractor. Further, Alexander told us that Drane had the authority to independently approve payments up to $10,000 for the contractor and routinely made decisions related to their contract with the City.

By participating in decisions that affected a City contractor his wife was being paid by, Drane violated the following portion of City Code:

- § 2-7-63 – Prohibition on Conflict of Interest

Finding #2

Darrell Alexander failed to reassign the matter

Investigation Criteria:

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 or that he serves as a corporate officer or member of the board of directors of a nonprofit entity for which a decision regarding funding by or through the City is being considered, and a supervisor shall reassign the matter.City Code

2-7-64 (C)

See Investigation Criteria *for details*

Darrell Alexander failed to reassign his direct report's work after being made aware of a conflict of interest. Drane verbally disclosed to Alexander that his wife worked for a contractor that he oversaw as part of his City job duties. Despite this verbal disclosure, Alexander did not remove oversight of this contractor from Drane's purview.

During an interview, Alexander told us that he recalled Drane verbally disclosing that his wife worked for the contractor in question, however he never asked Drane for this disclosure in writing. Further, Alexander told us that he had incorrectly determined that it was not a conflict of interest because Drane's wife did not have job duties that involved City matters. Alexander confirmed that he did not consult with anyone or review City policies before making this determination.

By failing to reassign his direct report's work after disclosing a conflict of interest, Alexander violated the following portion of City Code:

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

Additional Observation

Walter Drane failed to disclose his conflict in writing

We also noted that although Drane verbally disclosed the conflict of interest to his supervisor, he failed to disclose in writing to his supervisor. City code requires all disclosures of potential conflicts of interest to be done in writing to the employee's supervisor.

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 § 2-7-2(1) – Definitions

AFFECTED means in the case of a person, entity or property, means reasonably likely to be subject to a direct economic effect or consequence, either positive or negative, as a result of the vote or decision in question. [...]

City Code § 2-7-2(4) – Definitions

DECISION means any ordinance, resolution, contract, franchise, formal action or other matter voted on by the city council or other City board or commission, as well as the discussions or deliberations of the council, board, or commission which can or may lead to a vote or formal action by that body. A decision of a City employee means any action in which the employee exercises discretionary authority, including but not limited to the issuance of permits, imposition or collection of fines or fees, authorizations for expenditures, and other non-ministerial acts.

City Code § 2-7-2(5) – Definitions

DISCRETIONARY AUTHORITY means the power to exercise any judgement in a decision or action. City Code § 2-7-2(12) – Definitions 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. [...]

City Code § 2-7-2(12) – Definitions

SUBSTANTIAL INTEREST means an interest in another person or an entity if: [...] 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. [...]

Finding #2

City Code § 2-7-64 (C) - Disclosure of 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.

Appendix A - Subject Response: Drane

Drane did not provide a subject response.

Appendix A - Subject Response: Alexander

My name is Darrell Alexander, and I currently serve as the Director of the Building Services Department for the City of Austin. Our department is entrusted with the full scope of facility management services for City-owned assets, including property management, maintenance, custodial operations, and building security. We are committed to upholding the highest standards of public service, integrity, and operational excellence.

I am writing in response to the findings regarding a conflict of interest involving former Assistant Director Walter Drane and the City contractor, Lincoln Properties.

Specifically, the Office of the City Auditor concluded that I failed to reassign Mr. Drane's oversight of this contractor after he verbally disclosed that his spouse was employed by the firm.

Let me begin by unequivocally acknowledging my accountability in this matter.

Upon being informed of the employment relationship, I should have initiated formal documentation and reassignment in accordance with the City Code. While I did not perceive an immediate risk or inappropriate influence at the time—given that Mr. Drane's spouse did not work on City-related tasks—I now fully recognize that my failure to formally act created an appearance of impropriety and an unintended deviation from policy.

This lapse was not due to negligence, favoritism, or a disregard for City policy—it was an error in judgment, based on an incorrect assumption that verbal disclosure alone was sufficient.

In hindsight, it is clear that a more structured and documented response was required. As Director, the ultimate responsibility for ensuring compliance with City Code rests with me, and I take that responsibility seriously.

I want to make clear that at no point was there any intent to undermine the ethical standards of the City of Austin or compromise the integrity of our procurement processes.

I deeply regret the impact this has had on the department's reputation, and more importantly, the perception it may have created among City leadership, staff, and the public.

Darrell Alexander
Director
Building Services Department
512-974-7948
darrell.alexander@austintexas.gov

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

We reviewed the subject's response and believe our findings stand.

Appendix C - Management Response

MEMORANDUM

TO: Employee [redacted] Audit Investigator

FROM: Ed Van Eenoo, Chief Financial Officer

DATE: June 18, 2025

SUBJECT: **Response to Investigation Report (IN24008)**

This memorandum is to inform you that I have reviewed the report (IN24008) and concur with its findings. I appreciate Mr. Alexander's acceptance of responsibility for the infraction of City Code.

My expectation for the department is to initiate training of key personnel related to the City's policies pertaining to conflicts of interest. I appreciate the work of the Office of the City Auditor in completing this investigation.

cc: Darrell Alexander, Building Services Department

Methodology

We took the following steps to accomplish our investigation objectives:

- Reviewed applicable City Code and policy
- Conducted background research
- Analyzed email forensics
- Reviewed applicable City records
- Interviewed witnesses
- Interviewed the subjects

CAIU Investigative Standards

Investigations by the Office of the City Auditor are considered non-audit projects under Government Auditing Standards and are conducted in accordance with the general and ethics standards, procedures recommended by the Association of Certified Fraud Examiners (ACFE), and the ACFE Fraud Examiner's Manual. Investigations 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 subjects and City management on the results of this investigation. Please find attached a response from one of the subjects in Appendix A and City management in C. The other subject did not provide a response.

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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