WORCESTER COUNTY, MARYLAND

COMPLIANCE REPORT

JUNE 30, 2010

CONTENTS

	Page(s)
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	3 - 4
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	5 - 6
Schedule of Expenditures of Federal Awards	7 - 8
Note to Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	10

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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, 2010, which collectively comprise Worcester County, Maryland's basic financial statements and have issued our report thereon dated December 10, 2010. 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 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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis.

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

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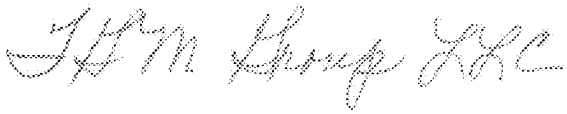
The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the County Commissioners of Worcester County, Maryland in a separate letter dated December 10, 2010.

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 10, 2010

TGMGROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over

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compliance. Accordingly, we do not express an opinion on the effectiveness of Worcester County, Maryland's internal control over compliance.

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 over compliance that might be deficiencies, 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, 2010, and have issued our report thereon dated December 10, 2010. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of basic financial statements and certain additional procedures, including comparing and recording such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 10, 2010

WORCESTER COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

	Catalog of Federal Domestic Assistance Number	Grant Number	Expenditures
Department of Health & Human Services			
Passed through State of Maryland Dept. of Human Resources' Child Support Enforcement Administration:			
Child Support Enforcement	93.564	CSEA/CRA-10-44	$ 20,060
Department of Justice			
Passed through State of Maryland - Office of Justice Programs			
Bulletproof Vest Partnership Program	16.607	2005BUBX05026878	6,774
Justice Assistance Grant (Crime Analyst)	16.738	BJAG-2007-1061	44,002
Department of Housing and Urban Development			
Passed through Maryland Department of Housing and Community Development:			
Emergency Shelter Grant	14.231	ESG F09 BOS17	27,443
Community Development Block Grant	14.218	MD-10-CD-21	36,075
Department of Homeland Security			
Passed through Maryland Emergency Management Agency:			
Interoperable Emergency Communications Grant Program	97.001	2008-IO-T8-0051	16,613
State Homeland Security Program (SHSP)	97.067	2008-GE-T8-0011	397,777
Citizens Corp (Mini Grant)	97.053	2008-GE-T8-0011	5,953
Passed through Maryland Emergency Management Agency:			
Public Safety Interoperability Grant Contract Award (PSIC)	11.555	2007-GS-H7-0034	1,472,256
Emergency Management Performance Grant	97.042	2009-EP-E9-0049	97,692
Environmental Protection Agency			
Passed through Office of Water			
Passed through Maryland Department of the Environment			
Isle of Wight Watershed Restoration Action Strategy 319(h)	66.460	UOOP820351	3,510
Drinking Water State Revolving Funds Newark Water Tower	66.468	FS993648-08	171,475
			174,985
Office of Ground Water & Drinking Water			
Bathing Beach Monitoring Grant	66.472	UOOP9201129	3,249
Department of Agriculture			
Passed through Rural Development Center			
Temporary Emergency Food Assistance Program	10.569	CSA/FNS-08-024	20,031
Temporary Emergency Food Assistance Program	10.569	CSA/FNS-08-024	22,536
Temporary Emergency Food Assistance Program	10.569	CSA/FNS-08-024	49,327
			91,894
Passed through Rural Development Center:			
UMES Feasibiltiy Study for Delmarva Science and Technology	11.303	UOOP9201129	64,250

See Note to Schedule of Expenditures of Federal Awards.

WORCESTER COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010
(Continued)

	Catalog of Federal Domestic Assistance Number	Grant Number	Expenditures
Department of the Interior			
Bureau of Land Management			
Federal Payments in Lieu of Taxes (PILT)	15.226		587
Federal Payments in Lieu of Taxes (PILT)	15.226		17,589
Federal Payments in Lieu of Taxes (PILT)	15.226		7
			18,183
Institute of Museum and Library Services			
Passed through Maryland State Department of Education, Division of Library Development and Services			
Library Services and Technology Act	45.310		7,017
Library Services and Technology Act	45.310		1,260
The Big Read Grant	45.024		20,000
			28,277
			$ 2,505,483

See Note to Schedule of Expenditures of Federal Awards.

WORCESTER COUNTY, MARYLAND
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

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, 2010

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 That Could Have a Direct and Material Effect on 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 program tested as a major program include:

   Public Safety Interoperability Grant Contract Award 11.555

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