

INDEPENDENT AUDITOR'S REPORT

THE WAR MEMORIAL COMMISSION

FOR THE FISCAL YEAR ENDED

JUNE 30, 2012



**City of Baltimore
Department of Audits**

**AUDIT REPORT
THE WAR MEMORIAL COMMISSION
FISCAL YEAR ENDED JUNE 30, 2012**

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CITY OF BALTIMORE

STEPHANIE RAWLINGS-BLAKE, Mayor



DEPARTMENT OF AUDITS

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INDEPENDENT AUDITOR'S REPORT

May 9, 2014

Honorable Joan M. Pratt, Comptroller
and Other Members of the
Board of Estimates
City of Baltimore

We have audited Exhibit A, Computation of State's Fifty Percent Share of Net Expenditures for the Fiscal Year Ended June 30, 2012, and Schedule 1, Net Expenditures Chargeable to the War Memorial Commission Appropriation Accounts for the Fiscal Years Ended June 30, 2012 and June 30, 2011. These financial statements are the responsibility of the War Memorial Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the War Memorial Commission's internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the War Memorial Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the net costs of operations for the War Memorial Commission for the fiscal years ended June 30, 2012 and June 30, 2011, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2014, on our consideration of the War Memorial Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the

scope of our testing of internal control over financial reporting and compliance and the results of our testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the War Memorial Commission, the State of Maryland, and the City of Baltimore's management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Robert L. McCarty, Jr.", written in a cursive style.

Robert L. McCarty, Jr., CPA
City Auditor

THE WAR MEMORIAL COMMISSION
COMPUTATION OF STATE'S FIFTY PERCENT SHARE OF NET
EXPENDITURES FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Net Expenditures Charged to the War Memorial Commission Appropriation Accounts for Fiscal Year 2012 (Schedule 1).....	<u>\$ 290,643</u>
Fifty Percent Thereof Billable to the State.....	\$ 145,322
Balance Due from State from Prior Fiscal Years.....	<u>5,082</u>
Total Due from State.....	150,404
Amount Received from State During Fiscal Year 2012.....	<u>138,870</u>
Net Balance Due from State at June 30, 2012.....	<u>\$ 11,534</u>

See notes to financial statements.

SCHEDULE 1

THE WAR MEMORIAL COMMISSION
NET EXPENDITURES CHARGEABLE TO THE WAR MEMORIAL COMMISSION
APPROPRIATION ACCOUNTS FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

EXPENDITURES:	<u>2012</u>	<u>2011</u>
Salaries.....	\$ 166,983	\$ 180,460
Other Personnel Costs.....	50,982	50,459
Contractual Services:		
Gas, Electric, Steam.....	\$ 56,201	\$ 71,875
Maintenance and Repairs of Real Property.....		
Telephone.....	4,365	3,613
All Others.....	<u>10,605</u>	<u>11,959</u>
Total Contractual Services.....	71,171	87,447
Materials and Supplies.....	1,507	3,622
Equipment Replacement.....		<u>1,888</u>
Total Expenditures.....	<u>\$ 290,643</u>	<u>\$ 323,876</u>

See notes to financial statements.

THE WAR MEMORIAL COMMISSION NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

The War Memorial Commission (Commission) has the authority to spend, at its discretion, such funds as may be appropriated by the General Assembly of Maryland and the Mayor and City Council of Baltimore City (City) for the maintenance and administration of the War Memorial Building. This authority is provided by the State Government Article, Sections 9-932 through 9-938 of the *Annotated Code of Maryland*, which establishes the Commission as a unit in the Department of Veterans Affairs of the State of Maryland. The City appropriates funds for operating expenses of the Commission, and all revenues received by the Commission are deposited with the City. The Department of Veterans Affairs of the State of Maryland is billed by the City for one-half of the amount charged to the War Memorial Commission appropriation accounts.

The Commission reports expenditures to the State of Maryland as they are recorded (net of any miscellaneous revenue) in the governmental funds of the City of Baltimore, except that encumbrances charged to the Commission's appropriation accounts are not included. This effectively puts the reporting on the modified accrual basis of accounting, in conformity with accounting principles generally accepted in the United States.

2. Subsequent Event

Effective July 1, 2012, the War Memorial Commission's position of Executive Director is no longer funded by the City, and the management of the War Memorial Building is provided by the City's Department of General Services. In accordance with Section 9-938 of the *Annotated Code of Maryland*, the Commission: (1) may provide for the management of the War Memorial Building; (2) shall adopt regulations that provide for the management of the War Memorial Building; and (3) may use, for the maintenance and administration of the War Memorial Building, any funds that the General Assembly or the Mayor and City Council of Baltimore appropriate for those purposes.

AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
FOR
THE WAR MEMORIAL COMMISSION
FISCAL YEAR ENDED
JUNE 30, 2012

**AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

May 9, 2014

Honorable Joan M. Pratt, Comptroller
And Other Members of the
Board of Estimates
City of Baltimore

We have audited Exhibit A, Computation of State's Fifty Percent Share of Net Expenditures for the Fiscal Year Ended June 30, 2012, and Schedule 1, Net Expenditures Chargeable to the War Memorial Commission Appropriation Accounts for the Fiscal Years Ended June 30, 2012 and June 30, 2011 and have issued our report thereon dated May 9, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the War Memorial Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the War Memorial Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the War Memorial Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the War Memorial Commission's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in

internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified a deficiency in internal control over financial reporting, described in Finding 2012-1, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Finding 2012-1: The War Memorial Commission did not have adequate controls to ensure that time and attendance records (sign-in/sign-out sheets) agreed to time recorded in the E-Time System (E-Time). In accordance with City payroll procedures, timekeepers for each agency electronically input employee time and attendance from a time and attendance report approved by the agency supervisor into E-Time. We examined two pay periods during the audit period to determine that time recorded on the daily attendance records (sign-in/sign-out sheets) agreed to time recorded in E-Time. We found that one employee signed in at 6:30 a.m. and signed out at 2:00 p.m. although in E-Time it was recorded that the employee worked 6:30 a.m. until 2:30 p.m. Also, there were six occurrences in which two employees had not signed in or out, but were marked present in E-Time.

We recommend that management review sign-in/sign-out sheets to ensure that they agree to hours worked and leave used that is posted to E-Time.

Department of General Service's (DGS) Response

When DGS assumed operations of the War Memorial Commission on July 1, 2012, the building employees were brought directly under the Facilities Maintenance Division as Building Repairers. As with all other Building Repairers and maintenance staff working in remote locations, their time is recorded by the Department through a call-in procedure, which is then recorded by DGS Facilities staff and entered into E-Time accordingly. Overtime and leave slips are submitted when necessary and also duly recorded. The process by which the Department records the work time of these employees is identical to all other DGS employees and is in accordance with the regulations of the agreement with AFSCME Local 44. Therefore, the issues cited in Finding 2012-1 were corrected upon DGS's assumption of responsibility for the building.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the War Memorial Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the War Memorial Commission, the State of Maryland, and the City of Baltimore's management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Robt L. McCarty, Jr.", is positioned above the printed name.

Robert L. McCarty, Jr., CPA
City Auditor