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## Special Investigations Unit Report Regarding The Composite Center, Inc.

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.

### What is the State Energy Conservation Office?

The State Energy Conservation Office (SECO) was founded in 1975 as the Governor's Energy Advisory Council. Effective September 1, 1999, SECO and its programs were transferred to the Office of the Comptroller of Public Accounts. SECO administers and delivers a variety of energy efficiency and renewable energy programs that significantly impact energy cost and consumption in the institutional, industrial, transportation, and residential sectors. Its primary funding source has been federal court settlements of price control violations for crude oil and refined petroleum products. Legislative authority for SECO, its programs, and its responsibilities is granted in Texas Government Code, Chapters 447 and 2305.

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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

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The **Special Investigations Unit** investigates reports of illegal activity involving state agencies and universities. The Unit refers the results to prosecuting authorities.

To report suspected illegal activity, call 1-800-TX-AUDIT (1-800-892-8348), visit [www.sao.state.tx.us](http://www.sao.state.tx.us), or mail information to the State Auditor's Office, Attn: SIU, P.O. Box 12067, Austin, Texas 78711.

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