

**TGM**GROUP  
CERTIFIED PUBLIC ACCOUNTANTS

**WORCESTER COUNTY, MARYLAND**

**COMPLIANCE REPORT**

**JUNE 30, 2009**

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

County Commissioners of  
Worcester County, Maryland  
Snow Hill, Maryland

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Worcester County, Maryland as of and for the year ended June 30, 2009, which collectively comprise Worcester County, Maryland's basic financial statements and have issued our report thereon dated December 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Worcester County, Maryland's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Worcester County, Maryland's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Worcester County, Maryland's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Worcester County, Maryland's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Worcester County, Maryland's financial statements that is more than inconsequential will not be prevented or detected by Worcester County, Maryland's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Worcester County, Maryland's internal control.

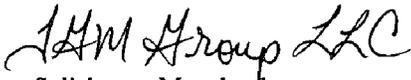
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to the County Commissioners of Worcester County, Maryland in a separate letter dated December 23, 2009.

This report is intended solely for the information and use of the County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Salisbury, Maryland  
December 23, 2009



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133 .

County Commissioners of  
Worcester County, Maryland  
Snow Hill, Maryland

Compliance

We have audited the compliance of Worcester County, Maryland with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Worcester County, Maryland's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Worcester County, Maryland's management. Our responsibility is to express an opinion on Worcester County, Maryland's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Worcester County, Maryland's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Worcester County, Maryland's compliance with those requirements.

In our opinion, Worcester County, Maryland complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Worcester County, Maryland is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Worcester County, Maryland's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Worcester County, Maryland's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

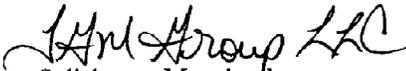
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Worcester County, Maryland as of and for the year ended June 30, 2009, and have issued our report thereon dated December 23, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Worcester County, Maryland's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Salisbury, Maryland  
December 23, 2009

WORCESTER COUNTY, MARYLAND  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2009

	Catalog of Federal Domestic Assistance Number	Grant Number	Expenditures
<b><u>Department of Health &amp; Human Services</u></b>			
Passed through State of Maryland Dept. of Human Resources'			
Child Support Enforcement Administration:			
Child Support Enforcement	93.564	CSEA/CRA-09-44	\$ 21,927
<b><u>Department of Justice</u></b>			
Passed through State of Maryland -			
Office of Justice Programs			
Bulletproof Vest Partnership Program	16.607	2005BUBX05026878	10,774
Justice Assistance Grant	16.738	2006-F0727-MD-DJ	1,405
Justice Assistance Grant (Crime Analyst)	16.738	BJAG-2007-1061	32,813
<b><u>Department of Housing and Urban Development</u></b>			
Passed through Maryland Department of			
Housing and Community Development:			
Emergency Shelter Grant	14.231	ESG F07 BOS17	29,879
Community Development Block Grant	14.218	MD-08-CD-23	217,002
<b><u>Department of Homeland Security</u></b>			
Passed through Maryland Emergency Management Agency:			
Emergency Management Performance Program	97.042	2008-EM-E8-0045	88,661
State Homeland Security Program (SHSP)	97.067	2007-GE-T7-0040	285,649
Law Enforcement Terrorism Prevention Program (LETPP)	97.067	2007-GE-T7-0040	166,461
Citizens Corp (Mini Grant)	97.067	2007-GE-T7-0040	5,975
			458,085
<b><u>Department of Commerce</u></b>			
Passed through National Oceanic and Atmospheric Administration:			
Passed through Maryland Department of Natural Resources:			
Sea Level Response Strategy Grant	11.419	14-08-CZM 142	23,436
Coastal Communities Initiative(Sea Level Response) HB1141	11.419	14-08-1206-CZM-161	11,239
			34,675

See Note to Schedule of Expenditures of Federal Awards.

WORCESTER COUNTY, MARYLAND  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2009  
 (Continued)

	Catalog of Federal Domestic Assistance Number	Grant Number	Expenditures
<b><u>Environmental Protection Agency</u></b>			
Passed through Maryland Department of the Environment			
Assawoman Bay WRAS	66.460	UOOP6200893	\$ 11,048
Isle of Wight Watershed Restoration Action Strategy 319(h)	66.460	UOOP820351	11,721
			<u>22,769</u>
Passed through Maryland Department of the Environment			
Drinking Water State Revolving Funds Newark Water Tower	66.468	FS993648-08	33,019
Office of Ground Water & Drinking Water			
Bathing Beach Monitoring Grant	66.472	UOOP8201013	3,332
			<u>3,332</u>
<b><u>Department of Agriculture</u></b>			
Passed through State of Maryland Department of Human Resources, Community Services Administration:			
Temporary Emergency Food Assistance Program	10.569	CSA/FNS-08-024	7,506
Temporary Emergency Food Assistance Program	10.569	CSA/FNS-08-024	11,684
Temporary Emergency Food Assistance Program	10.569	CSA/FNS-08-024	26,743
			<u>45,933</u>
<b><u>Department of the Interior</u></b>			
Federal Payments in Lieu of Taxes (PILT)	15.226		6,344
Federal Payments in Lieu of Taxes (PILT)	15.226		3
Federal Payments in Lieu of Taxes (PILT)	15.226		587
Federal Payments in Lieu of Taxes (PILT)	15.226		17,197
Federal Payments in Lieu of Taxes (PILT)	15.226		7
			<u>24,138</u>
			<u>\$ 1,024,412</u>

See Note to Schedule of Expenditures of Federal Awards.

WORCESTER COUNTY, MARYLAND  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2009

**Note 1. Basis of Accounting**

The accompanying schedule of expenditures of federal awards includes the Federal grant activity of Worcester County, Maryland and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**WORCESTER COUNTY, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2009

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Worcester County, Maryland.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Worcester County, Maryland were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs for Worcester County, Maryland are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for Worcester County, Maryland expresses an unqualified opinion.
6. No findings relative to major federal award programs for Worcester County, Maryland are reported in Part C. of this Schedule.
7. The programs tested as major programs include:

State Homeland Security Program	CFDA #97.067
Law Enforcement Terrorism Prevention Program	CFDA #97.067
Citizens Corp – Mini Grant	CFDA #97.067
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Worcester County, Maryland was determined to be a low-risk auditee.

**B. FINDINGS- FINANCIAL STATEMENT AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS- MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

955 Mt. Hermon Road, Salisbury, Maryland 21804  
410-742-1328 | 1-888-546-1574  
FAX 410-742-6855 | cpa@tgmgroupllc.com  
www.tgmgroupllc.com