REPORT HIGHLIGHTS

COLORADO ENERGY OFFICE FOLLOW UP TO 2012 AUDIT
PERFORMANCE AUDIT, DECEMBER 2016

GOVERNOR'S OFFICE

CONCERN

Although the Colorado Energy Office (CEO) has made significant improvements in several key areas related to its core functions since the 2012 performance audit, additional improvements could be made to better ensure expenditures are properly approved and supported and contract monitoring activities provide maximum value to the State.

KEY FINDINGS

- CEO has implemented the program management and overall office management recommendations from the 2012 audit and strengthened policies in both areas. Based on our current (2016) audit work, the problems identified during the 2012 audit in these two areas have been addressed.
- CEO staff are not consistently complying with expenditure policies. We found problems related to a lack of required approvals and/or insufficient justifications and other supporting documentation for 42 of the 111 expenditures in our samples. Although CEO implemented our 2012 audit recommendation to develop policies for travel and other expenditures, and the current policies are a substantial improvement, by not holding staff accountable for complying with them, CEO cannot ensure that state funds are spent responsibly and for the benefit of the State. Based on our audit work covering the first 9 months of Fiscal Year 2016, we project with 90 percent confidence that the following percentages of CEO's expenditures did not have proper approvals, justifications, and/or supporting documentation:
  - Between 61 and 80 percent of the $32,100 spent on out-of-state travel.
  - Between 21 and 29 percent of the $96,100 spent on other expenditures, such as advertising, subscriptions, and registration fees.
  - Between 9 and 25 percent of the $24,200 spent on in-state travel.
- Supervisors did not review procurement cardholders' receipts or credit card statements supporting expenditures prior to payment, as required by CEO policies, for any of the 56 credit card transactions we reviewed totaling about $15,000.
- CEO implemented a majority of the 2012 audit recommendations related to improving contract management practices by establishing written contracting policies and templates, and providing training to staff. However, CEO could make further improvements related to contract management. We found that some payments (valued at $606,000) in six of the 20 contracts reviewed did not comply with payment terms required by statute, State Fiscal Rules, and/or the contracts themselves, and two contracts (valued at $857,000) did not include required performance schedules.

BACKGROUND

- CEO's mission is to improve the effective use of all of Colorado's energy resources and the efficient consumption of energy in all economic sectors.
- CEO manages programs in support of its mission. Fiscal Year 2016 programs targeted market areas such as residential home, agricultural, and public school energy efficiency; the use of alternative fuels for transportation; and financing mechanisms for these areas.
- Between Fiscal Years 2014 and 2016, CEO had revenue and expenditures of approximately $29 million annually.
- In 2012, the General Assembly created two dedicated funding streams to support CEO—the Clean and Renewable Energy Fund and the Innovative Energy Fund. Both of these funding sources will be repealed as of January 1, 2017.

KEY RECOMMENDATIONS

- Improve compliance with state requirements related to expenditures by holding staff accountable for following established policies and providing additional guidance on the documentation required to support expenditures.
- Provide further guidance to staff on what types of communications with vendors should be documented and how to structure appropriate and effective performance schedules in contracts for unique services.