



Howard County, Maryland
Office of the County Auditor

Watershed Protection & Restoration Fund Audit Report

December 5, 2025

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THE HOWARD COUNTY GOVERNMENT

Office of the County Auditor

MEMORANDUM

December 5, 2025

Memo To: The Honorable Members of the County Council
The Honorable Dr. Calvin Ball, County Executive

From: *Chris Ashman*
Chris Ashman, CPA
County Auditor

Subject: Watershed Protection and Restoration Fund

Pursuant to Section 212 of the Howard County Charter and Council Resolution 22-1985, the Office of the County Auditor conducted an audit of the Watershed Protection and Restoration Fund. Please find enclosed the audit report which contains the findings and recommendations, and outlines the scope, approach, and methodology we applied in conducting the audit.

Our findings have been reviewed with the Chief Administrative Officer, and we have included the Administration's responses. We wish to express our gratitude to the Office of Community Sustainability, the Department of Public Works and the Department of Finance for the cooperation and assistance extended to us during the course of the engagement.

CC: Council Administrator
Brandee Ganz, Chief Administrative Officer, County Administration
Timothy Lattimer, Administrator, Office of Community Sustainability
Yosef Kebede, Director, Department of Public Works
Rafiu Ighile, Director, Department of Finance
Patrick Pope, Assistant Chief Administrative Officer, County Administration
Gary Kuc, County Solicitor, Office of Law

II. Background

The County established the Watershed Protection and Restoration Fund via Council Bill 8-2013, which went into effect on June 3, 2013. Since its establishment, the County passed several subsequent pieces of legislation to modify the program including, but not limited to, setting and adjusting fees, fee credits, reimbursements, assistant guidelines, authorized additional credits, and annual reporting requirements.

At the County level, the Watershed Protection and Restoration Fund is governed by Title 20, Subtitle 11 of the Howard County Code. This part of the Code was established in reaction to the passing of § 4-202.1 of the *Environmental Article of the State Code* in 2012 that required counties to establish a Watershed Protection and Restoration Program that consists of a Fund and imposes a Watershed Protection and Restoration Fee (the fee) on all real property in the County. The State amended its fee requirement, with an effective date of July 1, 2016, to provide municipalities with the option to reduce or repeal the fee, but the requirement to maintain a Watershed Fund remained. However, the County continued imposing its fee in order to generate revenues for the fund.

Annually, all real properties in the County are reassessed to determine the amount of their Watershed fee. This assessment process, including adjustments for credits, reimbursements, and waivers, is fulfilled through the assistance of several County departments and a contractor for the County. The County offices involved in this process include the Office of Community Sustainability (OCS), the Department of Finance (Finance), the Department of Technology and Communication Service (DTCS) and the Department of Public Works (DPW). A substantial amount of the work needed to determine each parcel's assessment is performed by the County's contractor, Wood Group, PLC (Wood).

OCS handles all of requests for credits and reimbursements submitted to the County except those eligible for the Residential Financial Hardship Waiver which are handled by Finance. A property owner may be eligible for credits for best management practices (BMP) that reduce the impact of currently untreated impervious surfaces on the public stormwater management system.

III. Executive Summary

We conducted a performance audit of the Watershed Protection and Restoration Fund's fee assessment, credit and reimbursement, and collections process. In performing the audit, we gained an understanding of the workflow and processes related to the assessment of Watershed related fees reflected/included in the real property tax bills, credits and reimbursement eligibility for residential, non-residential, non-profit entities, and revenue recognition in the County's financial system. We interviewed management personnel and staff, executed walkthroughs of selected processes, and examined key supporting documentation. We also carried out testing procedures that provided insight into the adequacy of the internal controls design and the operating effectiveness of those internal controls.

Our walkthrough and testing procedures yielded findings related/connected to the fee assessments, credits, and payment collections for residential, non-residential and non-profit entities. In addition, we noted that established procedures governing all aspects of the activities for the Watershed Protection and Restoration Fund were not available.

IV. Objective

The objectives of our audit include determining compliance with the County Code for the following items:

- a) Properties subject to the Watershed Protection and Restoration Fee are being properly assessed.
- b) Credits against the fee and reimbursements of the fee are being properly administered.
- c) Revenues are being deposited into the Fund.

V. Scope, Approach, Methodology

The audit focused on processes completed by OCS and Finance related to fee assessments, credits and reimbursements, as well as collections between Fiscal Years 2019 through 2022.

We conducted the performance audit in accordance with the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards

require that we plan and perform the audit to obtain sufficient, and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We determined the nature, timing, and scope of the audit procedures included but were not limited to:

- a) Performed substantive testing, transaction testing, observation, inquiry, and analytical procedures
- b) Determined the audit sample sizes
- c) Correlated risk with nature, timing, and extent of testing
- d) Designed multipurpose tests with a common sample to test several different controls and specific accounts or transactions

We planned the audit to reduce the audit risk to an acceptably low level. Planning was a continuous process throughout the audit. To address our audit objectives, we collected and reviewed key documents containing suitable criteria and analyzed data relevant to our audit objectives. We also performed the following procedures:

- a) Attempted to obtain copies of policies, procedures, and other guidance relevant to the department/program activities and conducted reviews to gain an understanding of the processes and key controls as it relates to the audit objectives.
- b) Reviewed laws, regulations, contracts and agreements applicable to the operations of the department/program to evaluate requirements and performance targets, expectations, and milestones.
- c) Assessed the internal controls the department has in place for managing and monitoring the program activities. Specifically, we determined whether all five components of the standards for internal control in the County Government were significant to our audit objectives: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. We developed our audit plan to assess each of these control areas in determining how effectively the department manages the program oversight.
- d) Obtained and analyzed data and reports used by the department to monitor and evaluate the effectiveness of the program oversight activities. We performed population validation procedures to assess the reliability of the data received. We determined that the data provided was sufficiently reliable for the purposes of our audit.

- e) Conducted interviews and walkthroughs with the department leadership and staff connect with the program activities in order to gain an understanding and assessed the adequacy of the internal controls.
- f) Selected samples and perform testing procedures to evaluate the design and operating effectiveness of the internal controls over program monitoring and oversight.

VI. Results

Finding 1: Comprehensive procedures are not available for all workflow processes related to Watershed fee assessments, credits, or payment collection.

Condition

Management did not have in place documented policies and standard operating procedures (SOPs) governing the workflow processes associated with the Watershed fee assessment process, credit review and approval process, or payment collections.

Management provided representation describing the different phases of the Watershed fee assessment, credit, and collection process. However, there was no documentation provided on how these processes were to be performed, and which contained the identification and description of the associated internal controls, particularly those pertaining to Management's oversight.

Criteria

Industry best practices dictate that the County agency establishes SOPs for operations which form the basis for its internal control activities.

Cause

Management has placed significant reliance on institutional practices and on policies and procedures that have not been formally documented.

Effect

With no documented SOPs in place, Management has no formalized internal controls over the Watershed fees and credits which may result in negative financial, legal, and

reputational risk outcomes. This may also result in inadequate Management oversight over revenue performance that may impact the strategic and operational objectives. This creates a scenario where proper financial management procedures are not being developed and deployed to ensure that the effective collection of revenues.

This condition also engenders poor accountability since roles and responsibilities related to the administration processes are not adequately defined and captured in a narrative or graphic workflow. Consequently, there may be inefficiencies in Management's operations with the absence of clearly identified internal controls designed to aid in the execution of revenue activities pursuant to the mission of the organization.

The absence of internal controls documentation may create gaps in institutional knowledge and facilitate inadequate training of officers and staff of the agency, which may lead to an increase in the frequency of and the magnitude of errors made.

Recommendation

OCS, in conjunction with Finance, DPW, DTCS, and the current third-party consultant should establish formal SOPs governing its workflow processes associated with the Watershed billing and assessment process including tax credits, inspections, records retention, and payment collection.

The SOP should describe in detail the processes and internal controls surrounding the Watershed fee assessment, credit and collection operations. It should provide direction with respect to the different areas including fee assessment for residential and non-residential parcels, the requirements and determination for credit eligibility for run-off credits and hardship credits for each property type, and the collection of revenues. These procedures should clearly outline Management's oversight responsibilities, including the review and approval process.

Administration's Response

As represented by Management, they have internal controls in place including a workflow process with the third-party contractor and they agree that SOPs are necessary to ensure consistency, transparency, and internal controls. Management advised they will continue to document processes as they change.

Finding 2: Watershed Protection and Restoration fees for non-residential parcels were not always rounded to the nearest impervious unit.

Condition

For non-residential parcels, Watershed fee assessments were based on impervious units multiplied by \$15. When recalculating the impervious units, we identified five out of twenty-eight parcels tested were assessed a fee based on an incorrect methodology. For these parcels, the square footage measurements were not rounded up to the nearest whole impervious unit (an impervious unit is the equivalent of 500 square feet). For example, one parcel was billed at 52 impervious units, when it should have been billed at 53 impervious units.

Criteria

As outlined in Section 20.1103(d) of the Howard County Code, the fee based on the amount of impervious surface shall be calculated as follows:

- a) Determine the impervious surface measurement in square feet for the property, rounded to the nearest whole impervious unit.
- b) Multiply the property's impervious units by the impervious unit rate. An impervious unit is 500 square feet.

Cause

This issue occurred because Management had little or no controls in place to:

- a) Independently verify the source data used in determining the fees; and,
- b) Ensure that the calculations performed were consistent/complied with the methodology outlined in the County's Code.

Effect

Incorrect methodology used in determining the non-residential Watershed fee and incorrect data can negatively impact the County's revenues.

Recommendation

We recommend OCS, in conjunction with the third-party vendor, correct the rounding errors for all applicable parcels. A process should be in place with Finance to reassess the correct fees.

Administration's Response

As represented by Management, the coding was fixed in November 2025, and they will work with the third-party vendor to ensure that quality assurance and quality control (QAQC) activities are performed and that the correct methodology is used going forward. Additionally, a formal documented process will be established to include this process.

Finding 3: Watershed Protection and Restoration fees for non-residential parcels are not always aligned with the tax cap.

Condition

Some non-residential parcels have fee assessments restricted to 5% of the total real property tax bill. For the parcels in which this limit is applied, we identified one out of twenty-eight parcels was assessed a fee that exceeded this tax cap.

Criteria

According to section 20.1109c(1)(i) of the Howard County Code, fees assessed for non-residential properties should not exceed the tax cap established by Council Resolution.

Cause

The data provided by the third-party property tax consultant was not consistently used in Management's determination of the tax cap for the real property tax bill.

Effect

Exceeding the tax cap increases the risk of assessing the property owner an incorrect fee.

Recommendation

To achieve accurate fee assessments, we recommend OCS, in conjunction with the third-party vendor, audit the assessed fees in relation to the tax cap. A process should be in place with Finance to reassess the correct fees.

Administration's Response

Management advised they will continue to spot check calculations for different scenarios prior to importing the billing information into the tax software. Additionally, Management advised they will document this process when they update their SOP's.

Finding 4: Watershed Protection and Restoration fees set by Council Resolutions do not specifically address mobile home parks as being billed by unit.

Condition

In addition to the impervious unit calculation, fees for non-residential parcels are based on property type. During our review, we identified a void in the Council Resolutions' (CR) fee schedule in which commercial mobile home parks were not listed.

As a result, three commercial mobile home parks tested were assessed at \$15 per unit, the rate used for a non-residential apartment or a residential townhouse or condominium unit. Whereas single family detached dwellings up to and including 0.25 acres are assessed at a \$45 rate. Without guidance for the treatment of assessments for commercial mobile home parks, we were unable to determine the basis for which the fees were assessed.

Criteria

According to section 20.1109c(1)(ii) of the Howard County Code, fees assessed for commercial properties should be stated in the applicable CR.

Cause

The County Code and subsequent CRs did not specify the rate schedule for mobile homes. As a result, Management unilaterally decided to assess these properties at \$15 per unit. No support was provided for Management's decision.

Effect

Absent clear direction on the rates for mobile home parks, the County may not be assessing the correct amount of fees. This could increase the likelihood of under collecting revenue.

Recommendation

To achieve accurate fee assessments, we recommend OCS, in conjunction with the County Council, amend current and future Council Resolutions to address rates for mobile home parks.

Note: Subsequent to the audit period under review, the Council passed CR 57-2024 that addressed the gap in legislation pertaining to fees assessed on mobile home parks.

Administration's Response

As represented by Management, an attempt was made to rectify this error on CR 78-2022, but that was not passed by the County Council. However, this issue was resolved with the passing of CR 57-2024 which clarified the billing rates for commercial mobile home parks.

Finding 5: Residential and Non-Residential Runoff Credits awarded were not based on established criteria.

Condition

In evaluating the criteria for Residential Runoff Credits, we noted that five of seventeen residential parcels tested had credits assessed as a percentage of the assessed fee that exceeded the percentage of the treated impervious area. For these exceptions, the percentage by which the awarded credit exceeded the eligible credit ranged from 23 - 61%.

For Non-Residential Runoff Credits, two out of nineteen parcels tested received credits not consistent with mandated criteria.

Criteria

Section 20.1105 and section 20.1105e of the County Code outlines the criteria for awarding Watershed credits to residential and non-residential properties.

Cause

The discrepancy occurred when the percentage of area treated did not agree with the percentage of credit granted for residential parcels. In addition, reconciliations were not performed to ensure that the credits granted were consistent with the treated areas.

OCS's miscalculation of the credits for some non-residential parcels resulted in amounts granted that were ineligible or exceeded the allowable amount as mandated by the CRs.

Effect

Granting/awarding Watershed credits that are not consistent with established criteria may result in a loss of revenue for the County.

Recommendation

We recommend that OCS, in connection with the third-party vendor or Finance, have a separate review process for residential parcels to ensure proper calculation of credits for residential properties.

For non-residential parcels, we recommend OCS coordinates with DPW to verify the applicant's eligibility prior to approval.

A process should be in place with Finance to recapture credits applied to parcels in error.

Administration's Response

Management noted that the issue for the residential parcel was resolved in 2023 when the billing process was improved to share the percentage of credit with the third-party consultant rather than a flat dollar amount. Additionally, the Office of Community Sustainability is now utilizing a database instead of an excel worksheet. These changes should prevent these errors from being repeated in the future. For non-residential parcels, Management advised that the errors were previously fixed and corrected in subsequent billings.

Finding 6: Inspection documentation and triennial recertification documentation were not always available for Residential Runoff Credits.

Condition

A key component of the Residential Runoff Credit requires documentation of an initial inspection of installed BMPs and subsequent triennial certifications.

During our review, we noted that one out of seventeen parcels did not have documentation to support the inspection of the BMP. Additionally, two parcels had no documentation to support the triennial re-inspection or self-certification of the BMPs.

Criteria

Section 20.1105(g) and 20.1105(f) of the Howard County Code requires an inspection and approval of a property's BMPs prior to authorization of the Runoff Credit. In addition, triennial re-inspection or self-certification of the property's BMPs is required for the parcel to remain eligible for the credit.

Cause

No documentation was available to support whether an inspection was performed or a recertification occurred. Management advised retention of these documents was impacted as a result of COVID.

Effect

Unsupported Runoff Credit awards create a potential risk of loss revenue to the County.

Recommendation

We recommend Management implement the required controls to ensure documentation is maintained to support the credit awarded to each property. Additionally, when documentation is not received by the property owner, a process is needed to ensure credits are removed for future tax years.

Administration's Response

Management represented that they are continuing to make improvements to their record keeping system by reducing paper and email files that have a greater potential

for being misplaced. If a property is not recertified then an inspection is not conducted, as was the case for one of these parcels.

Finding 7: Triennial recertification not always done timely for Residential Runoff Credits.

Condition

Another key component of the Residential Runoff Credit requires triennial certifications of the BMP. For seven out of seventeen parcels tested, we identified the triennial certifications were not completed on or before the triennial anniversary due date. In some instances, the self-certifications were done up to ten months after the anniversary date.

Criteria

To remain eligible for the credit, Section 20.1105(f) of the Howard County Code, mandates triennial reinspection certification of BMPs.

Cause

Management did not have a process in place to monitor and track the triennial anniversary dates for residential parcels receiving a Runoff Credit. As a result, many inspections were conducted after the triennial anniversary due date.

Effect

Failure to receive timely recertifications could result in credits being granted to ineligible parcels increasing the likelihood of lost revenue.

Recommendation

To reduce the risk of lost revenue to the County, we recommend Management implement the necessary controls to track and monitor completion of the triennial certifications to ensure that credits are awarded to only eligible properties.

Administration's Response

As represented by Management, the re-inspections were delayed resulting in a backlog due to reduced site inspections during the COVID pandemic.

Finding 8: Residential reimbursement is missing supporting documentation.

Condition

In addition to Residential Runoff Credits, property owners are eligible for a one-time partial reimbursement of installation costs for BMPs. Our review of the sole reimbursement that occurred during the audit period, noted that documentation was not available in the County's financial system (SAP) to support the taxpayer's eligibility for the reimbursement. In this instance, the owner installed a rain garden; however, based on our review of SAP, we were unable to independently validate that the percentage of the total cost disbursed was in alignment with the CR.

Criteria

Pursuant to section 20.1106 of the Howard County Code, OCS is required to evaluate the eligibility of the application for reimbursement and the stormwater BMP to determine the amount an applicant is eligible for based on the rate schedule adopted by resolution of the County Council.

Cause

Management did not have formal guidelines outlining the specific supporting documentation required for inclusion with reimbursement requests entered in SAP prior to approval of the reimbursement. As a result, we were unable to verify the accuracy of the reimbursement made.

Effect

Failure to include all supporting documentation in SAP increases the likelihood of inaccurate reimbursement amounts not consistent with County Code and could negatively impact revenue.

Recommendation

OCS should develop SOPs that outline the supporting documentation required to accompany reimbursement requests. These documents should be uploaded to SAP prior to approval of the reimbursement. The supporting documentation should include, but is not limited to, verification of the inspection for the installed BMP, the invoice from the contractor, cancelled checks to pay the contractor, etc.

After further discussion with OCS, we recommend Management address the retention of the supporting documentation in SAP. When reviewing the reimbursement for approval, the authorized approver should verify all documentation in SAP to support the calculation of the amount awarded for reimbursement. To reduce potential fraud risks, transactions booked to the County's general ledger should include all supporting documentation to facilitate independent verification.

Administration's Response

Management initially disagreed with the finding given that all required documentation was maintained in their office files. Management subsequently provided the requested paid contractor invoice documentation on December 1, 2025 to support the reimbursement tested.

Finding 9: A process is not in place for Residential and Non-Residential Runoff Credits when properties transfer.

Condition

A potential loss to the County can occur when a property is no longer eligible for a credit due to a transfer of ownership.

During our review of the Residential Runoff Credits, two out of seventeen residential parcels tested had a change in ownership. In these instances, the new owner continued to receive the credit awarded without completing an application requesting the credit. Additionally, the required triennial certifications of the BMP for these two residential parcels were not completed.

None of the non-residential parcels tested had ownership changes during our audit period; however, OCS indicated non-residential parcels will continue to receive the Runoff Credit as long as the BMP is still functional.

Criteria

Pursuant to section 20.1105(d) and 20.1105(f) of the Howard County Code, OCS is required to evaluate eligibility of the application for the Runoff Credit and the stormwater BMP. In addition, to remain eligible for the credit, a triennial certification of BMPs is required by the property owner for the parcel.

Cause

A formalized process was not established to evaluate the credit eligibility of new property owners when a property transfers. As a result, Management was unable to verify the BMPs were still functional with the new owner receiving the credit.

Effect

Current property owners, for both residential and non-residential parcels, may receive credits awarded to previous owners even though the property may no longer be eligible for the credit.

Recommendation

We recommend that Management coordinate with Finance to identify ownership transfers of pertinent properties and request the new owners to complete an application requesting an inspection to determine continued eligibility for the credit.

In addition, OCS should consider removing the tax credit following ownership transfer and re-instanting the credit only after the new owners submit an application requesting the credit.

We also recommend that OCS coordinate with Finance to recapture incorrectly awarded credits.

Administration's Response

Going forward, Management will work with Finance to implement a formal process for identifying credits that involve an ownership transfer.

Finding 10: Non-Residential Runoff Credits were awarded to parcels without triennial inspection.

Condition

A key requirement of the Non-Residential Runoff Credit is a triennial inspection conducted by DPW. The purpose of this inspection is to confirm the functionality, management, and operation of the BMPs. In order for a non-residential parcel to have a comprehensive inspection by DPW, the site development plan must be released by the Department of Planning and Zoning (DPZ). Based on our test work, we noted three out

of nineteen non-residential parcels received a credit although DPW had not performed the triennial inspection.

Criteria

Section 20.1105(f) of the Howard County Code requires a triennial recertification for non-residential properties prior to approval of Non-Residential Runoff Credits.

Cause

Management did not verify the release of the site development plans prior to awarding the credit. As a result, DPW was unable to complete the inspections as required by the County Code.

Effect

Providing credits without inspection of the BMPs to ensure it is functioning properly increases the likelihood of an under collection of revenue.

Recommendation

We recommend that OCS, in connection with the third-party vendor or DPW, implements controls to remove parcels without a site plan from the list of properties eligible for the credit. In addition, Management should coordinate with Finance to identify and recapture erroneously awarded Runoff Credits.

Administration's Response

Management advised they were unaware that site-development plans were not released; however, there is now a process in place with DPW to rectify this moving forward.

Finding 11: Non-Residential parcels receiving credit for regional (shared) storm water management facilities.

Condition

A key requirement of Non-Residential Runoff Credits is the investment by the property owner in a stormwater BMP. For three out of nineteen non-residential parcels tested, we noted owners did not own a site-specific BMP. Instead, they were utilizing a regional

storm water management facility for multiple parcels. As a result, we were unable to determine the credit amount that should be awarded to these parcels.

Criteria

According to section 20.1105(b) of the Howard County Code, credits are eligible for property owners who make an investment in a stormwater BMP.

Cause

The County Code does not include guidance on tax credit eligibility for owners with regional stormwater management facilities. In the absence of these guidelines, Management granted credits to these non-residential parcel owners. Documentation was not provided to verify the property owner made an investment in the regional stormwater management facility

Effect

Absent of clear direction on the eligibility for parcels using a regional stormwater management facility, the County may not be assessing the correct amount of credit. This will increase the likelihood of under collecting revenue.

Recommendation

To achieve accurate credit assessments, we recommend OCS, in conjunction with the County Council, amend current and future CR to address eligibility for non-residential parcels with regional stormwater management facilities.

Administration's Response

Moving forward, Management will consider requesting proof of investment for shared best management practices on the credit application.

Finding 12: Non-Profit Runoff (ROE) agreements do not include all the properties for the County to inspect.

Condition

For Non-Profit Runoff Credits, the ROE agreement is the foundational tool required to begin the credit determination process. These agreements provide the County with

access to specified properties owned by the non-profit entity for the purpose of inspecting and recommending BMPs.

In two of the seventeen parcels tested, the ROE agreement did not specify which parcels to be considered for an inspection and recommendation of BMP by the County. According to OCS, many non-profit entities own multiple parcels which were not included in the original agreement; however, these parcels received waivers.

After further discussion, Management advised they will explore a more formalized approach to capturing all related parcels in the ROE agreements either through an amendment or a subsequent ROE agreement. This process will also be captured in their SOPs. Additionally, Management is exploring funding requests for an improved public facing database/tracking software that will identify the percent completed for each BMPs' maximum extent practicable (MEP) per parcel.

Criteria

As outlined in Section 20.1105(i) of the Howard County Code a non-profit is eligible for Runoff Credits provided:

- a. Non-Profit entity enters into an agreement with the County to assess the property and advise the nonprofit entity of ways to treat stormwater to the maximum extent practicable.
- b. The non-profit entity agrees to implement, for each parcel, the recommended BMPs advised by the County.
- c. In order to remain eligible for a credit, a property owner must submit a recertification application every three years.

Cause

Management did not have established criteria to determine which parcels should be included in the original ROE agreements. As a result, additional parcels owned by the entity were subsequently added to the ROE agreement and granted waivers at the request of the entity after the agreement was executed.

Effect

ROE agreements that do not identify the specific properties for credit eligibility creates an increased risk that an entity is not receiving a waiver for all eligible properties under

their ownership. Additionally, the County will not have an accurate inventory of the parcels that are eligible and/or have outstanding BMP evaluations.

Recommendation

We recommend that OCS establishes a formalized process to identify in the original ROE agreement all parcels owned by the non-profit entity and establish a process to create new agreements/amendments for any additional parcels that are later identified.

Administration's Response

According to Management, all the original ROE agreements did not contain all the parcel numbers for the non-profit entities; however, following subsequent consultation with the Office of Law, OCS decided to add the specific parcel numbers to the bottom of the original agreements when notified by the non-profit entity. Management also noted that once a recommendation for BMP's has been made, OCS will enter into a subsequent Memorandum of Understanding (MOU) with the non-profit entity for each specific parcel.

Finding 13: Non-Profit Runoff ROE agreements do not match property ownership with the State Department of Assessments and Taxation (SDAT).

Condition: With the ROE agreement being the foundational tool, it is imperative that the non-profit entities listed in the agreement match the ownership with SDAT.

For one of the seventeen non-profit entities tested, we noted that a single ROE agreement was used for two separate non-profit entity ownership interests as reflected by the SDAT.

As a result, we were unable to determine how one of the parcels tested was eligible for a non-profit waiver.

Criteria

As outlined in Section 20.1105(i) of the Howard County Code a non-profit is eligible for Runoff Credits provided:

- a) Non-Profit entity enters into an agreement with the County to assess the property and advise the non-profit entity of ways to treat stormwater to the maximum extent practicable

- b) The non-profit entity agrees to implement, for each parcel, the recommended BMPs advised by the County
- c) In order to remain eligible for a credit, a property owner must submit a recertification application every three years

Cause

Management did not have the proper controls in place to validate if the entities on the ROE agreement matched legal ownership of the corresponding parcels.

Effect

Without a ROE agreement for each non-profit ownership interest, the basis for identifying waiver eligibility cannot be determined. As a result, this increased the risk that ineligible properties are awarded a waiver.

Recommendation

We recommend that OCS scrub all current agreements and make amendments and/or initiate new agreements with all related entities in which the County intends to do business.

If a non-profit entity owns more than one parcel, verification of ownership for each parcel needs to be confirmed and reflected in the agreement.

In addition, Management should consider reassessing the waivers/credits with the Finance.

Administration's Response

Management represented that the ROE agreements will be updated and parcel ownership will be verified prior to proceeding with any work onsite.

Finding 14: Non-Profit Runoff Credits/Waivers received for parcels in which there was not a fully executed ROE Agreements.

Condition

In addition to the ownership interest being reflected properly, it is also imperative that the ROE agreements between the non-profit entities and the County are fully executed in a timely manner.

For fifteen of the seventeen parcels tested we noted these parcels received waivers before the ROE agreements were fully executed. One parcel tested continues to receive waivers in the absence of a ROE agreement.

Several weaknesses were identified in the OCS's process to ensure all agreements were routed for proper signatures in a timely manner.

Criteria

As outlined in Section 20.1105(i) of the Howard County Code a non-profit is eligible for Runoff Credits provided:

- a) Non-Profit entity enters into an agreement with the County to assess the property and advise the non-profit entity of ways to treat stormwater to the maximum extent practicable
- b) The non-profit entity agrees to implement, for each parcel, the recommended BMPs advised by the County
- c) In order to remain eligible for a credit, a property owner must submit a recertification application every three years

Cause

Management did not have adequate tracking mechanisms to ensure employees routed the ROE agreements in a timely manner to all County parties for signature.

Effect

In absence of fully executed ROE agreements, the County provided credits/waivers to parcels that may not have been eligible for the credit. This practice created a missed opportunity for revenue collection.

Recommendation

We recommend that OCS continues its effort in streamlining the process to have outstanding ROE agreements fully executed, digitalized, and in place for all properties receiving the credits.

Administration's Response

Management noted that they have made progress in cleaning up more than 10 years of paper files and will continue to work on streamlining the process for recordkeeping.

Finding 15: Non-Profit fee waivers granted to parcels that were not eligible.*Condition*

A potential loss to the County can occur when a property is no longer eligible for a credit due to a transfer of ownership.

Two of the seventeen parcels tested improperly received non-profit waivers because the non-profit entity sold the property to an owner not recognized as a non-profit entity.

Criteria

As outlined in Section 20.1105(i) of the Howard County Code a non-profit is eligible for Runoff Credits provided:

- a) Non-Profit entity enters into an agreement with the County to assess the property and advise the non-profit entity of ways to treat stormwater to the maximum extent practicable.
- b) The non-profit entity agrees to implement, for each parcel, the recommended BMPs advised by the County.
- c) In order to remain eligible for a credit, a property owner must submit a recertification application every three years.

Cause

Management did not have proper controls in place to identify when a property previously owned by a non-profit entity is sold and is no longer eligible for a waiver.

Effect

The County provided waivers to parcels that were not eligible in subsequent tax years due to property ownership changes. This practice creates a missed opportunity for the County to collect revenue.

Recommendation

We recommend that OCS establish a process to ensure non-profit entities who receive a credit or waiver continue to maintain ownership of the property each tax year. This can be done a variety of ways including notification from Finance when a property with the

Watershed Tax Credit transfers ownership.. In addition, Finance should consider implementing a process to recapture credits applied to parcels in error.

Administration's Response

Management advised these errors were previously corrected. Additionally, in tax year 2025, a process was established with the third-party consultant to verify ownership and check for parcels that were sold.

Finding 16: Triennial recertifications were not completed for non-profit entities with partial installations.

Condition

A key component of the Non-Profit Runoff Credit requires documentation of triennial self-certifications of installed BMPs.

Two out of seventeen non-profit entities sampled were receiving a waiver for partial BMP installations without completion of the required triennial recertification.

Criteria

As outlined in Section 20.1105(i) of the Howard County Code a non-profit is eligible for Runoff Credits provided:

- a) Non-Profit entity enters into an agreement with the County to assess the property and advise the nonprofit entity of ways to treat stormwater to the maximum extent practicable
- b) The non-profit entity agrees to implement, for each parcel, the recommended BMPs advised by the County
- c) In order to remain eligible for a credit, a property owner must submit a recertification application every three years

Cause

Management does not have a process in place to conduct triennial inspections and/or self-certifications to ensure BMPs are still installed and functioning properly.

Effect

Without conducting triennial inspections or recertifications to confirm BMPs are fully functioning, there is no accountability for the non-profit entity to maintain the installation as agreed. This increases the likelihood of waivers being improperly granted for extended periods of time, resulting in missed opportunities for the County to collect revenue.

Recommendation

We recommend that OCS establishes a process to triennially verify any BMPs installed by non-profit entities are still functional and are being properly maintained.

Administration's Response

Management noted that additional funding requests will be made in subsequent budget to hire a consultant to perform triennial inspections of non-profit best management practices as the non-profits reach their MEP.

Finding 17: Advising non-profits of the BMP installations to the MEP is not done in a timely manner.

Condition

Once a fully executed ROE agreement is in place, the County is responsible for making a recommendation to the non-profit entity on how to maximize BMPs of stormwater treatment.

For all seventeen parcels/non-profit entities tested, the County did not perform the required assessments on how to treat stormwater to the MEP. However, they are continuing to award waivers to the non-profit entities. For eight of these parcels, waivers began in 2013.

Criteria

As outlined in Section 20.1105(i) of the Howard County Code, a non-profit is eligible for Runoff Credits provided:

- a) Non-Profit entity enters into an agreement with the County to assess the property and advise the nonprofit entity of ways to treat stormwater to the maximum extent practicable

- b) The non-profit entity agrees to implement, for each parcel, the recommended BMPs advised by the County
- c) In order to remain eligible for a credit, a property owner must submit a recertification application every three years

Cause

As represented by Management, the County did not perform any assessments as required by the ROE agreement and the County Code due to limited resources and competing priorities.

Effect

Without a process in place to advise the non-profits on treatment of stormwater management, the owners will continue to receive waivers of all fees without having any responsibility to improve/treat their parcels.

Recommendation

We recommend OCS to develop a process to ensure properties included in the ROE agreements are inspected and a plan to maximize BMPs are conveyed to the owner in a timely manner. For parcels which do not comply with the recommendations, waivers should be removed.

Administration's Response

Management noted that prior to 2023, staff and funding were not available to perform large scale assessments of nonprofit sites. In 2023 and 2024, funding and additional new staff became available to oversee a contractor in performing site assessments and work with the nonprofit partners in a more timely manner as resources allow.

Finding 18: Incomplete credit applications for Residential Hardship Tax Credit applications and residency criteria for all parcels were not always verified.

Condition

Property owners are eligible for hardship credits provided that certain criteria, including total household income is below 250% of the federal poverty line, are met. In order to validate their eligibility, we reviewed credit applications provided by Finance. During this

review, we were unable to validate eligibility for the credit because the documentation provided was incomplete or illegible.

All seventeen applications tested were missing one or more key documents including state issued identification for all owners, tax returns, and/or other income documents.

Criteria

According to section 20.1109(b) of the Howard County Code, an application for assistance shall include sufficient information and documentation to allow the Finance to verify eligibility.

Additionally, pursuant to section 20.1109(b)(2) of the Howard County Code, an applicant is eligible for assistance under the program if, on July 1 of the year in which the application is made, resides in the property which is subject to the Watershed Protection and Restoration fee.

Cause

Management's controls to consistently obtain, maintain, and review required documentation to support the credit awarded were inadequate.

Effect

Failure to receive all required documentation, including verification of primary residency status for all owners, increased the likelihood that the credit was given to ineligible property owners and resulted in missed opportunities to collect revenue.

Recommendation

We recommend that Finance establish a Watershed Residential Hardship Tax Credit application checklist to confirm receipt of all required documentation for all owners. Finance should also implement a supervisory review process. Additionally, the applications should be updated to include the total household income used to verify eligibility.

Furthermore, Finance should establish a process to document the source by which primary residence was verified for all owners. This could include a printout of the SDAT primary residency screen to include with the aforementioned application review checklist.

Administration's Response

Management noted that the Department of Finance tracks required documentation for hardship and senior tax credit applications using a spreadsheet which includes the total household income. Additionally, the County's tax software, MUNIS, identifies the property as the primary residence based on data imported from SDAT.

VII. Conclusion

Based on the results of the procedures performed, we have determined, for the audit periods under review, that the internal controls over the Office of Community Sustainability's administration and monitoring of the Watershed Protection and Restoration Fund need to be improved to ensure that: properties subject to the Watershed Protection and Restoration Fee are being properly assessed; credits against the fee and reimbursements of the fee are being properly administered; and revenues are being deposited into the Fund.