

LBA Financial Audit Report Summary:

Governor's Office of Energy and Community Services Audit Report For the Year Ended June 30, 1995

The Governor's Office of Energy and Community Services (GOECS) was established on November 19, 1991 by Executive Order 91-6 which combined the former Governor's Office of Energy and Division of Human Resources into one office. GOECS is responsible for the distribution of federal aid to communities and non-profit agencies for a variety of energy conservation and community improvement programs.

GOECS is headed by a Director who is appointed by, and serves at the pleasure of, the Governor. The Governor also appoints the entire operating staff of the office to non-classified positions that serve at the Director's pleasure.

Our report included three observations regarding weaknesses in the internal control structure, six regarding noncompliance with federal laws and regulations, one regarding noncompliance with state laws and regulations, and three management issues. Four of the federal observations had questioned costs totalling \$1,089,103.

Observations regarding weaknesses in internal controls included:

- inadequate control over workshop fee revenues; and
- inadequate reporting and tracking of equipment.

We recommended that the Office:

- record and deposit receipts timely, reconcile receipt forms, and keep state and personal funds separate; and
- maintain adequate equipment records, properly identify all equipment items with GOECS identification numbers, and perform a complete physical inventory annually.

Observations regarding noncompliance with federal laws and regulations included:

- lack of support for the allocation of expenditures to federal grants; and
- unallowable costs of an employee of the Governor's office.

We recommended that the Office:

- allocate administrative costs and employee payroll and benefits to federal programs based on actual GOECS payrolls; and

- adopt procedures to review expenses and ensure they are reasonable and necessary for the administration of federal programs.

Observations regarding management issues included:

- problems with the computer system used for tracking revenues, expenditures and grant balances for federal programs; and
- high turnover of key accounting personnel.

We recommended that the Office:

- seek alternatives to the computer system as it is presently programmed; and
- strive to insulate the business office from turnovers.