



Office of the City Controller

CITY OF HOUSTON 2023 ETHICS REPORT



Chris Brown
City Controller

Report # 2024-04

Courtney Smith
City Auditor



OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

CHRIS B. BROWN

December 21, 2023

The Honorable Sylvester Turner, Mayor
City of Houston, Texas

**SUBJECT: Report #2024-04
City of Houston – 2023 Ethics Report**

Mayor Turner:

I am pleased to submit to you the 2023 Ethics Report performed by the Audit Division within the Office of the Houston Controller.

Our office performed a review of ethics-related objectives, programs and activities within the City of Houston (City) to conform with the International Standards for the Professional Practice of Internal Auditing. Our work included the review of ethics policies, procedures and practices currently in place as well as a review of the City's ethical environment. Our process included a survey of other municipalities, a benchmarking exercise and a brief review of a sample of City departments. The report includes details of our review, observations and recommendations. Beginning in FY 2024, our annual Enterprise Risk Assessment report will include a specific section for the consideration of ethics for greater visibility of our review and evaluation efforts.

We appreciate the cooperation and professionalism extended to the Audit Division during this project by personnel from the Human Resources, Houston Public Works, Legal, Finance and Houston Health departments.

Respectfully submitted,

Chris B. Brown
City Controller

xc: City Council Members
Department Directors
Marvalette Hunter, Chief of Staff, Mayor's Office
Shannan Nobles, Chief Deputy City Controller
Courtney Smith, City Auditor, Office of the City Controller

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Introduction

We conform to the International Standards for the Professional Practice of Internal Auditing (Red Book) issued by the Institute of Internal Auditors. The Red Book requires the internal audit activity to “evaluate the design, implementation, and effectiveness of the organization’s ethics-related objectives, programs and activities.”¹ To comply with these requirements, during fiscal year (FY) 2023 we conducted a review of the City of Houston’s (“City” or “COH”) governance related to ethics. Our work included the determination of the existence of ethics policies, procedures, and practices currently in place in the City, as well as a review of the City’s ethical environment. Beginning in FY 2024, our annual Enterprise Risk Assessment report will include a specific section for the consideration of ethics for greater visibility of our review and evaluation efforts.

Background

It is said that ethical behavior is doing the right thing when no one else is watching—even when doing the wrong the thing is legal.² Governments and governmental agencies are entities charged with the execution of programs and activities that directly impact the lives of citizens, as well as the level of support it receives from citizens. Unethical practices or behavior can have a negative impact on the City’s reputation and its ability to provide services, obtain program or bond funding at favorable rates and attract new business. It is essential for the City to establish policies, procedures and practices that foster a strong ethical culture while carrying out the primary responsibility of providing services. Gaps in the City’s workplace ethics may lead to corruption, asset misappropriation and financial fraud. These and other improper activities waste resources and can erode public trust. This report details our review and analysis of ethics and ethics-related programs in City operations. Our analysis included a review of the design, implementation and effectiveness of internal ethics-related activities in support of the City’s strategies and objectives, as well as research and analysis of the ethical policies, procedures and practices employed in other cities.

Ethical Standards in Other Cities: An Assessment

The goal of ethics in the public sector is to ensure that decision-making is guided by the public good. It is important for public officials and employees to understand their ethical responsibilities and to act in ways that promote both the public good and public trust. To instill values such as honesty, integrity, transparency and accountability within the organization, governmental entities implement policies and programs designed to guide actions toward the desired behavior. As

¹ International Standards for the Professional Practice of Internal Auditing, 2017, 2110.A1

² Aldo Leopold; American author and philosopher

part of our review of the City’s ethics framework, we looked internally at programs currently existing in the City, as well as externally to gauge similarities and differences with other jurisdictions. To gain an understanding of ethical practices in place in other cities, we designed a survey and performed research on the public websites of 17 municipalities with similar geographic location, size, or reporting structure. The survey and subsequent research we performed, looked for attributes that are considered building blocks of an ethics framework. The cities include:

- (a) Atlanta
- (b) Austin
- (c) Chicago
- (d) Colorado Springs
- (e) Dallas
- (f) Denver
- (g) El Paso
- (h) Fort Worth
- (i) Los Angeles
- (j) Lubbock
- (k) New York City
- (l) Oklahoma City
- (m) Philadelphia
- (n) Phoenix
- (o) San Antonio
- (p) San Diego
- (q) San Jose

During our review, eight attributes were identified which we considered essential to a strong ethical foundation. The attributes include an established ethics board; ethics training; a separate ethics policy; as well as policies for financial disclosure; whistleblower protection; conflict of interest; nepotism and the receipt of gifts. We then assessed whether the attributes were present in the frameworks observed in other cities. The results of our review are detailed below:

Table 1: Ethical Attributes within Other Cities		
Attribute	# of Cities with Attribute	Percentage with Attribute
Separate Ethics Policy ³	15	88%
Ethics Commission/Board	11	65%
Ethics Training	7	41%
Financial Disclosure Policy	9	53%
Whistleblower Policy	3	18%
Conflict of Interest Policy	15	88%
Nepotism Policy	11	65%
Gift Policy	15	88%

³ This refers to a policy or manual which includes all ethics related information for the organization.

Benchmarking: An Analysis of Survey Results

Our procedures included a benchmarking exercise to gauge how the City's ethics framework measured against other municipalities. We compared the attributes currently in place within the City to attributes in the aforementioned cities. Our analysis revealed that in line with modern governmental practices to promote ethical business conduct, a clear majority of cities employ a separate ethics policy, including the adoption of conflict of interest and gift policies as part of their operations. Many of the cities sampled have an ethics commission or ethics board in place, as well as policies monitoring nepotism. Lastly, we identified only a portion of the cities sampled have continuing ethics training requirements, a relevant financial disclosure policy, and/or an explicit whistleblower policy.

**Table 2:
Comparison of COH Ethics Attributes with other Cities**

Attribute	# of Cities with Attribute	COH Possesses Attribute	COH Attribute Reference
Separate Ethics Policy	15	Yes	Code of Ordinance Chapters 14 and 18
Ethical Commission/ Board	11	Yes	Code of Ordinance Chapter 18, Article II
Ethics Training	7	Yes	New Employee Orientation (NEO)
Financial Disclosure Policy	9	Yes	Code of Ordinance Chapter 18, Article III
Whistleblower Policy	3	Yes	Executive Order (EO)1-39, Section 5
Conflict of Interest Policy	15	Yes	AP 2-22
Nepotism Policy	11	Yes	MP 104
Gift Policy	15	Yes	EO 1-28

The Ethical Framework Within the City

Our procedures included a review of the City Code of Ordinances, Mayoral Policies (MP), Administrative Policies (AP), Executive Orders (EO) and the COH Employee Guidebook.

ETHICS POLICY

The City's guidance related to ethics is contained in two chapters of the Code of Ordinances: Chapter 14 – Civil Service and Chapter

18 – Ethics and Financial Disclosure. These chapters form the City's foundational policy guidance related to standards of ethical behavior and expectations for both City officials and employees. Chapter 14 provides guidance on employee-related topics with specific ethical conduct requirements included in Section 14-183.

Chapter 18 sets out a general ethics policy for officials, authorizes an ethics commission and establishes a financial disclosure requirement. Within Article I of this chapter are standards of conduct for officials. It states that it "is the policy of the city that all city officials shall act and conduct themselves, both inside and outside the city's service, so as to give no occasion for distrust of their integrity, credibility or devotion to the best interests of the city and the public trust that it holds." City officials are defined as "the elected city officials, appointive officials... assistant city attorneys, persons holding executive level employee positions...and appointed members of city boards, committees and commissions and any person whose services are donated to the city."

ETHICS COMMISSION

In Article II, the policy calls for the creation and establishment of an Ethics Commission. The seven-member Houston Ethics Commission was established through the authority granted in Article II. The Commission has the duty and power to review and investigate allegations of impropriety on the part of City officials and candidates for City elective office.

FINANCIAL DISCLOSURE

Under Article III, the policy requires financial disclosures for City officials and candidates which include, among other things, that each City official shall file a financial disclosure statement with the City secretary on or before April 30 of each calendar year.

ETHICS TRAINING

General Ethics Training

Ethics training is conducted as part of New Employee Orientation (NEO). During this training, new hires are made aware of the policy in the Code or Ordinances, along with EO 1-39 - Establishment of Office of Inspector General for Investigation of Employee Misconduct.



Ethics

Conduct yourself...

- Professionally
- Honestly

Follow the rules

Follow highest standards

Code of Ordinances Chapter 18

EO 1-39: Establishment of Office of
Inspector General for Investigation of
Employee Misconduct

Ethics slide excerpt from NEO

Conflict of Interest Training

AP 2-22 - Conflict of Interest (AP 2-22) is the citywide conflict of interest policy applicable to both elected officials and municipal employees. Within the policy, issues concerning contracts, gifts and federal awards are addressed. Per the policy, conflict of interest training should be completed and documented annually for each City employee. While conducting the ethics review, we noted the annual reminder to complete ethics training was communicated to municipal employees by the Office of Talent and Organizational Development in a January electronic newsletter.

During our review of AP 2-22, we noted the policy is intended to function as "...a consolidated listing of the primary sources of various ethical standards of conduct, and conflicts of interest provisions applicable to Elected City Officials and employees...". Further review identified that City employees are required to comply with both the AP and Employee Standards of Conduct (City Code Section 14-183), as prescribed within the conflict of interest policy.

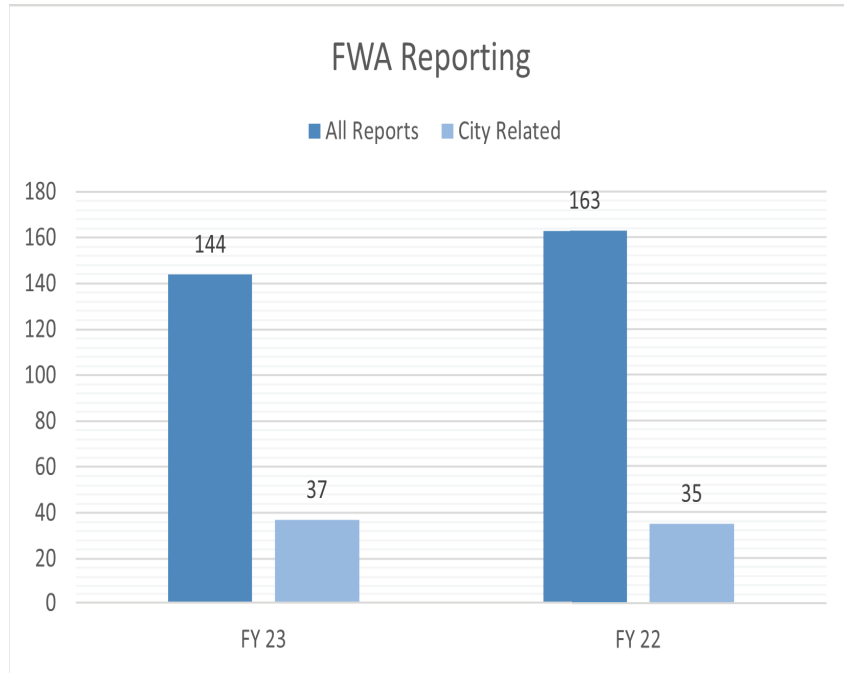
REPORTING

There are reporting mechanisms within the City to report potential ethical lapses. They are the Fraud, Waste and Abuse hotline and portal, the Ethics hotline and portal, and the Office of Policing Reform and Accountability Portal.

Fraud Waste and Abuse (FWA) Hotline and Portal

This reporting tool is designated to receive reports of fraud, waste, abuse or violations of administrative policies and procedures by City officials, employees, departments or vendors doing business with the City. The tool can be accessed through the City Controller's Audit Division webpage and is monitored and maintained by members of the Audit Division. Reports are handled in a confidential manner

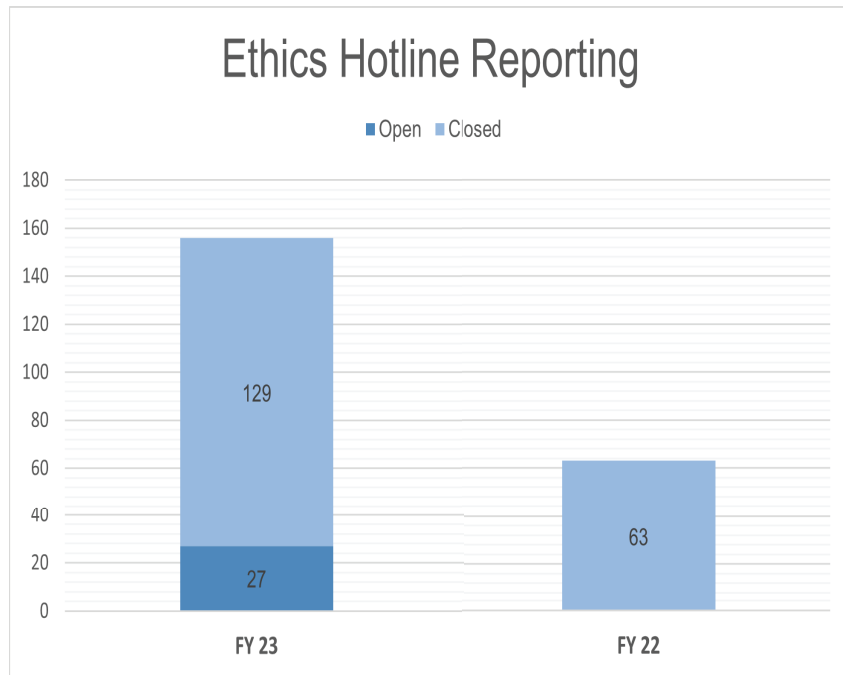
and provided to the appropriate entity for handling. Individuals can remain anonymous if they choose.



Displays number of FWA reports submitted.

Ethics Hotline and Portal

Investigations of alleged employee misconduct, workplace violence, wage theft and other ethical violations are handled by the Office of Inspector General (OIG), which resides within the City's Legal Department. Ethical violations can be reported by using the OIG Complaint portal located on its website, calling OIG's hotline telephone number or mailing concerns to OIG's physical address. Investigations from the FWA online portal and hotline are sent to OIG for investigation and are included in their Ethics investigation portal. While OIG's hotline has existed for many years, the portal was implemented at the beginning of fiscal year 2023. Portal access has improved the ability of interested individuals to report concerns and has resulted in a higher number of investigations than in the previous fiscal year. Individuals making reports to either the hotline or portal may remain anonymous if they choose.



Displays status of investigations reported in the Ethics portal.

Office of Policing Reform and Accountability (OPRA) Portal

Created in 2021, OPRA, which falls under the purview of the OIG, is responsible for monitoring the reporting portal maintained on the Houston Police Transparency Hub website. The primary function of this portal is for citizens to report any complaints about unsatisfactory interactions with the Houston Police Department to an independent body. Complaints may be made via the website, phone or email. Individuals making reports to the portal may remain anonymous if they choose.

Ethics in City Operations

The city is comprised of 22 departments. Each department is led by a director who reports to the Mayor, and has a unique mission, objective and reporting structure. All City departments share the responsibility of monitoring ethics and promoting an ethical culture amongst its employees. To determine how the City's overall ethical structure was deployed by individual departments, we judgmentally selected a sample of departments based on a combination of criteria identified as follows:

- i. Risk ratings on the previously issued Enterprise Risk Assessments (ERAs); and
- ii. High pressure or transactional operations requiring ethical values. For example, operations involving contract awards or the handling of sensitive data.

Based on our judgment and the previously mentioned criteria we conducted review procedures on the following departments:

- Houston Public Works (HPW)
- Legal (LGL)
- Finance (FIN)
- General Services (GSD)
- Health (HHD)

We administered questionnaires to the selected departments, reviewed available departmental ethics policies and procedures, and evaluated documentation provided as evidence of adherence to City ethics policies. Based on our inquiries and research we developed a list of attributes in place within reviewed departments. The identified attributes are listed in Table 3.

Table 3: Ethics Procedures in COH Departments		
Attribute	# of Departments with Attribute	Percentage with Attribute
Statement on ethics in departments mission statement/ objectives	1	20%
Departmental ethics training	1	20%
Code of Conduct readily available	1	20%
Ethics monitoring/reporting procedures	2	40%
Department communication of ethics expectations	5	100%
Employee acknowledgment of ethics policies	5	100%
Professional licensing requirements mandating ethical behavior	4	80%

We reviewed each of the responses obtained from the questionnaires administered to the sampled departments to determine if the attributes were implemented across the sampled departments and whether any specific departmental ethics procedures were adhered to. Three of the departments referred to maintaining an ethical environment as part of the respective department's mission statement in response to the questionnaire. However, of the three, only the Legal Department specifically identified the objective to act in an ethical manner in its

mission statement. Only one of the five departments emphasized ethics training as part of its ethical policy and procedures. All of the sampled departments acknowledged that monitoring, communication of ethical expectations and employee acknowledgment of the ethical policies are an important part of the ethical practices and culture. However, only two departments had a quasi-monitoring program in place with one utilizing an internal review group and the other relying on the review of employee work products.

Ethical expectations of employees were primarily conveyed in a decentralized manner (flyers/bulletins, departmental meetings, etc.), however the completion of conflict of interest training is documented in the Talent Management System. Four of the departments we sampled require the possession of professional licenses and certification programs for some employees. Those license or certification programs require adherence to certain professional ethical standards, as required by the licensing entity. Examples are departments where specific positions require licensure or certifications including professional engineers, attorneys and accountants.

Observations

Observations made during our review are summarized below:

- The City has a documented ethics policy located within the Code of Ordinances in Chapter 14 - Civil Service and Chapter 18 – Ethics and Financial Disclosure.
- Guidelines in Chapter 14 are for employees while the guidelines in Chapter 18 are primarily for elected and appointed City officials.
- City ethics-related information can be difficult to find. Ethical policy and guidelines are maintained in the Code of Ordinances, while various AP's, EO's, and MP's address separate ethics objectives. Additionally, access to hotline/web portal information requires navigation through multiple webpages. Employees may not know that these tools exist or how to locate them.
- Conflict of interest and whistleblower policies are respectively addressed in AP 2-22 Conflict of Interest and EO 1-39 Establishment of Office of Inspector General for Investigation of Employee Misconduct.
- Comprehensive ethics training occurs at least once for each employee while conflict-of-interest training occurs annually.

Communication is sent out periodically to alert employees when training is available and must be completed.

- Other than annual conflict of interest awareness training, most communication of ethical values takes place at a departmental level.
- During our review, all board positions on the Houston Ethics Commission were filled.
- Ethics hotlines and portals (Ethics, Fraud/Waste/Abuse, and OPRA) are monitored regularly by City employees rather than a third-party 24-hour reporting service.

Recommendations

Based on our review, we recommend the following:

- Enhanced visibility of ethics-related information including ethics policies and guidelines, ethics hotlines/web portals and potential consequences for ethics violations.
- Increased visibility of the Houston Ethics Commission, their meeting schedule and any recommendations they may have to increase the effectiveness of their oversight.

Acknowledgment

The Audit Division would like to thank the municipalities who responded to our survey as well as the management of Human Resources, HPW, LGL, FIN, GSD and HHD for their cooperation, time and efforts throughout the course of this engagement.

Audit Team

Olaniyi Oyedele, CPA, Audit Manager

Gaylord Dunn, Lead Auditor

City Auditor

Courtney Smith, CPA, CIA, CFE

Audit reports are available at:

<http://www.houstontx.gov/controller/audit/auditreports.html>