

Audit Report

Maryland Stadium Authority

April 2017



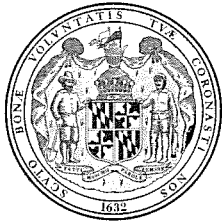
OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

For further information concerning this report contact:

Department of Legislative Services
Office of Legislative Audits
301 West Preston Street, Room 1202
Baltimore, Maryland 21201
Phone: 410-946-5900 · 301-970-5900
Toll Free in Maryland: 1-877-486-9964
Maryland Relay: 711
TTY: 410-946-5401 · 301-970-5401
E-mail: OLAWebmaster@ola.state.md.us
Website: www.ola.state.md.us

The Office of Legislative Audits operates a Fraud Hotline to report fraud, waste, or abuse involving State of Maryland government resources. Reports of fraud, waste, or abuse may be communicated anonymously by a toll-free call to 1-877-FRAUD-11, by mail to the Fraud Hotline, c/o Office of Legislative Audits, or through the Office's website.

The Department of Legislative Services does not discriminate on the basis of age, ancestry, color, creed, marital status, national origin, race, religion, gender, gender identity, sexual orientation, or disability in the admission or access to its programs, services, or activities. The Department's Information Officer has been designated to coordinate compliance with the nondiscrimination requirements contained in Section 35.107 of the Department of Justice Regulations. Requests for assistance should be directed to the Information Officer at 410-946-5400 or 410-970-5400.



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Warren G. Deschenaux
Executive Director

Thomas J. Barnickel III, CPA
Legislative Auditor

April 10, 2017

Senator Craig J. Zucker, 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 Maryland Stadium Authority (MSA) for the period beginning October 17, 2012 and ending June 30, 2016. MSA is primarily responsible for developing, constructing, and maintaining certain facilities (such as sports facilities, convention centers, and entertainment venues) as authorized by law.

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

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

Respectfully submitted,

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

Thomas J. Barnickel III, CPA
Legislative Auditor

Background Information

Agency Responsibilities

The Maryland Stadium Authority (MSA) is an instrumentality of the State of Maryland, a public corporation, and an independent unit of the Executive Branch of State Government. MSA functions under the provisions of the Economic Development Article, Title 10, Subtitle 6, of the Annotated Code of Maryland. MSA is responsible for developing, constructing, and maintaining certain facilities (such as sports facilities, convention centers, and entertainment venues) as authorized by law. In addition, MSA is authorized to perform planning and construction-related activities for State agencies or local governments, subject to certain notification requirements of the General Assembly. Current MSA projects include overseeing the construction and revitalization of certain Baltimore City public schools and construction of the North Bethesda Conference Center parking structure. During our audit period, a third significant MSA project, expansion of the Ocean City Convention Center, was completed. MSA will also be overseeing the demolition of blighted structures located throughout Baltimore City as part of Project C.O.R.E, or Creating Opportunities for Renewal and Enterprise.

MSA is governed by a seven-member board, with one member appointed by the Mayor of Baltimore City, and six members appointed by the Governor, subject to the advice and consent of the Senate. The members serve four-year terms, and the board appoints an Executive Director (subject to the approval of the Governor) who is responsible for directing and supervising the administrative affairs and activities of MSA.

Agency Budget Oversight

The Economic Development Article, Section 10-623(1) of the Annotated Code of Maryland specifies that MSA's annual budget submitted to the Department of Budget and Management for inclusion in the State budget book is primarily for informational purposes. Oversight by the Board of Public Works for certain MSA budgeting matters is established in the master lease and sublease agreements that exist between MSA and the State for the various MSA facilities. Under the master leases, the State leases the land and all facilities constructed thereon from MSA. Under the subleases, MSA leases the facilities back from the State.

According to the State's records, MSA's total expenditures for fiscal year 2016 were approximately \$180.5 million and were paid from MSA income, bond proceeds, and State lottery special funds.

Financial Statement Audits

MSA engaged an independent certified public accounting firm to audit its financial statements for the fiscal years ended June 30, 2013, 2014, 2015, and 2016. In the related audit reports, the firm stated that MSA's financial statements present fairly, in all material respects, the financial position of MSA as of June 30, 2013, 2014, 2015 and 2016, and the respective changes in its financial position and cash flows for the years then ended 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 two findings contained in our preceding audit report dated October 2, 2013. We determined that MSA satisfactorily addressed both of these findings.

Findings and Recommendations

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

A draft copy of this report was provided to MSA. 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 Maryland Stadium Authority (MSA) for the period beginning October 17, 2012 and ending June 30, 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 MSA'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 accounts receivable, construction project management, bond trustee accounts, cash receipts, payroll, procurement, and disbursements. 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 MSA'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) 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 extracted data from MSA's financial systems for the purpose of testing certain areas, such as accounts receivable and contracts. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

MSA'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

William R. Smith, CPA
Audit Manager

Nelson W. Hopkins, CPA
Senior Auditor

Lindsay M. Fertig, CPA
Richard Tran
Staff Auditors