

Investigative Report

Fraud by a Communications and Technology Management Employee

January 2023



Brian Cox, a former IT support analyst for Communication and Technology Management, violated City Code when he stole and attempted to sell a City device in December 2021.

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Cover: Aerial view of downtown Austin, iStock.com/RoschetzkyIstockPhoto

Allegation

In January 2022, Communications and Technology Management (CTM) notified us that CTM employee Brian Cox stole City property and attempted to sell it on an online marketplace.

Background

The mission of Communications and Technology Management (CTM) is to “innovate and enable services for our community that will make Austin more livable.”

Brian Cox was an IT support analyst for CTM’s Wireless Communication Services Division (Wireless Shop). As an IT support analyst, Cox was responsible for purchasing equipment and tools needed for repairs and installations on City equipment. Cox was also partially responsible for receiving, documenting, and disposing of inventory. Cox resigned before CTM could fire him in April 2022.

Investigation Results Summary

Brian Cox, a former IT support analyst at CTM, stole and attempted to sell a City-owned mobile device in December 2021. Cox admitted that he attempted to sell the device for \$1,000.

Finding 1 Fraud: Theft of City Resources

In December 2021, CTM staff discovered an online marketplace posting made by Brian Cox. The for-sale post contained what appeared to be a City-owned mobile device. Subsequently, the Austin Police Department (APD) was informed of possible stolen City property. APD retrieved the device from Cox, who initially told police he did not have it before ultimately turning the device over to APD on December 16, 2021. Cox initially attempted to sell the device for \$1,000 and may have later lowered the price to \$500.

The device Cox attempted to sell was a handheld mobile device intended for public safety staff. This device was one of 29 sent by the manufacturer to CTM's Wireless Shop for field testing by staff, including Cox. Ultimately the devices were not used beyond testing in the City. The manufacturer provided the devices to the City at no cost. There did not appear to be any expectation to return the devices after testing was completed. The Wireless Shop did not enter these devices into their asset inventory because they were not purchased by CTM.

When we spoke with Cox, he told us that he found the device in one of his old work bags. Cox said he decided to post the device for sale online rather than return it because he did not want to deal with the "headache" of returning it. Cox confirmed that he did not have permission to sell the device. He also admitted to trying to sell the device for \$1,000 but denied attempting to sell any other items from the Wireless Shop. Cox resigned before CTM could fire him in April 2022.

By not returning and attempting to sell the device, Cox violated the following portion of City Code:

- § 2-7-62(O) Standards of Conduct

Additional Observation

To determine if any additional items may have been stolen from the Wireless Shop's inventory, we reviewed inventory counts from 2021. Initially, inventory records appeared to show roughly \$29,000 of missing inventory. However, after receiving an updated inventory, which accounted for items that staff found after the initial counts, the discrepancy was reduced to about \$11,000. We could not determine whether any of the missing inventory was stolen, misplaced, or in use but not properly accounted for. Separately, the Wireless Shop said it could not account for two of the same mobile devices that Cox attempted to sell. As noted above, the Wireless Shop did not include these mobile devices in their asset inventory.

While reviewing the Wireless Shop's inventory, we noted several examples of poor controls and procedures related to inventory management. Specifically, the Wireless Shop was not tracking demo products, like the device which Cox attempted to sell, in the same manner as normally purchased inventory. Staff also noted that prior to 2019, inventory was not always tracked effectively.

We also found poor segregation of duties within the Wireless Shop. All Wireless Shop staff can receive shipments, as well as enter and remove inventory from the shop's inventory management software. Further, once items are removed from inventory, there are no records of the items being disposed of properly. These conditions could increase the risk of theft.

The Wireless Shop has addressed several of the issues noted above. CTM now tracks demo products in the same manner as purchased equipment. Additionally, CTM has improved how it tracks inventory.

Appendix A - Subject Response

Thank you for giving me the time and space to respond. I apologize for giving the COA CTM Wireless Department a reason for this investigation. As for the other inventory lost, I do hope the city finds the items within the storage facilities the department had been using while I was employed with the City of Austin. I am sure CTM Wireless Department will continue to do great for the city in the future.

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

We have reviewed Cox's response. We believe our findings stand.


Appendix C - Management Response



COMMUNICATIONS
& TECHNOLOGY
MANAGEMENT

MEMORANDUM

TO: Michael Yamma, Senior Audit Investigator

FROM: Chris Stewart, Chief Information Officer 

DATE: January 10, 2023

SUBJECT: CTM Response to Draft Investigation Report (IN22005)

Mr. Yamma,

Thank you and the Auditor's Office for your thorough investigation of the personnel issue and for identifying improvements needed in the CTM Wireless inventory practices. While we were able to immediately address the personnel issue, we were also able to identify weak points in the inventory, tracking, and reporting of City-owned and demo technology in the Wireless division.

CTM has worked with the teams involved in this investigation to implement changes to the inventory control process and procedure. These changes should lower the probability of waste, fraud, or abuse and if it should occur, make it easier to identify.

It is unfortunate that this incident occurred, but I am pleased that the audit identified areas for improvement, resulting in a more secure technology inventory process.

Investigation Criteria

Finding 1

§ 2-7-62(O) - Standards of Conduct.

A City official or employee may not engage in fraud or abuse, as defined in City Code Chapter 2-3 (City Auditor).

§ 2-3-5 (A)(2)(b)- Powers and Duties.

FRAUD includes, but is not limited to: the misappropriation of funds, supplies, or other City resources, through methods including, but not limited to theft, embezzlement, or misrepresentation.

Methodology

We completed the following investigative steps:

- Conducted background research
- Reviewed City inventory records
- Interviewed CTM staff
- Interviewed the subject
- Reviewed applicable City Code and policy

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 general and ethics standards, procedures recommended by the Association of Certified Fraud Examiners (ACFE), and the ACFE Fraud Examiner's Manual. Investigations conducted also adhere to the quality standards for investigations established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE), and to City Code.

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

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

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

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