

**ASSATEAGUE POINTE
HOMEOWNERS ASSOCIATION, INC.**

AUDIT COMMUNICATIONS

DECEMBER 31, 2020

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE
UNDER SAS NO. 114**



Wigglesworth, Layton, Moyers & Chance, P.C.

Certified Public Accountants

May 7, 2021

To the Board of Directors
Assateague Pointe Homeowners Association, Inc.
Ocean City, Maryland

We have audited the financial statements of Assateague Pointe Homeowners Association, Inc. (the Association) for the year ended December 31, 2020, and have issued our report thereon dated May 7, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 11, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statement was the calculation of depreciation of capitalized assets.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 7, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Required Supplementary Information

With respect to the supplementary information required by the Financial Accounting Standards Board, we applied certain limited procedures to the information, including inquiring of management about their methods of preparing the information; comparing the information for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements; and obtaining certain representations from management, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines.

This information is intended solely for the use of the Board of Directors and management of Assateague Pointe Homeowners Association, Inc. and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

Wiggleworth, Layton, Moyus + Chance, P.C.

Salisbury, Maryland

COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL
WEAKNESSES UNDER SAS NO. 115



Wigglesworth, Layton, Moyers & Chance, P.C.

Certified Public Accountants

May 7, 2021

To the Board of Directors
Assateague Pointe Homeowners Association, Inc.
Ocean City, Maryland

In planning and performing our audit of the financial statements of Assateague Pointe Homeowners Association, Inc. (the Association) as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances 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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 Association's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the weakness 2020-1 in the attached *Schedule of Findings and Recommendations* to be a material weakness.

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. We did not identify any significant deficiencies during the course of the audit procedures.

This communication is intended solely for the information and use of management, the Board of Directors and others within the Association, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Wigglesworth, Layton, Moyers + Chance, P.C.

Salisbury, Maryland

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Material Weaknesses

2020-1 Segregation of duties within the accounting function

There is a lack of segregation of duties within all of the accounting and bookkeeping functions of the Association. All process functions are primarily performed by the same person, who, for example, receives cash, prepares deposits and slips for the bank, makes the deposit into the bank accounts, posts all transactions to the general ledger and reconciles the bank statements.

A lack of segregation of duties significantly increases the risk of fraud, and intentional or unintentional errors can go undetected. This is a common situation in small organizations due to matters such as budget constraints, or the organization's determination that the benefit of hiring enough personnel for sufficient segregation of duties may not justify the cost.

In order to address the lack of segregation of duties, each board member is provided a detailed general ledger, itemized list of receipts and disbursements, detailed list of accounts receivable, a comparative budget to actual revenue and expense statement and a balance sheet for review on a monthly basis.

General Comments

2020-2 Check Signing and Board Approval on Disbursements

The Association should consider requiring two signatures on all check disbursements in order to improve internal control and help to prevent, deter or detect fraud. In addition we recommend that the Board review all disbursements from the Association consecutively at each Board meeting in order to improve internal control and help to prevent, deter or detect fraud. These measures can be particularly effective and important when there is a lack of segregation of duties.