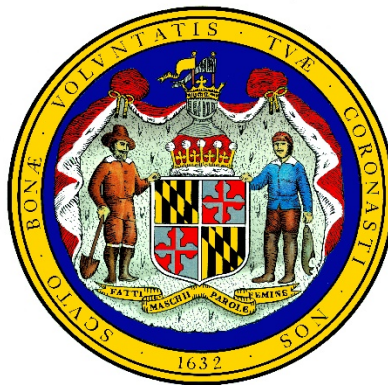


Audit Report

Canal Place Preservation and Development Authority

May 2025



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DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

Joint Audit and Evaluation Committee

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To Obtain Further Information

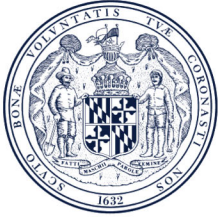
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Victoria L. Gruber
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Brian S. Tanen, CPA, CFE
Legislative Auditor

May 1, 2025

Senator Shelly L. Hettleman, Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Canal Place Preservation and Development Authority for the period beginning December 1, 2020 and ending November 18, 2024. The Authority's primary purpose is to transform the Chesapeake and Ohio Canal and adjacent areas in the city of Cumberland, Maryland into a showpiece of historic preservation that will enhance recreation, commercial, civic, transportation, educational, and ecological values.

Our audit disclosed the Authority did not obtain annual financial statement audits as required by State law, a condition noted but not corrected from our prior audit report. Specifically, as of January 2025, the Authority had not engaged an accounting firm to conduct the audit of its financial statements for the fiscal year ending June 30, 2024. In addition, although the Authority engaged an accounting firm in February 2024 to conduct the audits for fiscal years ending June 30, 2022 and 2023, they have not been completed as of January 2025.

The Authority's response to this audit is included as an appendix to this report. We reviewed the response and noted general agreement to our finding and related recommendation, and while there are other aspects of the response which will require further clarification, we do not anticipate that these will require the Joint Audit and Evaluation Committee's attention to resolve.

We wish to acknowledge the cooperation extended to us during the audit by the Office.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

Background Information

Agency Responsibilities and Financial Activity

The Canal Place Preservation and Development Authority, an instrumentality of the State of Maryland, a public corporation, and an independent unit of state government, is governed by its nine members. The Authority is responsible for transforming the Chesapeake and Ohio Canal and adjacent areas in the city of Cumberland, Maryland into a showpiece of historic preservation that will enhance recreational, commercial, civic, transportation, educational, and ecological values. The administrative affairs and activities of the Authority are directed and supervised by an executive director who is appointed by the Authority, subject to approval of the Governor.

According to State records, during fiscal year 2024, the Authority's expenditures totaled approximately \$1.1 million, the vast majority of which represented payroll costs for its employees and contractual services to maintain its property (see Figure 1). According to the State's records, the main funding source covering the Authority's operating expenditures consisted of special funds (primarily from tenant rents, fees, and lease revenue totaling \$455,000).

Figure 1
Authority Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2024

	Positions
Filled	3
Vacant	0
Total	3

Fiscal Year 2024 Expenditures

	Expenditures
Salaries, Wages, and Fringe Benefits	\$ 312,026
Technical and Special Fees	34,468
Operating Expenses	720,404
Total	\$1,066,898

Fiscal Year 2024 Funding Sources

	Funding
General Fund	\$ 236,570
Special Fund	580,328
Reimbursable Fund	250,000
Total	\$1,066,898

Source: State financial records and Authority personnel records

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the finding contained in our preceding audit report dated April 23, 2021. See Figure 2 for the results of our review.

Figure 2
Status of Preceding Finding

Preceding Finding	Finding Description	Implementation Status
Finding 1	The Canal Place Preservation and Development Authority did not ensure required annual audits of its financial statements were conducted in a timely manner.	Repeated (Current Finding 1)

Findings and Recommendations

Financial Statement Audits

Finding 1

The Canal Place Preservation and Development Authority did not obtain required annual audits of its financial statements as required by State law.

Analysis

The Authority did not obtain annual audits of its financial statements as required by State law. Our review disclosed that as of January 2025 the Authority had not obtained audits of its financial statements for the fiscal years ending June 30, 2022 and 2023. Although the Authority engaged an accounting firm in February 2024 to conduct these audits, they have not been completed as of January 2025. In addition, the Authority had not engaged an accounting firm to conduct the audit for the fiscal year ending June 30, 2024. The Authority's management advised us that it expected the 2022 and 2023 audits to be completed by April 2025 and that the delay in engaging a firm for the 2024 audit was due to its personnel being busy with other tasks.

A similar condition was commented upon in our preceding audit report regarding the audits for fiscal years 2018, 2019, and 2020. In response to that report, the Authority obtained audits for those fiscal years and for fiscal year 2021. However, as noted above the Authority did not ensure subsequent audits were obtained as required. The audit reports for fiscal years 2018 through 2021 stated that the financial statements presented fairly, in all material respects, the financial position of the governmental activities and each major fund of the Authority, and the respective changes in financial position for the aforementioned years in accordance with the accounting principles generally accepted in the United States of America.

Recommendation 1

We recommend that the Authority ensure that annual audits of its financial statements are conducted as required by State law and that these audits are completed timely (repeat).

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Canal Place Preservation and Development Authority for the period beginning December 1, 2020 and ending November 18, 2024. 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 the Authority's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included purchases and disbursements, cash receipts, and tracking of annual financial disclosure forms with the State Ethics Commission. We also determined the status of the finding contained in our preceding audit report.

Our assessment of internal controls was based on the Authority's procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of December 1, 2020 to November 18, 2024, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions and to the extent practicable, observations of the Authority's operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit. We also performed other auditing procedures that we considered necessary to achieve our objectives. The reliability of data used in this report for background or informational purposes was not assessed.

The Authority'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 safeguarding of assets; and compliance with applicable laws, rules, and regulations are achieved. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to the Authority, were considered by us during the course of this audit.

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.

This report includes a finding regarding a significant instance of noncompliance with applicable laws, rules, or regulations. Our audit did not disclose any findings relating to conditions that we considered significant deficiencies in the design or operation of internal control that could adversely affect the Authority's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Other less significant findings were communicated to the Authority that did not warrant inclusion in this report.

The Authority's response to our finding and recommendation is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise the Authority regarding the results of our review of its response.

APPENDIX

Wes Moore
Governor

Aruna Miller
Lt. Governor

Authority Members

Colleen Peterson
Board Chair

Rebecca Ruppert
Allegany College
of Maryland (Retired),
Vice-Chair

Tina Cappetta
U.S. Department of the
Interior, NPS

Stuart Czapski
Cumberland Economic
Development Corp.

Al Feldstein
Maryland
Historical Trust

Michael Mudge
Allegany County Public
Schools

Ray Morris
Mayor, City of
Cumberland

Bradford Nixon
Frostburg State
University

Ashli Workman
Allegany County
Tourism Director

Deidra Ritchie
Executive Director



April 30, 2025

Mr. Brian S. Tanen, CPA, CFE
Legislative Auditor
Office of Legislative Audits
351 West Camden Street, Suite 400
The Warehouse at Camden Yards
Baltimore, Maryland 21201

Dear Mr. Tanen:

I am in receipt of the draft of the legislative audit performed for the Canal Place Preservation and Development Authority (CPPDA) by your office for the time period of December 1, 2020, through November 18, 2024. Attached to this letter you will find the Agency Response to the draft documents.

In regards to the audit finding about the annual audits being late, the CPPDA will continue to improve on having audits done in a timely manner.

If you have any questions, or need additional information, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Deidra L. Ritchie".

Deidra L Ritchie
Executive Director
CPPDA

Canal Place Preservation and Development Authority

Agency Response Form

Financial Statement Audits

Finding 1

The Canal Place Preservation and Development Authority did not obtain required annual audits of its financial statements as required by State law.

We recommend that the Authority ensure that annual audits of its financial statements are conducted as required by State law and that these audits are completed timely (repeat).

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 1	Agree	Estimated Completion Date:	06/30/2025
Please provide details of corrective action or explain disagreement.	The FY22-23 Audits are nearing completion and the FY24 and FY25 Audits will be put out to bid as soon as possible and completed before the end of FY26.		

AUDIT TEAM

Raymond G. Burton, Jr., CPA, CFE
Audit Manager

Thomas J. Kraemer
Senior Auditor