

Audit Report

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**Maryland Energy Administration**

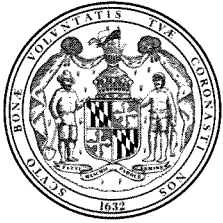
November 2013

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**OFFICE OF LEGISLATIVE AUDITS**  
**DEPARTMENT OF LEGISLATIVE SERVICES**  
**MARYLAND GENERAL ASSEMBLY**

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DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Karl S. Aro  
Executive Director

Thomas J. Barnickel III, CPA  
Legislative Auditor

November 18, 2013

Senator James C. Rosapepe, Co-Chair, Joint Audit Committee  
Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee  
Members of Joint Audit Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the Maryland Energy Administration (MEA) for the period beginning June 1, 2010 and ending May 12, 2013. MEA manages various programs related to the reduction of energy consumption, the use of renewable energy resources, and the promotion of energy efficiency. MEA also provides grants and loans to governmental units, nonprofits, and private entities.

Our audit did not disclose any findings that warrant mention in this report.

We wish to acknowledge the cooperation extended to us by MEA during the course of this audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Thomas J. Barnickel III".

Thomas J. Barnickel III, CPA  
Legislative Auditor



## **Background Information**

### **Agency Responsibilities**

The Maryland Energy Administration (MEA) manages programs which help reduce energy consumption in State facilities and operations, encourage the use of renewable energy resources, and promote energy efficiency in the industrial, commercial, and residential sectors. MEA also provides grants and loans for State agencies, local governments, nonprofit organizations, and the commercial sector. MEA's alternative fuel vehicles programs work to develop the infrastructure to support alternative fuel vehicles while encouraging the use of alternative fuel vehicles in the public and private sectors. MEA advises the Governor's Office on energy policy and managing energy disruptions and emergencies. MEA is the state conduit for federal energy programs from the U.S. Department of Energy. According to the State's records, total expenditures for fiscal year 2013 were \$33.7 million.

### **Status of Findings From Preceding Audit Report**

Our audit included a review to determine the status of the two findings contained in our preceding audit report dated December 22, 2010. We determined that MEA satisfactorily addressed these findings.

## **Findings and Recommendations**

Our audit did not disclose any significant deficiencies in the design or operation of the Maryland Energy Administration's (MEA) internal control. Nor did our audit disclose any significant instances of noncompliance with applicable laws, rules, or regulations. A less significant finding was communicated to MEA that did not warrant inclusion in this report.

A draft copy of this report was provided to MEA. Since there are no recommendations in this report, a written response was not necessary.

## **Audit Scope, Objectives, and Methodology**

We have audited the Maryland Energy Administration (MEA) for the period beginning June 1, 2010 and ending May 12, 2013. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine MEA's financial transactions, records and internal controls, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the status of the findings contained in our preceding audit report.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. The areas addressed by our audit included grant programs, loan programs, cash receipts, and special funds, including the Strategic Energy Investment Fund. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of MEA's operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

Our audit did not include an evaluation of internal controls for federal financial assistance programs and an assessment of MEA's compliance with federal laws and regulations pertaining to those programs because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including MEA. Our audit also did not include certain support services provided to MEA by the Executive Department – Governor. These support services (such as maintenance of FMIS accounting records and related fiscal functions) are included within the scope of our audits of the Executive Department – Governor.

MEA's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including the safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

AUDIT TEAM

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