October 11, 2000

Members of the Legislative Audit Committee:

An investigation by the State Auditor’s Special Investigations Unit led to the indictments of Andrew Green, Harold Lloyd Davis, and The Composite Center, Inc., by a Travis County Grand Jury. The investigation was referred to the Public Integrity Unit of the Travis County District Attorney, which aided in the investigation and obtained the indictments.

The indictments charge:

• Andrew Green, President, The Composite Center, Inc., with 25 counts of Securing Execution of a Document by Deception, each of which is a third-degree felony.

• Harold Lloyd Davis, Controller and Project Director, The Composite Center, Inc., with 27 counts of Securing Execution of a Document by Deception, each of which is a third-degree felony.

• The Composite Center, Inc., with 19 counts of Securing Execution of a Document by Deception, each of which is a third-degree felony.

Our investigation was prompted by allegations that The Composite Center, Inc.—through its agents, Mr. Green and Mr. Davis—defrauded the Design, Testing, and Validation Program of the Governor’s Energy Office (currently known as the State Energy Conservation Office, or SECO) by submitting invoices misrepresenting the cost of goods and services that it provided. The alleged offenses occurred during the period beginning July 1993 and ending August 1994.

We determined that The Composite Center, Inc., and its agents:

• Submitted documents to support claims for reimbursement of false labor charges. The total of the false claims exceeded $100,000.

• Submitted documents to support claims for reimbursement of false rental charges. The total of these claims exceeded $18,000.

• Submitted an altered invoice that resulted in disbursement of state funds in excess of $200,000.

The loss to SECO as a result of these acts was $400,000.
If you have any questions contact Frank Coleman or Matthew Samuelson of the State Auditor’s Special Investigations Unit at (512) 936-9500.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

cc: The Honorable George W. Bush, Governor
The Honorable Carole Keeton Rylander, Comptroller of Public Accounts
The Honorable Ronnie Earle, Travis County District Attorney
Mr. Dub Taylor, Director, State Energy Conservation Office