

WORCESTER COUNTY, MARYLAND

COMPLIANCE REPORT

JUNE 30, 2014

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INDEPENDENT AUDITOR'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*

County Commissioners of  
Worcester County, Maryland  
Snow Hill, Maryland

We have audited, in accordance with the 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, 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, 2014, and the related notes to the financial statements, which collectively comprise Worcester County, Maryland's basic financial statements, and have issued our report thereon dated December 9, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Worcester County, Maryland's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Worcester County, Maryland's internal control.

*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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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.

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 that might be material weakness or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weaknesses may exist that have not been identified.

## **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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Salisbury, Maryland  
December 9, 2014



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

**Report on Compliance for Each Major Federal Program**

We have audited Worcester County, Maryland's compliance with the types of compliance requirements described in *(OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Worcester County, Maryland's major federal programs for the year ended June 30, 2014. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Worcester County, Maryland's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Worcester County, Maryland's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Worcester County, Maryland complied, in all material respects, with the compliance 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, 2014.

### **Report on Internal Control over Compliance**

Management of Worcester County, Maryland is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Worcester County, Maryland's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each federal program 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 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 over compliance 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weakness or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of Worcester County, Maryland as of and for the year ended June 30, 2014, and have issued our report thereon dated December 1, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the OMB Circular A-133 and is not a required part of the 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 the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*JHM Group LLC*

Salisbury, Maryland  
December 9, 2014

WORCESTER COUNTY, MARYLAND  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2014

	Catalog of Federal Domestic Assistance Number	Grant Number	Expenditures
<b><u>Department of Health and Human Services</u></b>			
Passed through State of Maryland Dept. of Human Resources'			
Child Support Enforcement Administration:			
Child Support Enforcement	93.563	CSEA/CRA-14-044	\$ 16,755
<b><u>Department of Justice</u></b>			
Passed through State of Maryland -			
Office of Justice Programs:			
Bryne Justice Assistance Grant (LETS - Elders Abuse Symposium)	16.738	BJAG-2011-0026	1,901
<b><u>Department of Housing and Urban Development</u></b>			
Passed through Maryland Department of			
Housing and Community Development:			
Emergency Shelter Grant	14.231	11ESG24-2011A	3,235
Emergency Shelter Grant	14.231	12ESG24-2011B	45,889
Emergency Shelter Grant	14.231	13ESG24-2012	15,791
Community Development Block Grant	14.218	MD-12-CD-22	153,509
			218,424
<b><u>Department of Homeland Security</u></b>			
Passed through Maryland Emergency Management Agency:			
Emergency Management Performance Grant	97.042	EMW-2013-EP-00003-S01	71,202
State Homeland Security Program (SHSP)	97.073	EMW-2011-00044-S01-SHS	86,377
State Homeland Security Program (SHSP)	97.073	EMW-2012-00044-S01-SHS	31,390
			188,969
<b><u>Environmental Protection Agency</u></b>			
Passed through Office of Water			
Office of Ground Water and Drinking Water:			
Bathing Beach Monitoring Grant	66.472	UOOP1401046	3,190
<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	OGM/FNS-12-024	133
Rural Utilities Service Direct Programs:			
Water and Waste Disposal Systems for Rural Communities Grants	10.760	00-05	666,160
Water and Waste Disposal Systems for Rural Communities Loans	10.760	92-04	1,573,607
			2,239,900

See Note to Schedule of Expenditures of Federal Awards.

WORCESTER COUNTY, MARYLAND  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2014  
 (Continued)

	Catalog of Federal Domestic Assistance Number	Grant Number	Expenditures
<b>Department of the Interior</b>			
Bureau of Land Management:			
Federal Payments in Lieu of Taxes (PILT)	15.226		18,910
<b>National Highway Traffic Safety Administration</b>			
Passed through the State of Maryland			
Maryland Institute for Emergency Medical Service Systems			
Maryland Highway Traffic Safety Grant	20.600	13-133	1,049
Maryland Highway Traffic Safety Grant	20.600	14-035	3,053
Maryland Highway Traffic Safety Grant	20.601	13-133	458
Maryland Highway Traffic Safety Grant	20.601	14-035	801
Maryland Highway Traffic Safety Grant	20.607	14-035	3,746
Hazard Materials Emergency Preparedness	20.703	HM-HMP-0361-13-01-00	1,223
			10,330
			\$ 2,698,379

*See Note to Schedule of Expenditures of Federal Awards.*

WORCESTER COUNTY, MARYLAND  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2014

**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, 2014

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified 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 unmodified 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:

Water and Waste Disposal Systems for Rural Communities Grants and Loans	10.760
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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