

Audit Report

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**Canal Place Preservation and Development Authority**

October 2016

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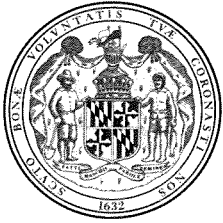
**OFFICE OF LEGISLATIVE AUDITS**  
DEPARTMENT OF LEGISLATIVE SERVICES  
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Warren G. Deschenaux  
Executive Director

Thomas J. Barnickel III, CPA  
Legislative Auditor

October 12, 2016

Senator Guy J. Guzzone, Co-Chair, Joint Audit Committee  
Delegate C. William Frick, Co-Chair, Joint Audit Committee  
Members of Joint Audit 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 April 9, 2013 and ending July 11, 2016. 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 recreational, commercial, civic, transportation, educational, and ecological values.

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "T. J. Barnickel III".

Thomas J. Barnickel III, CPA  
Legislative Auditor



## **Background Information**

### **Agency Responsibilities**

The Canal Place Preservation and Development Authority functions under the provisions of the Financial Institutions Article, Sections 13-1001 through 13-1031 of the Annotated Code of Maryland, and is constituted as a public instrumentality of the State of Maryland. The Authority was created 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 recreational, commercial, civic, transportation, educational, and ecological values. The affairs of the Authority are managed by its nine members. The administrative affairs and activities of the Authority are directed and supervised by an executive director who is appointed by the Authority, subject to the approval of the Governor. According to the State's records, the Authority's operating expenditures totaled approximately \$681,000 during fiscal year 2016.

### **Financial Statement Audits**

As specified in the Financial Institutions Article, Section 13-1010 of the Annotated Code of Maryland, the Authority engaged an independent certified public accounting firm to perform annual audits of its financial statements. In related audit reports for fiscal years ended June 30, 2013, 2014, and 2015 the firm 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 accounting principles generally accepted in the United States of America.

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

Our audit included a review to determine the status of the three findings contained in our preceding audit report dated November 19, 2013. We determined that the Authority satisfactorily addressed these findings.

## **Findings and Recommendations**

Our audit did not disclose any significant deficiencies in the design or operation of the Authority's internal control. Our audit also did not disclose any significant instances of noncompliance with applicable laws, rules, or regulations. A less significant finding was communicated to the Authority that did not warrant inclusion in this report.

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

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

We have conducted a fiscal compliance audit of the Canal Place Preservation and Development Authority for the period beginning April 9, 2013 and ending July 11, 2016. 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 procurements, disbursements, and cash receipts. We also determined the status of the findings contained in our preceding audit report.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of the Authority's operations, and tests of transactions. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests 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). 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 this source were sufficiently reliable for the purposes the data were used during this audit. Finally, we 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.

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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