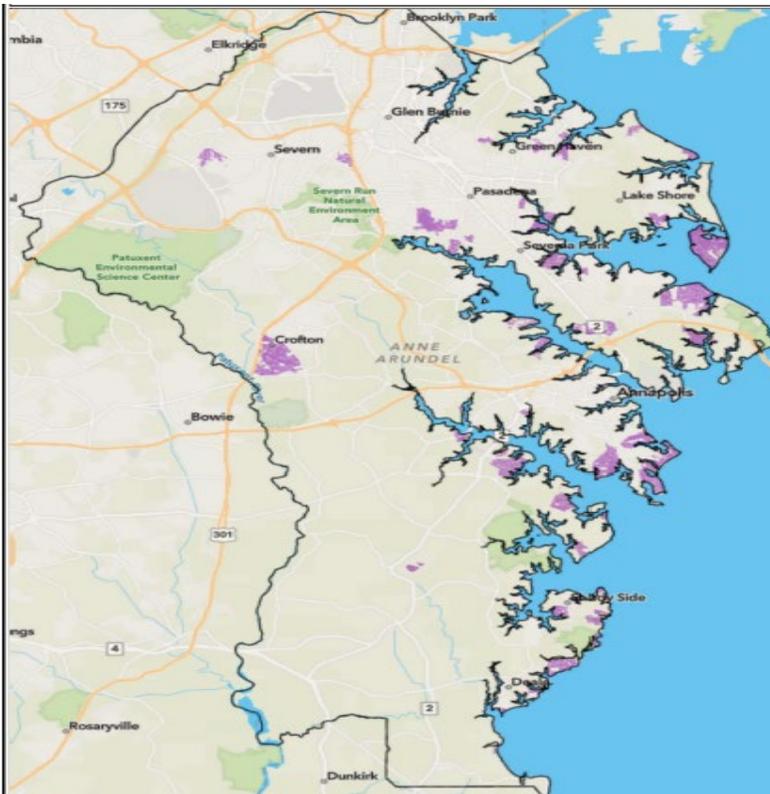




## Special Report

# Review of Special Community Benefit District Financial Reports for Fiscal Year Ending June 30, 2023

February 2024



Civic and community associations (Associations) located in Anne Arundel County that received special community benefit district (SCBD) tax funds during the fiscal year or held tax funds from a prior fiscal year are required to file an annual SCBD financial report and an audit report, where required, with the County in accordance with state law. On behalf of the County, the Office of the County Auditor (OCA) reviews each Associations' SCBD financial report for compliance with state law and provides these financial reports and the results of the review to the Maryland Legislative Auditor.

Our desk review of financial reports and audit reports for fiscal year ending June 30, 2023 (FY23) disclosed that certain Associations have not submitted their FY23 SCBD financial report as well as their prior fiscal year SCBD financial report and audit report, where required, and

several Associations submitted their FY23 SCBD financial report after the required deadline. One Association also filed their SCBD financial report for the prior fiscal year in January 2023. In addition, our desk review identified several instances of other compliance issues. Specifically, financial reports did not meet certain requirements of the County and state laws and regulations, expenditures reported exceeded the approved budget appropriation, and funds were spent on unallowable expenditures. Furthermore, our desk review disclosed that the Office of the Budget (OOB) lacked sufficient procedures for monitoring the Associations to help ensure its related SCBDs did not exceed its County approved budget appropriation, which resulted in three Associations exceeding the County approved SCBD budget appropriation by a total of \$45,000.

The OOB's response to Finding 3 is included as Appendix A to this report. OOB has indicated disagreement with the factual accuracy of Finding 3 in this report, and in some cases, implies that we did not support the issues being presented in Finding 3. The basis of OOB's disagreements to certain statements within Finding 3 is related to how it interprets its responsibility as the budgetary control agency for the County, which is contrary to informal advice we obtained from the Office of Law. Despite these disagreements, OOB has agreed to implement the related recommendations. While we welcome and appreciate OOB explanations and justifications for the deficiencies to provide its insight, the information provided by OOB did not refute our finding.

For each OOB disagreement, we reviewed and reassessed our review documentation and reaffirmed the validity of Finding 3 and the related recommendations. Contrary to the assertions made in the response, Finding 3 contained in this report is factually accurate, fairly presented, and properly supported in accordance with government auditing standards. As such, we have included "Auditor's Comment" within Appendix A to further explain our position to the significant instances in which OOB disagreed. Given OOB has agreed to our recommendations, we do not anticipate that these disagreements will require further resolution; however, if the Office of Law's legal opinion is that OOB is not responsible as the budgetary control agency to monitor the SCBD approved budgets, then it is the duty of the County Executive to promptly correct the deficiency, as required by the County Charter.

## **Anne Arundel County Council**

Council Chair Allison M. Pickard  
Council Vice Chair Julie K. Hummer  
Councilmember Amanda Fiedler  
Councilmember Shannon Leadbetter  
Councilmember Lisa D. B. Rodvien  
Councilmember Peter Smith  
Councilmember Nathan Volke

## **Anne Arundel County Executive**

Steuart Pittman

The Office of the County Auditor was created by the Anne Arundel County Charter as an independent office reporting to the County Council to help establish accountability and improve County services. We conduct a desk review of Associations' annual SCBD financial reports and audit reports, where required, for compliance with the applicable provisions of County and state laws and regulations and auditing standards.

This report is intended solely for the use of the County Council, Anne Arundel County Management, and the Maryland Legislative Auditor. We acknowledge the cooperation extended to us during the course of our review by the Office of Finance, Office of the Budget, Office of Law, and various Associations that administer the SCBDs.

Copies of our SCBD review reports are available at:  
<https://www.aacounty.org/auditor/oca-reviews/special-reviews>

### **To Obtain Further Information**

Office of the County Auditor  
60 West Street, Suite 405  
Annapolis, Maryland 21401  
**Phone:** (410) 222-1138  
**Maryland Relay:** 7-1-1  
**E-mail:** [audit-line@aacounty.org](mailto:audit-line@aacounty.org)  
**Website:** [www.aacounty.org/auditor](http://www.aacounty.org/auditor)

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Cover: "Map of Anne Arundel County with SCBDs (as of 2018) shown in purple by the Geocortex Geographic Information System provided by Anne Arundel County's Office of Information Technology."

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## Objective and Background

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As of June 30, 2023, there were 73 SCBDs in the County whose related Associations were required to file a FY23 SCBD financial report. Twenty-three of the 73 Associations were required to file an SCBD audit report with their FY23 SCBD financial report. During FY23, no SCBDs were created and no existing SCBDs were dissolved.

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The Local Government Article, Section 16-308 of the Annotated Code of Maryland requires the County to review each special community benefit district (SCBD) for compliance with the reporting requirements established by state law. This article further requires that each civic or community association (Association) that receives funds collected by the County file a SCBD financial report with the County no later than 90 days after the close of the fiscal year. The financial report is required to include a balance sheet, a statement of revenues, a statement of expenditures and encumbrances, and a statement of changes in fund balance. The County also requires accompanying notes to be provided for the financial report. SCBDs with annual expenditures exceeding \$250,000 are required to file audited financial statements while SCBDs with annual expenditures of less than \$250,000 require an audit every four years unless the County determines, on a case-by-case basis, that more frequent audits are required.

Anne Arundel County Code (Code) Section 4-7-101(d) requires that the administration of each SCBD be conducted by an Association that is an incorporated Association and provides for membership for each property owner in the SCBD (except as otherwise provided for a particular SCBD).

In accordance with Section 311 of the Anne Arundel County Charter (Charter), we performed a desk review of the fiscal year 2023 (FY23) financial reports and audit reports, where required, as well as any overdue reports for prior fiscal year financial reports submitted by the Associations. Specifically, the desk review consisted of reviewing each SCBD financial report and audit report, where required, in order to determine if the Associations were in compliance with the applicable County and state laws and regulations. This included

- identifying any instances of noncompliance with certain provisions of state law (for example, failure to file the financial report and audit report, where required, and untimely filing of the financial report).
- identifying areas of other noncompliance (for example, not meeting certain requirements of the County and state laws and regulations, total expenditures reported exceeding total approved budget appropriations, and spending funds on unallowable expenditures).

At the conclusion of our desk review, we communicated to the applicable Associations notifying them of certain deficiencies disclosed during the review and certain noncompliance with state and County laws and regulations so that corrective actions can be taken to help ensure future compliance. We also communicated Finding 3 to the Office of the Budget (OOB) relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could affect OOB’s ability to comply with applicable laws, rules, and regulations.

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## Prior Finding Status

Our desk review included a review to determine the status of the two findings contained in our prior special report dated February 2023, as detailed in the chart below. Certain Associations have had prior Findings 1 and 2 repeated in this report, as detailed in Appendix D.

**Status of Prior Findings**

<b>Prior Finding</b>	<b>Finding Description</b>	<b>Current Status</b>
Finding 1	Seventeen Associations had not filed the required SCBD financial reports or had filed the reports after the required filing date.	See Appendix D
Finding 2	Thirty Associations submitted SCBD financial reports with compliance deficiencies.	See Appendix D

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## Results of Desk Review

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### Summary

Our desk review disclosed that certain Associations have not submitted their FY23 SCBD financial report as well as their prior fiscal year SCBD financial report and audit report, where required, and several Associations submitted their FY23 SCBD financial report after the required deadline. One Association also filed their SCBD financial report for the prior fiscal year in January 2023. In addition, our desk review identified several instances of other compliance issues, such as financial reports did not meet certain requirements of the County and state laws and regulations, expenditures reported which exceeded the approved budget appropriation, and funds were spent on unallowable expenditures. Further, our review disclosed that the Office of the Budget lacked sufficient procedures for monitoring the Associations to help ensure its related SCBDs did not exceed its County approved budget appropriation.

## Finding 1

**Eighteen Associations had not filed the required SCBD financial reports or had filed the reports after the required filing date.**

As of December 15, 2023, 3 of the 73 Associations had not submitted their FY23 SCBD financial report as required by the Local Government Article of the Annotated Code of Maryland. Specifically, we noted the following overdue SCBD financial reports:

<b>SCBD</b>	<b>Fiscal Year(s) Outstanding</b>
Homewood Community Association	2023
Landhaven	2011 through 2023
South River Heights	2018 through 2023

The County currently holds a total of \$28,734 for Landhaven (\$6,158) and South River Heights (\$22,576) SCBDs, which funds were collected by the County for purposes established in Code. These SCBDs are not in good standing with the County as the Associations failed to submit the required SCBD financial reports and audit reports for the specific fiscal years noted above, as required by state law. Consequently, Landhaven Community Association, Inc. and South River Heights Residents Association, Inc. cannot access the SCBD funds to be utilized for the intended purposes until all outstanding requirements are resolved.

In addition, 14 of the 70 Associations that submitted FY23 SCBD financial reports were submitted after the state mandated filing date. The number of days for late submission ranged from 1 to 64 days after the required filing date. Specifically, we noted the following:

<b>SCBD</b>	<b>Date FY23 Financial Report Filed</b>	<b>Number of Day(s) Late</b>
Venice Beach	12/01/2023	64
Oyster Harbor	11/21/2023	54
Annapolis Roads	11/13/2023	46
Carrollton Manor	11/08/2023	41
Amberley	10/24/2023	26
Chartwell	10/19/2023	21
Sylvan View on the Magothy	10/16/2023	18
South River Park	10/13/2023	15
Heritage	10/09/2023	11
Felicity Cove	10/02/2023	4
Severndale	10/02/2023	4
Bittersweet	10/01/2023	3
Warthen Knolls	09/30/2023	2
Epping Forest	09/29/2023	1

Furthermore, Chartwell Community Association, Inc. filed its fiscal year 2022 SCBD financial report in January 2023. As of December 15, 2023, 68 of the 71 SCBD financial reports submitted were accepted.

The Local Government Article, Section 16-308 of the Annotated Code of Maryland requires financial reports to be filed with the appropriate County officials no later than 90 days after the close of the fiscal year. State law does not provide any extension to this deadline. The failure of an Association to file a SCBD financial report or audit report, or a delay in filing, results in the lack of timely accountability to its property owners. We are in the process of pursuing compliance with the applicable filing requirement for these Associations and appropriate follow-up action is being taken. An example of this action is withholding payment of additional funds.

## Finding 2

Twenty-four Associations submitted SCBD financial reports with compliance deficiencies.

Our desk review disclosed that 24 of the 71 submitted SCBD financial reports had compliance deficiencies. The 71 submitted SCBD financial reports consisted of 70 SCBD financial reports filed for FY23 and 1 SCBD financial report filed for fiscal year 2022 (FY22) as noted in Finding 1. The following provides a summary of the deficiencies noted and the corresponding number of reports:

<b>Deficiencies Noted in the SCBD Financial Reports Submitted by the Associations</b>	<b>Number of Financial Reports*</b>
Certain requirements of the County and state laws and regulations were not met	20
Expenditures reported exceeds the approved budget appropriation	3
Unallowable expenditures	3

\* See Appendix C for a detailed listing of the SCBDs in which these deficiencies were noted.

Specifically, 20 SCBD financial reports filed for FY23 and FY22 did not meet certain requirements of the County and state laws and regulations. The deficiencies identified included certain amounts reported on more than one financial document (e.g., the financial report, the Office of Finance Statement, and the Budget Request form) did not reconcile. For instance, the property tax revenue noted in the FY23 Office of Finance Statement did not agree with the property tax revenue in the FY23 SBCD financial report. The deficiencies also included presentation issues in the report (e.g., the SCBD financial report not including required items, such as an audit performed by either an independent CPA firm or a pre-approved audit committee).

Also, three SCBD financial reports disclosed that funds expended exceeded the approved budget appropriation for FY23. Specifically, the following chart provides a summary of the Associations that over expended its SCBD approved budget:

<b>Association</b>	<b>FY23 SCBD Expenditures</b>	<b>SCBD Approved Budget*</b>	<b>Amount Over Budget</b>
Mil-Bur Club, Inc.	\$118,238	\$77,548	\$40,690
Sherwood Forest Club, Inc.	\$1,455,538	\$1,455,047	\$491
Wilelinor Community Association, Inc.	\$87,894	\$84,277	\$3,617

\* Amount was formally approved by the Office of the Budget and the County Council, as required.

We referred this information to the Office of the Budget as discussed in Finding 3.

In addition, three Associations' SCBD financial reports disclosed unallowable expenditures. Specifically, the Property Owners Association of Arundel-on-the-Bay, Inc. expended \$425 of SCBD funds in FY23 on accounting fees for preparation of the 2023 Maryland personal property tax return which was determined to be an unallowable expenditure by the County's Office of Law. The Association of the SCBD repaid the unallowable expenditure to the SCBD account on September 22, 2023, which we deemed resolved. In addition, the Columbia Beach Citizens Improvement Association, Inc. (CBCIA) expended \$3,338 of SCBD funds in fiscal year 2016 on legal fees, which was determined to be an unallowable expenditure by the County's Office of Law. The CBCIA provided a corrective action plan in response to the unallowable expenditure, which was commented upon in our prior fiscal year 2021 SCBD report (Finding 3). In accordance with the CBCIA's corrective action plan, the CBCIA has been repaying the unallowable expenditure to the SCBD account through annual gate key rental fees collected (non-SCBD revenue) and was paid in full during FY23, which resolves the unallowable expenditure. Finally, Holland Point Citizens Association, Inc. expended \$22 of SCBD funds in FY23 on legal fees which was determined to be an unallowable expenditure by the County's Office of Law. The Holland Point Citizens Association, Inc. of the SCBD repaid the unallowable expenditure to the SCBD account on November 8, 2023, which we deemed resolved.

During our desk review, we contacted certain Associations in which deficiencies were noted and required their financial reports to be corrected and resubmitted for further review prior to releasing funds.

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## Finding 3

The Office of the Budget's (OOB) procedures for monitoring the Associations to help ensure its related SCBDs did not exceed its County approved budgets were not sufficient, resulting in SCBDs exceeding its FY23 approved budgets by \$45,000.

### **Agency Responsibility and Background Information**

County law requires the Budget Officer to manage the County's budget and improve budget execution. In performing these requirements, the Office of the Budget (OOB) provides a range of fiscal, revenue and budgetary management, coordination, planning and analysis functions for County government. These functions involve administering SCBDs, which includes managing its approved budgets.

Most Associations manage the expenditures related to the SCBDs. Each year Associations are provided with regulations in the form of guidance, created and administered by OOB in accordance with the County and state law, which includes a requirement that SCBDs cannot spend more than what is appropriated by the County Council and additional appropriation may be available with the approval of the County Council. Each year in early April, OOB drafts its fourth quarter supplementary appropriation legislation and informally reaches out to Associations to remind them of the aforementioned SCBD requirements. OOB allows approximately one week for Associations to respond back if they require any supplementary appropriation.

### **Analysis**

OOB's procedures for monitoring the Associations to help ensure its related SCBDs did not exceed its County approved budgets were not sufficient. Specifically, OOB had not established a mechanism for tracking the status of SCBD approved budgets. Although OOB knew of existing budget concerns of SCBDs exceeding its approved budgets or Associations expending SCBD funds without an approved budget, communicated by our office dating back to at least 2018, it had not established any policies and related procedures to require periodic reporting by the Associations as to the status of its SCBD's approved budget. For instance, in May 2022, the Stone Haven Improvement Association (who administers the Stone Haven SCBD) disclosed to the OOB that it did not have an approved budget for FY22 and had SCBD related billing due to an unanticipated community property improvement issue. OOB advised that the Association did not specifically request a budget for FY22, and it was not aware of any SCBD expenditures until our office reported it to them in December 2022, which was too late to establish an approved budget for FY22. The May 2022 disclosure was provided in enough time to be added to OOB's fourth quarter supplementary appropriation legislation. The Office of Law has advised that once the fiscal year ends on June 30<sup>th</sup>, there is no mechanism to increase (or create) prior-approved SCBD budgets.

Consequently, our review of SCBD financial reports for FY23 disclosed that three submitted reports (Mil-Bur, Sherwood Forest, and Wilelinor) reflected FY23 expenditures exceeding the approved budgets totaling \$45,000. Contrary to informal advice obtained from the Office of Law that OOB is the County agency that administers SCBDs, OOB advised that it is not their responsibility to monitor the SCBDs approved budgets and its annual reminder is only a courtesy. However, given that County law requires that the Budget Officer is responsible for improving budget execution and OOB's role as the administering budgetary control agency, the need to monitor the SCBD approved budgets is an essential control procedure to ensure that Associations do not exceed its SCBD approved budgets prior to the end of the fiscal year.

### **Recommendation**

#### **We recommend that OOB**

- a. obtain a formal legal opinion regarding the applicability of the Budget Officer's responsibility for managing the County's budget and improving budget execution to administering SCBDs and its approved budgets;**
- b. establish adequate procedures to implement its responsibility consistent with that formal legal opinion. Specifically, if OOB is determined to be responsible for monitoring the SCBD approved budgets, OOB should take a proactive role in providing sufficient monitoring to ensure that Associations do not exceed its SCBD approved budgets prior to the end of the fiscal year; and**
- c. consult with appropriate agency personnel (such as the Office of Law), as needed, to determine the appropriate action (such as assessing penalties) to take with Associations that exceed its SCBD approved budgets, including the aforementioned SCBDs.**

# Appendix A

## Management Response to Finding 3

**The Office of the Budget’s (OOB) procedures for monitoring the Associations to help ensure its related SCBDs did not exceed its County approved budgets were not sufficient, resulting in SCBDs exceeding its FY23 approved budget by \$45,000.**

**We recommend that OOB**

- a. obtain a formal legal opinion regarding the applicability of the Budget Officer’s responsibility for managing the County’s budget and improving budget execution to administering SCBDs and its approved budgets;**
- b. establish adequate procedures to implement its responsibility consistent with that formal legal opinion. Specifically, if OOB is determined to be responsible for monitoring the SCBD approved budgets, OOB should take a proactive role in providing sufficient monitoring to ensure that Associations do not exceed its SCBD approved budgets prior to the end of the fiscal year; and**
- c. consult with appropriate agency personnel (such as the Office of Law), as needed, to determine the appropriate action (such as assessing penalties) to take with Associations that exceed its SCBD approved budgets, including the aforementioned SCBDs.**

<b>Management Response</b>	
<b>Agency Responsibility and Background Information</b>	Not Factually Accurate
<b>Please provide additional comments as deemed necessary.</b>	County law requires that Special Community Benefit districts be administered by a not-for-profit incorporated association approved by County Council. As such, monitoring the expenditure of taxing district funds, management of district funds, and staying within the approved budget is the responsibility of the community association. Additionally, per County Code, the association is responsible for budgeting “unencumbered and unexpended surplus” of the district’s accounts. The SCBD guidelines dictate for emergency situations additional appropriation is available with the approval of County Council. This process is not restricted to the fourth quarter transfer, but is available to community associations throughout the fiscal year.

**Auditor’s Comment:** The Office of the Budget (OOB) has disagreed with the factual accuracy of the Agency Responsibility and Background Information. OOB focused its response on the responsibility of the Associations that administer the special community benefit districts (SCBDs) instead of substantiating how the Budget Officer’s responsibility in County law to manage the County’s budget and improve budget execution as the County’s budgetary control agency excludes the managing of the County Council approved budgets of SCBDs, which is a part of the County’s Annual Budget and

Appropriation Ordinance (ABAO). The ABAO also includes all County agencies approved budgets that OOB has advised it manages. Nevertheless, OOB has agreed to the recommendation to request a formal legal opinion to clarify its responsibility in regards to administering SCBDs and its approved budgets.

The response also indicates that the supplementary appropriation is not restricted to the fourth quarter transfer bill; however, this information is not mentioned or disclosed in OOB's current regulations. The purpose of our Background Information focused on OOB's current procedures in relation to a SCBD needing a supplementary appropriation, which is to informally reach out to the Associations each April and allow approximately a week to respond, not throughout the year.

<b>Analysis</b>	Not Factually Accurate
<b>Please provide additional comments as deemed necessary.</b>	<p>Regulations regarding appropriations are available to community associations through the SCBD guidelines as well as the budget letter and instructions that are forwarded annually. Appropriations and the requirement of County Council approval for additional appropriation is discussed on pages seven and twelve of the SCBD guidelines. Additionally, the budget instructions include guidance and discusses spending in excess of appropriation on pages one and two. As administrators of the expenditure of funds, tracking the status of the approved budget and requesting additional appropriation as necessary is the responsibility of the civic or community association. When reaching out to propose a budget for FY23, Stone Haven Improvement Association did not inform the Office of the Budget of any expenditures occurring or any planned expenditures in related to the SCBD in FY22 but expressed the desire to budget in FY23 as they had incurred 17,000 in fines. The memo and email attached is evidence of the request in question.</p> <p>There is no control procedure that would prevent a community or civic association from expending beyond their current year appropriation. Without the ability to approve or reject expenditures of the community association, tracking the status of the approved budget would not allow the Office of Budget to prevent or deter community associations from exceeding the appropriated budget. As administrators of the district, the community association is responsible for tracking the status of the approved budget and staying within that limit or approaching the County for approval of additional appropriation. The last opportunity to request additional appropriation in April is prior to the last opportunity for expenditure in June, thus even with reporting done up until April there would still be an opportunity to overspend. The Office of Budget suggests stringent penalties to deter community associations from complying with the guidelines and regulations in place.</p>

**Auditor's Comment:** Although OOB disagreed with the factual accuracy of the analysis and continues to assert that the Associations are solely responsible for managing its SCBD approved budget, it appears to agree that they have not established a mechanism for tracking the status of SCBD approved budgets. The response to the related recommendation indicated that it will comply with the recommendations of the Office of

Law. We will presume that if it is determined that OOB is responsible for monitoring the SCBD approved budgets, OOB will take a proactive role in providing sufficient monitoring to ensure the Associations do not exceed its SCBD approved budgets prior to the end of the fiscal year.

OOB also disputes the factual accuracy that the Stone Haven Improvement Association did not disclose to them that there was no FY22 approved budget for the Stone Haven SCBD. We reviewed and reassessed our audit documentation and reaffirmed the validity of our finding that OOB was made aware that Stone Haven did not have an FY22 approved budget and had SCBD related billing due to an unanticipated community property improvement issue. Also, the evidence OOB mentioned in its response, which we did not include in this report in accordance with our policy, did not disclose a desire for a budget request for FY23, and it further supported our analysis. Given OOB's role as the budgetary control agency for the County, it is a matter of prudence that OOB should have followed up with the Stone Haven Improvement Association to assist with getting an FY22 appropriation for its SCBD prior to the end of the fiscal year.

<b>Recommendation a</b>	Agree	<b>Estimated Implementation Date:</b>	Spring/ Summer 2024
<b>Please provide details of the proposed corrective action plan or explain disagreement.</b>	The Office of Budget has requested clarification from the Office of Law regarding management of SCBDs.		
<b>Recommendation b</b>	Agree	<b>Estimated Implementation Date:</b>	Fall 2024
<b>Please provide details of the proposed corrective action plan or explain disagreement.</b>	The Office of Budget would comply with recommendations of the Office of Law.		
<b>Recommendation c</b>	Agree	<b>Estimated Implementation Date:</b>	Fall 2024/ Winter 2025
<b>Please provide details of the proposed corrective action plan or explain disagreement.</b>	The Office of Law and Office of Budget will work together to propose appropriate action such as enforcing penalties and fines against community associations that fail to adhere to the laws and guidelines in place regarding SCBDs. Such actions would require legislation.		

# Appendix B

## List of all SCBDs in Anne Arundel County (as of June 30, 2023)

Note: As of December 15, 2023, this list is still current.

Required to File Financial Reports		Not Required to File Financial Reports
1 – Amberley	38 – Magothy Beach	1 – Bay Ridge
2 – Annapolis Roads	39 – Magothy Forge	2 – Broadwater Creek
3 – Arundel-on-the-Bay	40 – Manhattan Beach	3 – Fair Haven Cliffs
4 – Avalon Shores	41 – Mason Beach	4 – Herald Harbor
5 – Bay Highlands	42 – Mil-Bur	5 – Mayo
6 – Bayside Beach	43 – North Beach Park	6 – Scheides Cove Community Association
7 – Beverly Beach	44 – Owings Beach	7 – Southgate
8 – Birchwood	45 – Owings Cliffs	8 – Steedman Point
9 – Bittersweet	46 – Oyster Harbor	9 – Tanglewood Lane
10 – Cape Anne	47 – Parke West	10 – Wetheridge Estates
11 – Cape St. Claire	48 – Pine Grove Village	
12 – Capetowne	49 – Pines on the Severn	
13 – Carrollton Manor	50 – The Provinces	
14 – Cedarhurst-on-the-Bay	51 – Queens Park	
15 – Chartwell	52 – Rockview Beach/Riviera Isles	
16 – Columbia Beach	53 – Selby on the Bay	
17 – Crofton	54 – Severn Grove	
18 – Deale Beach	55 – Severna Forest	
19 – Eden Wood	56 – Severndale	
20 – Epping Forest	57 – Sherwood Forest	
21 – Felicity Cove	58 – Shoreham Beach	
22 – Franklin Manor	59 – Snug Harbor	
23 – Gibson Island	60 – South River Heights	
24 – Greenbriar II	61 – South River Manor	
25 – Greenbriar Gardens	62 – South River Park	
26 – Heritage	63 – Stone Haven	
27 – Hillsmere Estates	64 – Sylvan Shores	
28 – Hollywood on the Severn	65 – Sylvan View on the Magothy	
29 – Homewood Community Association	66 – Timbers	
30 – Hunter’s Harbor	67 – Upper Magothy Beach	
31 – Idlewilde	68 – Venice Beach	
32 – Indian Hills	69 – Venice on the Bay	
33 – Kensington	70 – Warthen Knolls	
34 – Landhaven	71 – Wilelinor	
35 – Little Magothy River	72 – Woodland Beach	
36 – Loch Haven	73 – Woodland Beach (Pasadena)	
37 – Long Point on the Severn		

## Appendix C

### Finding 2 – Deficiencies Noted in the SCBD Financial Reports Submitted by the Associations

Deficiencies Noted in Submitted Financial Reports	Count	SCBDs	Fiscal Year (FY)
Certain requirements of the County and state laws and regulations were not met	1	Amberley	FY23
	2	Annapolis Roads	FY23
	3	Bayside Beach	FY23
	4	Beverly Beach	FY23
	5	Capetowne	FY23
	6	Chartwell	FY23
	7	Columbia Beach	FY23
	8	Deale Beach	FY23
	9	Greenbriar Gardens	FY23
	10	Kensington	FY23
	11	Loch Haven	FY23
	12	Long Point on the Severn	FY23
	13	North Beach Park	FY23
	14	Owings Cliffs	FY23
	15	Oyster Harbor	FY23
	16	Severn Grove	FY23
	17	Severna Forest	FY23
	18	Severndale	FY23
	19	Timbers	FY23
	20	Chartwell	FY22
Expenditures reported exceeds the approved budget appropriation	1	Mil-Bur	FY23
	2	Sherwood Forest	FY23
	3	Wilelinor	FY23
Unallowable expenditures	1	Arundel-on-the-Bay	FY23
	2	Columbia Beach	FY23
	3	North Beach Park	FY23

# Appendix D

## Status of Prior Findings – Repeat of Findings 1 and 2

*Finding 1 – Seventeen Associations had not filed the required SCBD financial reports or had filed the reports after the required filing date.*

Deficiency	Count	SCBD	Outstanding Fiscal Year(s)
<b>Non-Filers</b>	1	Landhaven	2011 through 2023
	2	South River Heights	2018 through 2023
<b>Late Filers</b>	1	Annapolis Roads	Not Applicable
	2	Carrollton Manor	Not Applicable
	3	Severndale	Not Applicable
	4	Sylvan View on the Magothy	Not Applicable

*Finding 2 – Thirty Associations submitted SCBD financial reports with compliance deficiencies.*

Deficiency	Count	SCBD
<b>Deficiencies Noted in the Submission of the Financial and Audit Reports</b>	1	Amberley
	2	Arundel-on-the-Bay
	3	Bayside Beach
	4	Beverly Beach
	5	Columbia Beach
	6	Greenbriar Gardens
	7	Loch Haven
	8	Long Point on the Severn
	9	North Beach Park
	10	Oyster Harbor
	11	Severn Grove
	12	Severna Forest
	13	Severndale

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## Methodology

To complete this compliance review, we took the following steps:

- Conducted background research and reviewed applicable County and state laws and regulations, policies, and procedures.
- Logged SCBD financial reports submitted by the Associations in our records.
- Consulted with the Office of Law regarding legal matters pertaining to the SCBDs, where applicable.
- Performed a SCBD financial report desk review by reviewing the information in the FY23 SCBD financial report and prior fiscal year report submissions along with the Office of Finance Statement; approved Budget Request form; prior fiscal year approved financial report; FY23 audit report, where required; and expense records of the SCBDs, where applicable.
- Communicated with the Associations to inform them of the deficiencies noted, to make corrections, and file revised SCBD financial reports, where applicable.
- Provided scheduled reports to the Office of Finance of the SCBDs in compliance with state law and therefore cleared for their applicable funds to be disbursed, and those that are not in compliance and continue to require a withholding of funds.
- Followed up on prior findings to determine their current status.
- Communicated Finding 3 to the Office of the Budget (OOB) relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could affect OOB's ability to comply with applicable laws, rules, and regulations.
- Management responses for Finding 3 were received and reviewed and included as Appendix A to this report. We also included "Auditor's Comment" to further explain our position to the significant instances in which OOB disagreed in Appendix A to this report.
- Formal responses were not required for Findings 1 and 2 since these findings contain no recommendations.

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## Review Standards

The Office of the County Auditor performed this review in accordance with the financial reporting and audit requirements set forth in the Annotated Code of Maryland, Local Government Article Section 16-308, Charter and Code, and auditing standards.

**County Auditor**  
Michelle Bohlayer

**Deputy County Auditor**  
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**Review Team**  
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*Legislative Senior Auditor*

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