

ANALYSIS

Item 46: Department of Energy Financial Oversight

Analyst: Wendy Gibson

Request: Increase Other Funds expenditure limitation by \$330,000 and establish two permanent positions (1.26 FTE) to provide increased financial oversight.

Analysis: The Oregon Department of Energy (ODOE) received 40 positions during the 2023 legislative session to support the administration of \$250 million in new energy and climate incentive programs. The Legislature provided limited duration position authority in critical areas of the administration with the understanding that changes may be needed later as more information becomes available. In the fall of 2023, ODOE began developing the new programs, including defining how the programs would work and what resources would be required.

ODOE requested two additional administrative positions to oversee funding in the Department's Finance and Operations section. This section is funded through the Department's indirect rate and currently has one manager position supervising nine permanent positions and four limited duration positions. ODOE requests adding a Procurement Manager 1 (0.63 FTE) and an Accounting Manager 1 (0.63 FTE) to the organizational structure for direct oversight of finance and procurement activities. Adding the two new positions creates a manager-to-staff ratio in the Finance and Operations section of 1:4 in the 2023-25 biennium and 1:3 in the 2025-27 biennium.

ODOE will likely need additional support and oversight in its Finance and Operations section. ODOE anticipates the new programs to operate for 8-12 years. The anticipated increase in workload and the work duration warrant reconsidering a more permanent finance and procurement structure. Because of this, the Legislative Fiscal Office (LFO) recommends that ODOE first work with the Chief Financial Office and LFO to develop a comprehensive administrative staffing plan for consideration during the 2024 session. The staffing plan should consider:

- Establishing the two proposed oversight positions in a non-supervisory classification.
- Identifying limited duration positions in need of permanent establishment.
- Analyzing potential gaps in the classification structure.
- Prioritizing administrative processing, audit, and oversight functions.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means defer action on the request to the 2024 legislative session.

Request: Increase Other Funds expenditure limitation by \$330,334 and establish two permanent, full-time positions (1.26 FTE) to provide increased financial oversight.

Recommendation: Approve the request during the 2024 Legislative Session.

Discussion: The Oregon Department of Energy has experienced significant growth in programs, either through expansions or the additions of programs, over the last two biennia. Specifically, energy incentives have grown significantly requiring significant oversight.

The Department is requesting two additional administrative positions to assist with accounting and procurement duties as a result of the additional responsibilities. The first is an accounting manager position and will help identify and implement controls necessary to maintain the integrity of energy incentive programs. The second is a procurement manager position, providing oversight by delivering program services through contracts, sub-contracts, and performance agreements, as well as providing procurement leadership to the agency. The positions will be supported by existing indirect revenues within the Department. The Department does not expect to increase the current indirect rate as a result of the new positions.

Legal Reference: Increase the Other Funds expenditure limitation established by chapter 451, section 2, Oregon Laws 2023, for the Department of Energy, by \$330,334 2023-25 biennium.



Oregon

Tina Kotek, Governor



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The Honorable Senator Elizabeth Steiner, Co-Chair
The Honorable Representative Tawna Sanchez, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairs:

Nature of the Request

ODOE requests the establishment of a permanent Accounting Manager 1 and a permanent Procurement Manager 1, with a corresponding Other Fund limitation increase of \$330,334. These positions are needed to handle a significant increase in contracting and accounting workload in the agency and are critical to supporting ODOE's administration of new state and federal programs.

The positions will provide oversight and enhance procedures and controls that will protect the agency from risk and mismanagement of funds, facilitate the timely and accurate distribution of funds, and comply with contracting laws and regulations.

The positions will be located within the Central Services Division and funded by Other Funds in ODOE's indirect pool.

Agency Action

In recent years, the Oregon Department of Energy received several new or expanded programs, and the volume of new business functions require appropriate oversight and management to ensure the integrity of financial and procurement operations. Together new and anticipated programs will result in ODOE administering at least \$240 million in new funding.

The accounting manager position will be responsible for planning, organizing, and managing the operations of accounting for new programs including the development of policies, procedures, and controls. They will provide technical accounting and procurement guidance and oversight to a team of professionals to ensure compliance with state and federal statutes, rules, and regulations as well as accounting and auditing standards. They will evaluate current business processes and implement procedures and systems to manage the new programs and their unique operations. They will maximize efficiency and establish and maintain controls necessary to maintain the integrity of the financial incentive programs and the distribution of funds.

The procurement manager position will be responsible for evaluating program requirements and implementing new procedures and systems to establish and maintain controls. They will provide direct supervision and management over agency staff and organize and assign work activities and projects, monitor workflow, and review and evaluate work products, methods, and procedures. They will also be responsible for developing and administering new types of contracts such as those that deliver program services through contractors instead of program staff. Many contracts will require multiple sub-contracts and performance agreements. There will also be amendments as projects start, progress, and end.

Action Requested

ODOE requests the establishment of a permanent full-time Accounting Manager 1 (0.63 FTE in AY25) and a permanent full-time Procurement Manager 1 (0.63 FTE in AY25). ODOE also requests an increase in Other Fund limitation of \$330,334.

Legislation Affected

SB 5016

A handwritten signature in cursive script that reads "Janine Be".

Janine Benner
Director

Cc: Sione Filimoehala, CFO
Wendy Gibson, LFO