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## HIGHLIGHTS

Highlights of City Auditor Report #1601, a report to the City Commission and City management

### WHY THIS AUDIT WAS DONE

In early August 2015, the Independent Ethics Officer advised the City Auditor's Office that several HVAC (heating, ventilation, and air conditioning) contractors doing business within the Tallahassee area had expressed concerns regarding practices of City energy auditors. The City Auditor and Independent Ethics Officer subsequently met with the HVAC contractors. In that meeting, the HVAC contractors indicated they were concerned that City energy auditors and other City energy program staff had inappropriately used their City positions to obtain additional secondary employment for themselves or others. After subsequent discussions with City management, the City Auditor's Office conducted an audit inquiry into this matter.

### WHAT WE CONCLUDED

Our inquiry procedures did not disclose any instances where City energy auditors that worked secondary employment inappropriately used their City positions to obtain HVAC work for their secondary employment, or instances where other City staff within the Utility Services Department used their positions to inappropriately direct (recommend) HVAC work to those City energy auditors.

Our inquiry procedures also did not disclose any instances where City energy auditors or other staff within the Utility Services Department recommended specific contractors (who were not City employees) to City utility customers in connection with work deemed needed or performed pursuant to the City's energy audit or efficiency programs.

We did, however identify areas where procedures and practices relating to the energy audit and other energy efficiency programs should be enhanced and strengthened to help ensure conflicts of interests and other inappropriate actions relating to employees' secondary employment do not occur. We also identified where the most appropriate procedures relating to one inspection and evaluation activity (removing and replacing HVAC panels) should be determined and formalized, and staff trained accordingly.

To view the full report, go to  
<http://www.talgov.com/auditing/auditreports.cfm>

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[auditors@talgov.com](mailto:auditors@talgov.com) or by telephone at 850/891-8397.

November 12, 2015

## Special Inquiry into Potential Conflicts of Interests Regarding City Energy Auditors and Their Secondary Employment

*Our inquiry procedures did not identify any instances where City energy auditors used their City positions to obtain HVAC work for their secondary employment, or instances where other City staff used their positions to inappropriately direct work to City energy auditors with such secondary employment. Recommendations were made to help ensure conflicts of interests and other inappropriate actions relating to employees' secondary employment do not occur.*

### WHAT WE RECOMMENDED

To enhance and strengthen existing procedures and practices, we made the following recommendations.

- A City energy auditor should not be allowed to conduct work in his/her secondary employment for a City utility customer and premises where that energy auditor previously performed an energy audit.
- A City energy auditor should not be allowed to perform a City energy audit at a premises where the energy auditor previously conducted HVAC (or similar) work in connection with their secondary employment.
- City energy auditors should be required to report the customers and premises for which they conduct secondary employment, with the reported information used to help ensure those energy auditors are not assigned to do future energy audits at those locations.
- Procedures should be revised so that energy auditors are not allowed to provide City utility customers with names of a limited number of contractors that can perform work that is recommended as a result of their energy audits.
- City energy auditors should be required to declare secondary employment relating to work that may result from a City energy program (e.g., grant, loan, or rebate); and that information should be used by management to ensure those energy auditors working secondary employment for City utility customers are properly licensed for that work.
- Procedures should be strengthened to specifically preclude staff within the City's energy program area from referring work (resulting from an energy audit or energy grant, loan, or rebate) to a City energy auditor who performs work in the respective field.
- City energy auditors should be required to declare any personal or financial interest in any contractor or vendor that may do business with the City as the result of an energy audit or grant, loan, or rebate provided through the City's energy program.

Other recommendations were made, including determining the most appropriate procedures for removing and replacing HVAC panels during the energy audit inspection process.

We would like to thank the Independent Ethics Officer and applicable City staff for their assistance and cooperation during this audit inquiry.

Office of the City Auditor

# ***Inquiry into***



T. Bert Fletcher, CPA, CGMA  
City Auditor

## ***Potential Conflicts of Interests Regarding City Energy Auditors and Their Secondary Employment***

Report #1601

November 12, 2015

### ***Summary***

**Overview.** In early August 2015, the Ethics Officer working for the City of Tallahassee Independent Ethics Board advised the City Auditor's Office that several HVAC (heating, ventilation, and air conditioning) contractors doing business within the Tallahassee area had expressed concerns regarding practices of City energy auditors. The City Auditor and Ethics Officer subsequently met with the HVAC contractors. In that meeting, the HVAC contractors indicated they were concerned that City energy auditors and other City energy program staff had inappropriately used their City positions to obtain additional secondary employment for themselves or others. After subsequent discussions with City management, the City Auditor decided to conduct an inquiry (audit) into the matter.

**Audit Inquiry Objectives.** The purpose of our inquiry was to determine whether City energy auditors were using their City positions to inappropriately obtain work in connection with their secondary employment or, contrary to City procedures, recommend specific contractors to City utility customers. Our inquiry was also conducted to determine whether other employees working in the City Utility Services Department were inappropriately using their positions to direct work either to City energy auditors that worked secondary employment or to specific contractors. The secondary work addressed in this inquiry pertained to heating, ventilation, and air conditioning (HVAC) systems. Our review also included a determination of the

licensure status of City energy auditors performing HVAC work as part of their secondary employment. Lastly, we considered the appropriateness of certain inspection and evaluation activities performed by energy auditors during their energy audits.

**Audit Inquiry Procedures.** To meet our audit objectives we performed various procedures including, but not limited to:

- Identifying and reviewing applicable City policies and procedures and/or legal provisions pertaining to and governing (1) the City's energy audit program, (2) secondary employment and employee conflicts of interests, and (3) licensure requirements for HVAC work.
- Interviewing City utility customers that received energy audits or grants, loans, or rebates under the City's other energy efficiency programs to ascertain whether any conflicts of interests or inappropriate employee actions occurred.
- Interviewing City employees working as energy auditors or as administrators in the other City energy efficiency programs to ascertain whether any conflicts of interests or inappropriate employee actions occurred.
- Determining if the City's energy auditors that had secondary employment relating to HVAC systems were properly licensed.
- Reviewing work reflected in City records relating to growth management permits issued to contractors, who were also City energy auditors or employers of City

energy auditors (in a secondary employment role), to determine if any conflicts of interests or inappropriate employee actions occurred.

- Reviewing (1) audit reports of other local government entities relating to employee conflicts of interests and secondary employment and (2) policies and procedures of two similar local governments regarding employee conflicts of interest and secondary employment for the purpose of identifying best or alternative practices.

**Audit Inquiry Results.** Our inquiry procedures did not disclose any instances where City energy auditors that worked secondary employment inappropriately used their City positions to obtain HVAC work for their secondary employment, or instances where other City staff within the Utility Services Department used their positions to inappropriately direct (recommend) HVAC work to those City energy auditors.

Our inquiry procedures also did not disclose any instances where City energy auditors or other staff within the Utility Services Department recommended specific contractors (who were not City employees) to City utility customers in connection with work deemed needed or performed pursuant to the City's energy audit or efficiency programs.

We did, however identify areas where procedures and practices relating to the energy audit and other energy efficiency programs should be enhanced and strengthened to help ensure conflicts of interests and other inappropriate actions relating to employees' secondary employment do not occur. We also identified where the most appropriate procedures relating to one inspection and evaluation activity should be determined and formalized, and staff trained accordingly.

**Recommendations.** Consideration was given by the City Auditor's Office to recommending

that management implement a procedure that specifically precludes energy auditors from conducting secondary employment for City utility customers in areas for which work could be recommended and occur as a result of an energy audit or other energy program (e.g., grants, loans, or rebates). However, as no actual conflicts of interests were identified by the audit, we recommend that management, as an alternative, implement the following measures to help ensure conflicts of interest do not occur.

- City management should establish a formal written procedure and practice to not allow a City energy auditor to conduct work in his/her secondary employment for a City utility customer and premises where that energy auditor previously performed an energy audit.
- City management should establish a formal written procedure and practice to not allow a City energy auditor to perform a City energy audit at a premises where the energy auditor formerly conducted HVAC (or other similar and applicable) work in connection with their secondary employment.
- City management should establish a formal written procedure and practice that requires energy auditors to report to their supervisors the customers and premises for which they conduct applicable secondary employment. Additionally, that information should be tracked within the City's records and used by management to help ensure those energy auditors are not assigned to do future energy audits for those customers and/or premises.
- Existing procedures should be revised to specifically provide that energy auditors or other energy program staff cannot refer or recommend work, resulting from an energy audit or a grant, loan, or rebate provided through the City's energy programs, to

another energy auditor who has secondary employment in the respective field.

- Existing procedures should be revised to specifically provide that energy auditors cannot use available City records (PeopleSoft Customer Information System or any other City records) to obtain/solicit business in connection with their secondary employment or for any specific contractor(s).
- As it is important that all City employees conduct themselves ethically, appropriately, and in compliance with controlling laws and regulations at all times, each energy auditor conducting secondary employment involving City utility customers and City programs (e.g., loans or rebates) should, at a minimum, be required to declare that non-City employment to management, and management should ensure that those energy auditors are properly licensed to conduct the related work.
- Each City employee working as an energy auditor or in another City energy program (grants, loans, and rebates) should be required to (1) sign annual statements that they understand the City and department's internal policies and procedures regarding employee conflicts of interests and secondary employment and (2) assert in writing whether they are aware of any conflicts of interests, involving themselves or other employees, that occurred during the applicable annual period.

In addition to those recommendations, we also identified other areas where procedures and practices should be enhanced and strengthened. The following additional recommendations were made for those areas.

- City management should revise existing procedures and practice to provide that, in addition to already not allowing

recommendations of a specific contractor or contractors, the energy auditors or other City staff also are not to name a contractor or contractors who can perform the applicable work.

- City management should determine the most appropriate procedures for City energy auditors to perform regarding removing and replacing panels on HVAC equipment; once the appropriate procedures have been determined and formalized (documented) all energy auditors should be trained on them.
- Existing procedures should be revised to specifically provide that energy auditors must declare, on an annual basis, any personal or financial interest in any contractor or vendor that may do work as the result of an energy audit or grant, loan, or rebate provided through the City's energy programs.

We would like to thank staff in the applicable offices within the City Utility Services Department and Growth Management Department for their assistance and cooperation during this audit inquiry. We would also like to express our thanks to the Independent Ethics Officer for her efforts and cooperation regarding the initiation of this audit inquiry.

## *Scope, Objectives, and Methodology*

The Office of the City Auditor is an independent appraisal activity within the City organization for the review of operations as a service to the City Commission and to management. Accordingly, we periodically respond to requests from City departments, other entities, and/or citizens to independently review instances of potential violations of established internal controls and/or City policies and procedures.

**Scope.** This inquiry addressed activity within the City’s energy audit program and other energy efficiency programs that involved (1) contact by City employees with City utility customers and (2) City utility customers paying contractors for repairs, maintenance, or installations at their premises as a result of those programs. While the audit focused primarily on current procedures and processes and activity from January 2014 through September 2015, we also considered certain activity occurring over the last 15 years.

**Objectives.** The purpose of our inquiry was to determine whether City energy auditors were using their City positions to inappropriately obtain work in connection with their secondary employment or, contrary to City procedures, recommending specific contractors to City utility customers. Our inquiry was also conducted to determine whether other employees working in the City Utility Services Department were inappropriately using their positions to direct work either to City energy auditors that worked secondary employment or to specific contractors. The secondary work addressed in this inquiry pertained to heating, ventilation, and air conditioning (HVAC) systems. Our review also included a determination of the licensure status of City energy auditors performing HVAC work as part of their secondary employment. The adequacy of related policies and practices was also evaluated.

To meet our inquiry objectives we performed procedures to answer the following questions:

- Did City energy auditors that worked secondary employment inappropriately use their City positions to obtain HVAC work for their secondary employment, or did other City staff within the Utility Services Department use their positions to inappropriately direct (recommend) HVAC work to those City energy auditors?
- Contrary to City procedures, did City energy auditors or other staff within the Utility Services Department recommend specific

contractors (who were not City employees) to City utility customers in connection with work deemed needed or performed under the City’s energy audit or efficiency programs?

- Are City energy auditors that perform HVAC work in connection with their secondary employment properly licensed to conduct that work?
- Are enhancements to existing policies and procedures needed (1) to help ensure conflicts of interests do not occur regarding City energy auditors and their secondary employment or (2) to otherwise reduce the City’s exposure to risk, liability, and inappropriate employee actions?

**Methodology.** To meet our objectives, we performed the following audit procedures:

- Identified and reviewed City policies and legal provisions pertaining to employee conflicts of interests in connection with secondary employment.
- Identified and reviewed City policies and/or legal provisions pertaining to municipal energy audits and City energy efficiency programs.
- Identified and reviewed legal provisions pertaining to licensure requirements for HVAC work.
- Reviewed other local government audit reports that addressed conflicts of interests relating to employees’ secondary employment.
- Obtained and reviewed, for comparative purposes, the policies and procedures regarding secondary employment and conflicts of interest for two local governments that have similar energy audit programs (Gainesville Regional Utilities and Lakeland Electric).

- Met with Utility Services Department management and staff to obtain an appropriate understanding of the City’s energy audit function and other City energy efficiency programs (i.e., providing grants, rebates, and loans to utility customers).
- Determined which of the City energy auditors were licensed through the State to perform HVAC repairs and installations.
- Determined which of the City energy auditors worked secondary employment that involved HVAC work and, to the extent determinable, whether that work required State or City licensure.
- Selected a sample of recent energy audits for which City records showed a City energy auditor indicated HVAC work was recommended or deemed likely necessary; then contacted and interviewed the applicable utility customers and City staff to determine:
  - Whether the energy auditor performing the energy audit recommended himself or any specific contractor(s) to perform the recommended or needed HVAC repairs, maintenance or installations.
  - Whether any HVAC work was done and, if so, what contractor or individual performed that work, and how the utility customer selected the contractor or individual.
- For the two energy auditors determined to have performed HVAC work in connection with their secondary employments, identified City and County growth management permits obtained by the respective secondary employers for HVAC work; then reviewed City records for that work to ascertain if it may have been awarded as the result of a City energy audit or a City energy grant, loan, or rebate; for those instances where there was indication of a potential related energy

audit or energy grant, loan, or rebate, interviewed the applicable utility customers and/or City staff to determine if there was any perceived or actual conflict of interests.

- Interviewed City energy auditors, other City staff interacting with City utility customers in connection with the City’s energy efficiency programs (grants, loans, and rebates), and their supervisors for the purpose of identifying potential conflicts of interest and determining the adequacy of applicable City policies, procedures, and processes.
- Reviewed lists and records of contractors made available and provided to City utility customers in connection with energy audits or other City energy efficiency programs to ascertain if any City employees and/or their secondary employers were included.

Several of these procedures are addressed in further detail in the following sections of this report.

We conducted this audit inquiry in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## ***Background***

**Citizens’ Concerns.** In early August 2015, the Ethics Officer working for the City of Tallahassee Independent Ethics Board advised the City Auditor’s Office that several HVAC contractors doing business within the Tallahassee area had expressed concerns regarding practices of City energy auditors. The City Auditor and Ethics Officer subsequently met with the HVAC

contractors. In that meeting, the HVAC contractors indicated they were concerned that City energy auditors and other City energy program staff had inappropriately used their City positions to obtain secondary employment for themselves or others. After subsequent discussions with City management, the City Auditor decided to conduct an inquiry (audit) into the matter.

**City Energy Audit Program.** Pursuant to the “Florida Energy Efficiency and Conservation Act” (Sections 366.80 through 366.83 and 403.519, Florida Statutes), municipality utilities providing electricity or natural gas to the public offer (or contract to offer) energy audits to their residential customers. In accordance with that act, the City of Tallahassee has provided residential energy audits since 1981 and commercial energy audits since 1984. Annually, the City estimates it performs about 6,000 residential energy audits and about 200 commercial energy audits. Those energy audits are provided at no charge to the customer and involve on-site “walk-throughs” by the energy auditor at the customers’ premises.

Energy audits typically address one or more of the following three areas:

1. **Ceiling insulation** – the energy auditor determines the adequacy of the premises’ ceiling insulation; customers may qualify for City grant assistance to add ceiling insulation when needed.
2. **High bill concerns** – the energy auditor focuses on determining the causes of customers’ high bills, with the reasons often attributed to air conditioning or water heaters.
3. **General information audit** – the energy auditor conducts a general review and answers the customer’s questions and gives them advice and guidance as to energy improvements. Areas checked during the review include, for example, HVAC systems,

insulation, water heaters, appliances, windows, and doors.

Customers receiving a City energy audit are generally provided a free kit of energy saving items and devices, which include compact fluorescent bulbs, thermometer cards, and low-flow shower heads.

As of the date of inquiry fieldwork in August and September 2015, there were 14 employees conducting energy audits. Twelve of those 14 employees worked in the City’s regular energy audit program while the other two were assigned to perform energy audits in connection with the City’s REACH Program. The REACH Program is a relatively new community program (started in 2010) designed to help City utility customers in selected neighborhoods to lower their utility consumption through a combination of energy audits (inspections and advice) and contracted installations of weatherization, caulking, and energy efficient light bulbs, aerators, and shower heads. Other than those installations, energy audits conducted under the City’s REACH Program are similar to those conducted under the regular program.

Overall, the energy audits involve review and inspection of equipment and systems and the provision of advice to utility customers based on those reviews and inspections. In regard to HVAC systems, energy auditors typically:

- Inspect air filters and evaporator coils for dust accumulation and clogging.
- Check the drain pan on the air handler to ensure it is working properly and not clogged.
- Inspect for leaks between the ducts and air handler.
- Inspect and check the duct work for leaks.
- Inspect thermostats to ensure they are working properly.

- Use thermometers to measure temperature changes at the inlet and outlet points of HVAC coils to determine system adequacy.
- Review usage history from City utility records to help identify anomalies in the performance of the HVAC system.

Repairs, maintenance, and replacements of equipment and systems (e.g., HVAC systems and water heaters) are not provided by City staff in connection with an energy audit. In the event the energy auditor determines that repairs, maintenance, or replacement of such equipment or related components is warranted, the energy auditor may recommend to the customer (in an advisory role) that such services be obtained. However, City procedures provide that the energy auditor may not recommend a contractor to perform that work. Procedures do allow for a list of HVAC contractors participating in other City programs (e.g., loan and grant programs as described in the following section of this report) to be provided to the utility customer to assist them in identifying and selecting authorized HVAC contractors.

**Other City Energy Efficiency Programs.** The City has other energy efficiency programs that provide grants, loans, and rebates to City utility customers. Under the grant program, customers that meet income-based eligibility guidelines may be provided City grants to assist them in repairing HVAC systems or hot water leaks. Under the loan program, the City offers loans to customers that purchase various energy-efficiency appliances, including HVAC systems. Customers obtaining such loans are billed for and pay the resulting loan payments through their monthly utility bills. Under the rebate program, customers that purchase and install HVAC systems meeting established energy efficiency standards may submit a rebate application to the City and receive a rebate ranging from \$100 to \$750. The amount depends on the type and energy rating of the purchased HVAC system.

For the loan and rebate programs, a City utility customer may use any qualified contractor to install the new HVAC system. A list of licensed contractors is made available to customers participating in those programs to assist them in selecting a contractor. The current list includes 61 HVAC contractors. As stated, the customers are not required to use a contractor on that list.

For the grant program, customers may only use those HVAC contractors that have been authorized to participate in that program. Currently, there are 25 HVAC contractors participating in the grant program.

**HVAC Contractor Licensure.** To protect the general public, state law (Section 489.015, Florida Statutes) requires individuals/entities that install, repair, fabricate, alter, extend, or design HVAC systems to be properly licensed through the State Department of Business and Professional Regulation (DBPR). Specific individuals/entities authorized to perform such HVAC services include those licensed as general contractors, building contractors, air conditioning contractors, and mechanical contractors. Such contractors must also be authorized (either “certified” by DBPR or “registered” in the applicable jurisdiction) to perform work in a specific location (i.e., city or county). An individual not so licensed may perform the described HVAC services if that individual is working under the supervision of an individual or entity that is properly licensed.

Additionally, individuals/entities that are located within the City of Tallahassee’s corporate limits and that perform HVAC services (repair, maintenance, installation, etc.) are required to pay a City occupational business tax and obtain a City Business Tax Certificate.

**Conflict of Interests Provisions and Secondary Employment.** Because of the expressed concerns that resulted in this inquiry, we reviewed and identified State laws and City policies addressing employee secondary employment and related conflicts of interests.



In regard to state law, we found that Sections 112.311 and 112.313, Florida Statutes, provide, in part, that no city employee shall have any direct or indirect interest, financial or otherwise; engage in any business transaction or professional activity; or incur any obligation of any nature which is in substantial conflict with the proper discharge of the employee's duties in the public interest. Furthermore, no city employee shall corruptly use or attempt to use his or her official position or perform his or her official duties to secure a special benefit for himself, herself, or others. In addition, a city employee may not disclose or use information not available to the general public and gained by reason of his/her official position for his or her personal gain or benefit, or for the personal gain or benefit of any other person or business entity.

City Administrative Policy and Procedure (APM) "Working Conditions" provides in Section 706.06 C (conflicts of interest in relation to City employment) that the City will follow the regulations and requirements of Sections 112.311 and 112.313, Florida Statutes, described in the previous paragraph of this report. That policy contains provisions stating that a City employee is prohibited from (1) using his/her position to secure a special privilege or benefit for the employee or others and (2) disclosing or using information not available to the general public for the employee's personal gain or for the gain of any other person or business entity. Section 706.06 H (outside employment) of that policy provides, in part, that no employee shall accept outside employment or engage in any private business if such outside employment or private business interferes or is in conflict with the performance of the employee's regular City position.

Lastly, Section 706.11 (departmental work rules) of that City policy provides that department directors are authorized to establish work rules and regulations governing their operations as long as those internal rules/regulations do not conflict with those in APM 706. Section 706.11 also provides that such internal rules and

regulations shall be in writing and shall be reviewed periodically with employees and shall be available for employee reference. We determined that, to date, such internal work rules and regulations had been established for the energy audit program. We found those internal rules and regulations address various operational areas within the energy audit function; however, they do not address secondary employment or conflicts of interests.

## **AUDIT PROCEDURES & RESULTS**

### **Question No. 1**

***Did City energy auditors that worked secondary employment inappropriately use their City positions to obtain HVAC work for their secondary employment, or did other City staff within the Utility Services Department use their positions to inappropriately direct (recommend) HVAC work to those City energy auditors?***

As previously indicated in this report, our audit objectives included determining whether City energy auditors were using their City positions to inappropriately obtain work in connection with their secondary employment, and whether other City staff used their City positions to inappropriately direct work to those energy auditors. To make those determinations, we first ascertained which of the City's energy auditors had secondary employment that involved HVAC work by:

- Interviewing energy auditors and their supervisors.
- Reviewing state licenses on DBPR's website.
- Reviewing applicable City records (e.g., contractors receiving energy appliance rebates).

- Reviewing City and County growth management permits issued for HVAC work over the last 15 years.

Those procedures showed there were two City energy auditors that performed HVAC work as part of their secondary employment. One of those two energy auditors owned and operated his own HVAC business for his secondary employment. The other energy auditor worked for a HVAC contractor located in Wakulla County. Based on our interviews of that second energy auditor and the owner of the business he worked for in Wakulla County, he (second energy auditor) only did work in Wakulla County for that business (although the business has also done work in Leon County). However, that energy auditor also acknowledged that he occasionally performed some HVAC work in Leon County (and within the City's corporate limits) for himself and not in connection with the Wakulla business. He asserted that the work he performed within Leon County and the City of Tallahassee was infrequent "small jobs" and generally was for friends or family. He indicated that he did get paid relatively small amounts for that work.

To determine whether either of those two energy auditors inappropriately used their City positions as energy auditors to obtain HVAC work in connection with their secondary employment, and to determine if other City staff used their City positions to inappropriately direct work to those two energy auditors, the following procedures were performed.

Procedure 1: We selected a sample of 27 energy audits conducted during the period January 2014 through mid-August 2015, for which the City's energy audit records indicated that HVAC work was recommended by the energy auditor or the energy auditor had identified HVAC concerns or issues. The 27 selected energy audits were conducted by various energy auditors, including 14 by the two energy auditors that performed HVAC work in their secondary employment. For each of those 27 energy audits, we reviewed

all available City records and attempted to contact the applicable City utility customers for the purpose of:

- Confirming they received the energy audit.
- Determining if any HVAC work was done as a result of the energy audit.
- Determining what individual/entity was hired to do the HVAC work if such work was done.

We were successful in contacting 22 of the 27 customers (81%). Based on their responses to our questions, we were able to determine that none of those 22 customers had the related HVAC work performed by a City energy auditor or by a business owned or operated by a City energy auditor. Seventeen of the interviewed customers indicated the HVAC work was done by an individual or business which we determined was not owned or operated by a City energy auditor. The other five customers indicated that HVAC work had not been performed to date. For a 23rd instance (i.e., one of the five instances where we were unable to contact the applicable utility customer), we were able to determine, based on City records, that the related HVAC work was performed by a commercial business not owned or operated by a City energy auditor. Regarding the remaining four instances where the customers were not contacted, our interviews of applicable City energy auditors inferred that no work was done by either of the two energy auditor conducting HVAC work as their secondary employment. In conclusion, we did not identify any conflicts of interests. (*No conflicts of interests identified.*)

Procedure 2: For the two energy auditors that performed HVAC work in connection with their secondary employment, we identified and reviewed all City or County growth management permits issued to the two applicable licensed contractors over the last 15 years. Exactly 100 permits were identified and reviewed, with 56 of the permits pertaining to the energy auditor that

owned his own HVAC business and the other 44 pertaining to the HVAC business located in Wakulla County and for which the other energy auditor occasionally worked.

For each of those 100 permits, we reviewed City records to determine if any energy audits had been conducted or City loans, grants or rebates provided for the applicable premises. That review disclosed 18 instances where permits were issued for premises for which (1) a City rebate had been issued for installation of a new qualified HVAC system and/or (2) a City energy audit had been conducted during or within a relatively close period of the permit issuance.

*(NOTE: There were 12 instances where a rebate had been issued and 8 instances where a City energy audit had been conducted during or within a relatively close period of the permit issuance; as in 2 instances both a rebate had been issued and a City energy audit had been conducted during or within a relatively close period of the permit issuance.)*

To determine if the HVAC work performed by the contractors in connection with those growth management permits represented a conflict of interests, we (1) contacted and interviewed the applicable utility customers (if the permit had been issued within the last 4 years), the contractors, and/or the energy auditors and (2) reviewed available City records. Based on those procedures we determined the following:

- For the 12 instances where a rebate was provided:
  - The interviewed customers, contractors and/or energy auditors all indicated the contractor had been selected solely based on the customers' previous experiences and relationships with the selected contractor or recommendations made by friends or relatives. There were no indications or evidence that a City employee (energy auditor or other employee) used their City position to

obtain the work for himself or another City employee (*10 instances*).

- The interviewed contractor and energy auditor that occasionally worked for that contractor asserted the applicable energy auditor did not work on the applicable HVAC installations (*2 instances*).
- For the eight instances where a City energy audit was conducted during or within a relatively close period (2.5 years) of the permit issuance (two of these were also included in the 12 instances where a rebate was provided), our interviews of the customers and/or City energy auditors and review of records disclosed the following:
  - The energy audits were performed by a City energy auditor other than the energy auditor (also a contractor) conducting the HVAC work, and the interviewed customers asserted they requested that contractor (energy auditor) to install a new HVAC system solely based on the customers' previous experiences and relationships with that contractor or recommendations made by relatives (*2 instances*).
  - The energy auditor who was the contractor installing or working on the HVAC system, acknowledged to us that the customers requested him to do an energy audit after he had been hired to perform the applicable HVAC work (*3 instances*).
  - The energy auditor who was the contractor installing or working on the HVAC system, acknowledged to us that he had performed an energy audit at the premises and subsequently conducted permitted HVAC work for that premises. In those instances the energy auditor and/or the customer asserted they were friends with that energy auditor and/or had used him for their HVAC needs for

several years prior to the work we reviewed (3 instances).

In conclusion, there was no indication or evidence of a City energy auditor or other City staff using their positions to inappropriately obtain work for himself or another City employee in connection with secondary employment.

**However, as indicated we did identify six instances where an energy auditor, that was also a contractor, performed energy audits before or after conducting permitted HVAC work for a City utility customer. In those six instances, the energy auditor acknowledged that, without evidence to the contrary, there was a perception (appearance) of a conflict of interest.** Such instances could result in a reasonable question as to whether (1) the energy auditor inappropriately used his position to gain a personal financial advantage (obtain HVAC work) after conducting an energy audit or (2) an energy audit, performed after the related HVAC work, was objective and complete as it would entail the energy auditor evaluating his own work (i.e., evaluating the efficiency of a HVAC system he had installed or repaired). *(No conflicts of interests identified; however, procedures should be revised to minimize the risk of a conflict of interests.)*

Procedure 3: We interviewed 12 of the City's 14 energy auditors, their two supervisors, and six other Utility Services Department staff that interacted with City utility customers in connection with energy audits, grants, loans, and/or rebates. As part of our interviews of those 20 employees, we inquired as to whether they (1) worked secondary employment involving HVAC work, (2) had any financial or other interest in any contractors that may perform HVAC work as the result of a City energy audit, (3) had performed HVAC work for a City utility customer as the result of a City energy audit or a recommendation made by a City employee in connection with the City's other energy assistance and efficiency programs (grants,

loans, rebates, etc.), (4) had ever referred HVAC work to another City energy auditor, or (5) were aware of any potential or actual conflicts of interests that have occurred in regard to the City's energy audit program and activities.

Those interviews did not disclose any potential or actual conflicts of interests. *(No conflicts of interests identified.)*

Procedure 4: We obtained and reviewed two lists of HVAC contractors provided, to or otherwise made available to, City utility customers to ascertain whether either of the two energy auditors performing HVAC work in connection with their secondary employments was included. The first was a list of 61 HVAC contractors included in the City's "Loan Handbook" and the other was a list of 25 HVAC contractors that were authorized to participate in the City's energy efficiency grant program. Neither of the two applicable City energy auditors performing HVAC work as secondary employment was on those lists. Additionally, the HVAC contractor located in Wakulla County, for which one of those two energy auditors occasionally worked, was not on those lists.

Furthermore, we reviewed selected City payments for grants, loans, and rebates, made payable to either of the two energy auditors or the HVAC contractor in Wakulla County. Our review of those payments did not disclose any circumstances that were not already reviewed in connection with Procedure 2 discussed previously within this report. *(No conflicts of interests identified.)*

Overall Conclusion – Question No. 1: Our audit procedures did not identify or disclose any conflicts of interests resulting from a City energy auditor, or other City staff within the Utility Services Department, using their City positions to inappropriately obtain HVAC work as part of their secondary employment or to direct such work to another City employee that had secondary employment. We did note an area where enhancements should be made to City

procedures so as to help ensure perceived or actual conflicts of interests do not occur. Recommendations to address that area are made in a subsequent section of this report.

**(Question No. 2)**

***Contrary to City procedures, did City energy auditors or other staff within the Utility Services Department recommend specific contractors (who were not City employees) to City utility customers in connection with work deemed needed or performed under the City’s energy audit or efficiency programs?***

Another objective of our audit was to determine if City energy auditors or other City staff inappropriately gave preferential treatment to specific contractors (who were not City employees) in connection with the energy audit or energy efficiency grant, loan, and rebate programs. To make that determination, we performed various procedures involving reviews of City policies and procedures and interviews of City utility customers and applicable City staff.

Procedure 1: We determined that City procedures for the energy audit and other energy efficiency programs specifically preclude City staff (energy auditors and others) from recommending a specific contractor or contractors to perform any work needed or recommended in connection with the results of an energy audit or with a City grant, loan, or rebate. Specifically:

- The Energy Audit Section’s internal procedures for conducting energy audits provides, in part, that vendor (contractor) lists in the City’s Energy Loan Handbook (which currently lists 61 HVAC contractors) may be provided to utility customers, but the energy auditors shall not recommend any contractor. **Notwithstanding that prohibition, the procedures do allow the energy auditor to name for the customer 5 or 6 contractors who frequently perform**

**(HVAC or gas water heater) installations in connection with City programs.**

- The City’s Loan Handbook has specific language to inform the utility customer applying for a City energy loan that the City does not recommend, endorse, or certify installing contractors.

While the City does have written procedures that specifically preclude City staff from recommending or suggesting specific contractors, some of those procedures could be interpreted to allow an energy auditor to make an “indirect” or “implied” recommendation by virtue of allowing the auditor to provide the customer with names of 5 or 6 contractors. ***(No conflicts of interests identified; however, procedures should be revised to minimize the risk of a conflict of interests.)***

Procedure 2: In connection with our interviews of City energy auditors and other City staff (*see Procedure 3 in the previous section of this report*), we also inquired as to whether those employees recommended specific contractor(s) in connection with the results of their energy audits or their processing of grant, loan, and rebate applications. Each of the 20 interviewed employees asserted that they did not recommend any specific contractor or contractors to utility customers. **However, 5 of the 20 employees stated that, as allowed by departmental internal procedures as addressed in Procedure 1 above, they do sometimes provide names of 3 to 6 contractors that could perform the applicable work.** Because providing names of a few contractors could be perceived as providing preferential treatment of the named contractors to the detriment of other contractors, consideration should be given to revising that procedure such that names are not allowed to be provided. ***(No conflicts of interests identified; however, as noted in the previous audit procedure, procedures should be revised to minimize the risk of a conflict of interests.)***

Procedure 3: In connection with our interviews of various City utility customers receiving energy audits or energy rebates (*see Procedures 1 and 2 in the previous section of this report*) we inquired as to whether the energy auditors or other City staff recommended any specific contractors. None of the 30 interviewed customers responded that a specific contractor or contractors was/were recommended by City employees. Many indicated that the City employees (energy auditors) did provide lists of contractors participating in the City’s loan and grant programs, but stated no specific contractor or contractors were recommended or suggested. *(No conflicts of interests identified.)*

Overall conclusion – Question No. 2: Our audit procedures did not disclose any instances where City energy auditors or other Utility Services Department staff directly recommend specific contractors to utility customers in connection with the City’s energy audit or grant, loan, and rebate programs. However, current procedures allow City staff to provide names of a few (5 or 6) contractors that can perform the applicable work. As providing such names may be interpreted as an indirect recommendation of the named contractors, consideration should be given to revising that procedure such that names are not allowed to be provided. Recommendations to address that area are made in a subsequent section of this report.

**(Question No. 3)**

***Are City energy auditors that perform HVAC work in connection with their secondary employment properly licensed to conduct that HVAC work?***

The third objective of our audit was to determine if the City energy auditors performing HVAC work in connection with their secondary employment were properly licensed to conduct such work. Although it is not a direct responsibility of the City to ensure those individuals are properly licensed, it is important

that all City employees conduct themselves ethically, appropriately, and in compliance with controlling laws and regulations at all times.

As described in the background section of this report, individuals/entities conducting HVAC work for City utility customers may be required to be licensed through the State Department of Business and Professional Regulation (DBPR). A DBPR contractor license is required if the individual/entity is paid for the HVAC services and if the HVAC work entails installation, repair, fabrication, alteration, extension, or design of HVAC systems. If the HVAC work is limited to “testing and evaluation” services then it is our understanding that DBPR licensure is not required.

Furthermore, as also noted in the background section of this report, individuals/entities that are located within the City of Tallahassee’s corporate limits and that conduct HVAC work (installation, repair, testing, evaluation, etc.) are required to pay a City occupational tax and obtain a City Business Tax Certificate.

To determine if the two energy auditors identified as performing HVAC services for City utility customers were properly licensed, we performed the following procedures.

Procedure 1: We contacted applicable DBPR staff to obtain an understanding as to what HVAC services did and did not require a DPBR contractor license. While those discussions were beneficial, it was apparent that there is some ambiguity as to whether certain services require such licensure. To make a determination as to whether a State contractor license should be obtained for those specific HVAC services, professional judgment by qualified persons (e.g., DBPR staff) is required.

In regard to the two energy auditors that performed HVAC services for City utility customers, we determined the one who had his own HVAC company had been and was currently licensed as a HVAC contractor by

DBPR. The other energy auditor that occasionally performed small HVAC jobs for family and friends in Leon County (as asserted by that energy auditor) was not licensed through the DBPR. Based on our discussions with that energy auditor and DBPR staff (see the previous paragraph above), we concluded DBPR staff would have to make the determination as to whether or not that energy auditor's HVAC services required a DBPR contractor license.

We recommend City management follow up on this matter to ensure this City employee (energy auditor) is complying with State (DBPR) licensure requirements in connection with his secondary employment. If a determination is made that this employee's secondary employment requires a state contractor's license and the employee continues that secondary employment, the employee should be required to obtain the necessary license. *(City management should follow through to determine if State licensure requirements are applicable to the City employee in question; if applicable, City management should also follow through to ensure the employee is properly licensed for his secondary employment.)*

Procedure 2: To determine whether the two energy auditors performing HVAC work in connection with their secondary employment were required to have a City Business Tax Certificate, we first determined whether those two individual/businesses were located within the City of Tallahassee's corporate limits. That review showed the energy auditor that had his own HVAC company was located outside of the City's corporate limits and therefore is not required to obtain a City Business Tax Certificate. In regard to the other energy auditor that asserted he occasionally performed small HVAC jobs for family and friends in Leon County, we found he was located (resided) within the City of Tallahassee corporate limits and, therefore, was required to pay the occupational business tax to the City and obtain a City Business Tax Certificate. As confirmed by our interview of this employee, our review of

City records showed he had not paid that tax (amount varies based on several factors) and obtained a Business Tax Certificate. We recommend that City management follow through to ensure this employee obtains a Business Tax Certificate if he continues his secondary employment. *(City management should follow through to ensure the employee in question obtains a City Business Tax Certificate if he continues his secondary employment.)*

Overall conclusion – Question No.3: Our audit procedures showed there is a question as to whether secondary employment conducted by one energy auditor requires state licensure. We also determined if that energy auditor continues his secondary employment, he should obtain a City Business Tax Certificate. City management should follow through to ensure the employee obtains the applicable licenses. Recommendations to address this issue are made in a subsequent section of this report.

#### **(Question No. 4)**

***Are enhancements to existing policies and procedures needed (1) to help ensure conflicts of interest regarding City energy auditors and their secondary employment do not occur or (2) to otherwise reduce the City's exposure to risk, liability, and inappropriate employee actions?***

Our fourth objective of the audit was to determine if any enhancements to existing City policies and procedures were needed (1) to help preclude conflicts of interests regarding City energy auditors and their secondary employment and (2) to otherwise reduce the City's exposure to risk, liability, and inappropriate employee actions.

Procedures: Procedures performed to accomplish this audit objective consisted of all the procedures performed to meet the other audit

objectives as described in each of the previous sections within this report. A summary of the more significant of those procedures as they relate to this audit objective included:

- Interviewing City utility customers that received energy audits or City energy grants, loans, and rebates.
- Interviewing City energy auditors and other City staff that interact with utility customers in connection with City energy audits, grants, loans, and rebates.
- Reviewing City policies and procedures relating to energy audits and employee conflicts of interests.

Additional procedures performed in connection with this audit objective included the following:

- Surveying two other local governments that have similar energy audit programs (Gainesville Regional Utilities and Lakeland Electric).
- Reviewing audit reports for other local governments that address employees' secondary employment.

Overall, we determined the City has adequate policies, procedures, and processes to discourage and preclude conflicts of interests regarding City energy auditors and their secondary employment. Specifically, as described in the background section of this report, the City has a policy that provides a City employee is prohibited from (1) using his/her position to secure a special privilege or benefit for the employee or others and (2) disclosing or using information not available to the general public for the employee's personal gain or for the gain of any other person or business entity. Additionally, the Utility Services Department's internal procedures and related materials (e.g., loan handbook) for the energy audit and other energy efficiency programs, state that energy auditors and other City energy program staff shall not recommend

or suggest contractors to conduct HVAC (or other) work determined necessary based on an energy audit or based on a utility customer's application for an energy grant, loan, or rebate.

Notwithstanding those appropriate policies and procedures, we identified areas where enhancements are needed to further ensure actual or perceived conflicts of interests do not occur. Specifically:

1. As described on page 10 of this report in connection with the audit procedures and results for Question No.1, energy auditors performing HVAC work in their secondary employment have, in a few instances over the last several years, performed an energy audit for a utility customer and then subsequently performed HVAC work for that customer at the same premises. Notwithstanding that both the customer and the energy auditor were friends and/or had a previous long term work relationship, these circumstances result, at a minimum, in a perceived risk that the energy auditor's secondary employment was obtained as a result of the employee's position as an energy auditor. ***To reduce this risk, we recommend City management establish a formal written procedure and practice to not allow a City energy auditor to conduct work in their secondary employment for a City utility customer and premises where that energy auditor previously performed an energy audit. (Audit Recommendation No. 1)***
2. As described on page 10 of this report in connection with the audit procedures and results for Question No.1, energy auditors performing HVAC work in their secondary employment have, in a few instances over the last several years, conducted a City energy audit for a customer and premises for which they previously performed HVAC work for a fee. Notwithstanding that both the customer and the energy auditor were friends and/or had a previous long term work relationship, these circumstances may result in the energy



auditor evaluating their own work when performing the energy audit (e.g., evaluating the efficiency of an HVAC system he installed or repaired). In such situations, the objectivity of the energy auditor may be questioned. ***To reduce the risk of questioned independence and objectivity, we recommend City management establish a formal written procedure and practice to not allow a City energy auditor to perform a City energy audit at a premises where the energy auditor formerly conducted HVAC (or other similar and applicable) work in connection with their secondary employment. (Audit Recommendation No. 2)***

3. Currently, the two energy auditors that conduct HVAC work in connection with their secondary employment do not report such work to the City. As a result, management does not have a method to track their secondary work for purposes of helping ensure conflicts of interests do not occur in connection with their roles as City energy auditors. For example, not having such information makes it difficult for management to ensure those energy auditors are not assigned to perform energy audits for customers and premises where they previously conducted HVAC services (See Audit Recommendations No. 1 and 2 above). ***Accordingly, we recommend City management establish a formal written procedure and practice that requires energy auditors to report the customers and premises for which they conduct applicable secondary employment; that information should be tracked within the City's records (e.g., PeopleSoft Customer Information System) and used by management to help ensure applicable energy auditors are not assigned to do future energy audits for those customers and premises. (Audit Recommendation No. 3)***
4. As described on page 12 of this report in connection with the audit procedures and results for Question No. 2, when HVAC (or other applicable) work was determined to be needed based on their energy audits, four City energy auditors acknowledged they sometimes provided customers (i.e., when asked for recommendations) with the names of 3 to 6 contractors that could do the work, as allowed by department procedures. Similarly, one employee that processed energy loan applications stated that, when asked for recommendations, he sometimes provided names of contractors that could conduct the work for which the loan was being provided. He indicated he generally named contractors that had been used for other work in connection with other recent loans. ***Because providing names of some but not all contractors capable of conducting the work could be perceived as showing favoritism to the named contractors, we recommend that the procedure and practice be changed such that no names are provided to customers. Instead, we recommend the procedure and practice be revised to provide that the energy auditors or other City staff are to state in response to a recommendation request that they are not allowed to recommend or name a contractor; however they should still be allowed to provide the comprehensive list of HVAC contractors as listed on the City's literature (i.e., loan and grant handbooks). (Audit Recommendation No. 4)***
5. As described on pages 13/14 of this report in connection with the audit procedures and results for Question No. 3, we determined clarification was needed as to whether one energy auditor should have a state (DBPR) contractor license for his secondary work. We also determined that if that energy auditor continues his secondary employment he should obtain a City Business Tax Certificate. ***To ensure City employees are properly licensed in connection with their secondary employment, we recommend procedures and practices be revised to require, at a minimum, each energy auditor conducting secondary employment***

*involving City utility customers and City programs (e.g., loans or rebates) to declare that non-City employment to management, and for management to ensure that those energy auditors are properly licensed to conduct the related work. (Audit Recommendation No. 5)*

(NOTE: Our review of procedures of two other local governments with similar programs {Gainesville Regional Utilities and Lakeland Electric}, showed that their employees, unlike the City of Tallahassee, must have documented approval from management before they can engage in secondary employment.)

6. In connection with our interviews of 12 of the City's 14 energy auditors and their two supervisors, we inquired as to certain practices performed in connection with their performance of energy audits. Specifically, in addition to the inquiries described on page 11 in connection with the audit procedures and results for Question No.1, we also asked the energy auditors if they "removed panels from HVAC units (condensers and air handlers)" as part of the inspection process. Two of the energy auditors responded that they never remove panels, while others responded they removed panels only when the panels were relatively simple to remove and replace. Removing panels can be a beneficial part of the inspection process as it may show broken components or the need to clean coils, for example. However, removing panels may, in some instances, increase the risk of damage to the HVAC system; at a minimum, it may result in difficulty or the inability to properly replace the panel. *Because of this risk and because of the inconsistency in responses from the interviewed energy auditors, we recommend City management evaluate this process and determine the most appropriate procedures for City energy auditors to perform regarding removing and replacing panels on HVAC equipment. Once the appropriate*

*procedures have been determined and formalized (documented), all energy auditors should be trained on them. (Audit Recommendation No. 6)*

7. To further reduce the risks of conflicts of interests within the City's energy audit and efficiency programs, we recommend consideration be given by management to the following additional enhancements to the internal procedures and practices for those functions:

- *Existing procedures should be revised to specifically provide that energy auditors or other energy program staff cannot refer or recommend work, resulting from an energy audit or a grant, loan, or rebate provided through the City's energy program, to another energy auditor who has secondary employment in the respective field. (Audit Recommendation No. 7)*
- *Existing procedures should be revised to specifically provide that energy auditors cannot use available City records (PeopleSoft Customer Information System or any other City records) to obtain/solicit business in connection with their secondary employment or for any specific contractor(s). (Audit Recommendation No. 8)*
- *Existing procedures should be revised to specifically provide that energy auditors must declare on an annual basis any personal or financial interest in any contractor or vendor that may do work as the result of an energy audit or grant, loan, or rebate provided through the City's energy programs. (Audit Recommendation No. 9)*
- *Existing policies and procedures should be revised to specifically require each City employee working as an energy auditor or in another City energy program (grants, loans, and rebates) to*

*(1) sign annual statements that they understand the City and department’s internal policies and procedures regarding employee conflicts of interests and secondary employment and (2) assert in writing whether they are aware of any conflicts of interests, involving themselves or other employees, that occurred during the applicable annual period. (Audit Recommendation No. 10)*

Overall conclusion – Question No. 4: Implementing the recommended procedures and practices should help educate City energy auditors and other energy program staff as to appropriate and inappropriate behaviors and thereby decrease the risks of conflicts of interests in those programs. Implementation of those procedures should also increase the public’s confidence that those programs are properly and fairly operated.

## ***Conclusions***

Our inquiry procedures did not disclose any instances where City energy auditors that worked secondary employment in the HVAC field used their City positions to obtain work in connection with that secondary employment. Our audit did not disclose any instances where other City staff within the Utility Services Department used their positions to inappropriately direct or recommend work to City energy auditors working secondary employment.

Our inquiry procedures also did not disclose any instances where City energy auditors or other Utility Services Department staff recommended specific contractors (not also City employees) to City utility customers in connection with work determined needed or performed as a result of a City energy audit or other activity (grant, loan, or rebate).

We found City management needed to take actions to ensure that one City employee (energy

auditor) was properly licensed to conduct HVAC work in connection with his secondary employment.

We did determine other areas where procedures and practices relating to the City’s energy audit and other energy efficiency programs should be enhanced and strengthened to help ensure conflicts of interests and other inappropriate actions do not occur. Recommendations were made to address those areas.

We would like to thank staff in the applicable offices within the City Utility Services Department and Growth Management Department for their assistance and cooperation during this audit inquiry. We would also like to express our thanks to the Independent Ethics Officer for her efforts and cooperation regarding the initiation of this audit inquiry.

## ***Appointed Official’s Response***

### **City Manager:**

We appreciate the City Auditor’s work on the Audit of Potential Conflicts of Interests Regarding City Energy Auditors and Their Secondary Employment. I commend the City Auditor for the thorough and timely audit. We have reviewed the auditor’s findings and recommendations and have offered implementation plans to address each recommendation. I am sure the Auditor’s recommendations will result in improved internal control, policies and practices for the energy audit program. I would like to thank again the City Auditor as well as staff that were involved with this audit.

## Appendix A – Management’s Action Plan

Action Steps	Responsible Employee	Target Date
<b>A. Objective: To reduce the risk of employee conflicts of interests in connection with their City positions and secondary employment.</b>		
1) Written procedures and related practices will be revised to provide that a City energy auditor will not be allowed to conduct work in their secondary employment for a City utility customer and premises where the energy auditor previously performed an energy audit.	Bob Seaton George Lewis	3/31/2016
2) Written procedures and related practices will be revised to provide that a City energy auditor will not be allowed to perform a City energy audit for a City utility customer and premises where the energy auditor previously conducted related work in connection with their secondary employment.	Bob Seaton George Lewis	3/31/2016
3) Written procedures and related practices will be revised to provide that City energy auditors will be required to report the City utility customers and premises for which they conduct secondary employment; that information will be tracked within the City’s PeopleSoft CIS (or other appropriate records) and used by management to help ensure energy auditors are not assigned to do future energy audits for those customers and premises.	Bob Seaton George Lewis	4/30/2016
4) Written procedures and related practices will be revised to provide that City energy auditors and other energy program staff will no longer provide names of five or six contractors to City utility customers requesting recommendations for work; instead, the customers will be informed no recommendations/names can be made/provided but will be provided the comprehensive list of applicable contractors included available in related City literature (e.g., loan and grant handbooks and guidelines).	Bob Seaton George Lewis	3/31/2016
5) Written procedures and related practices will be revised to provide that City energy auditors and other energy program staff cannot refer or recommend work, resulting from a City energy audit or a grant, loan, or rebate through the City’s energy program, to another energy auditor that has secondary employment in the applicable field.	Bob Seaton George Lewis	3/31/2016
6) Written procedures and related practices will be revised to provide that City energy auditors cannot use available City records (e.g., PeopleSoft CIS or other records) to get business in connection with their secondary employment.	George Lewis	3/31/2016
7) Written procedures and related practices will be revised to provide that City energy auditors will be required to declare on an annual basis any personal or financial interests in any contractor or vendor that may do work as the result of a City energy audit or grant, loan, or rebate provided through the City’s energy program.	Bob Seaton George Lewis	3/31/2016

<p>8) Written procedures and related practices will be revised to provide that City energy auditors will be required to (1) sign annual statements that they understand the City and department’s internal policies and procedures regarding employee conflicts of interests and secondary employment and (2) assert in writing whether they are aware of any conflicts of interests, involving themselves or other employees, that occurred during the applicable annual period.</p>	<p>Bob Seaton George Lewis</p>	<p>3/31/2016</p>
<p><b>B. Objective: Ensure applicable City energy auditors are properly licensed in connection with their secondary employment.</b></p>		
<p>1) City energy auditors conducting secondary employment involving City utility customers and City energy programs (e.g., loans and rebates) will be required to declare that work to management on annual basis; management will take appropriate steps to ensure those employees are properly licensed with the State and City for that work.</p>	<p>Bob Seaton George Lewis</p>	<p>8/30/2016</p>
<p><b>C. Objective: Ensure procedures performed during City energy audits are appropriate.</b></p>		
<p>1) Management will determine the most appropriate procedures for City energy auditors to perform in regard to removing and replacing panels from air handlers/condensers as part of the inspection process, including when such panels should and should not be removed so as to ensure equipment (e.g., panels) is not damaged; staff will be trained on those procedures.</p>	<p>Bob Seaton George Lewis</p>	<p>8/30/2016</p>

Copies of this Inquiry (Report #1601) may be obtained at the City Auditor’s web site (<http://www.talgov.com/auditing/index.cfm>) or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (City Auditor, 300 South Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail ([auditors@talgov.com](mailto:auditors@talgov.com)).

This Inquiry was conducted by:  
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