

Audit Report

Canal Place Preservation and Development Authority

October 2007



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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Karl S. Aro
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Bruce A. Myers, CPA
Legislative Auditor

October 16, 2007

Delegate Steven J. DeBoy, Sr., Co-Chair, Joint Audit Committee
Senator Nathaniel J. McFadden, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the Canal Place Preservation and Development Authority for the period beginning December 14, 2004 and ending July 8, 2007.

Our audit did not disclose any findings.

Respectfully submitted,

Bruce A. Myers, 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 expenditures were approximately \$648,000 during fiscal year 2007.

Financial Information

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 the related audit reports for fiscal years 2005 and 2006, the firm stated that the Authority's financial statements were presented fairly in conformity with accounting principles generally accepted in the United States.

Current Status of Finding From Preceding Audit Report

Our audit included a review to determine the current status of the finding contained in our preceding audit report dated March 11, 2005. We determined that the Authority satisfactorily addressed this finding.

Findings and Recommendations

Our audit did not disclose any significant deficiencies in the design or operation of the Authority's internal control. Nor did our audit disclose any significant instances of noncompliance with applicable laws, rules, or regulations.

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 audited the Canal Place Preservation and Development Authority for the period beginning December 14, 2004 and ending July 8, 2007. The audit was conducted in accordance with generally accepted government auditing standards.

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. We also determined the current status of the finding 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. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Authority'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 scope was limited with respect to the Authority's cash transactions because the Office of the State Treasurer was unable to reconcile the State's main bank accounts during a portion of the audit period. Due to this condition, we were unable to determine, with reasonable assurance, that all Authority cash transactions prior to July 1, 2005 were accounted for and properly recorded on the related State accounting records as well as the banks' records.

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

Mark A. Ermer, CPA
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