

Audit Report

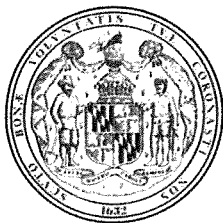
Potomac River Fisheries Commission

Report for the Year Ended June 30, 2011



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Karl S. Aro
Executive Director

Bruce A. Myers, CPA
Legislative Auditor

June 6, 2012

Senator James C. Rosapepe, Co-Chair, Joint Audit Committee
Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

Enclosed is a copy of the report on the annual examination of the Potomac River Fisheries Commission for the year ended June 30, 2011 as prepared by the Auditor of Public Accounts of the Commonwealth of Virginia.

The Commission receives annual grants from the State of Maryland (via the Department of Natural Resources) and the Commonwealth of Virginia. Annual examinations of the records of the Commission are conducted jointly by representatives of the Office of the Auditor of Public Accounts of the Commonwealth of Virginia and the Office of Legislative Audits. Pursuant to an understanding between the two Offices, the report is issued by the Auditor of Public Accounts.

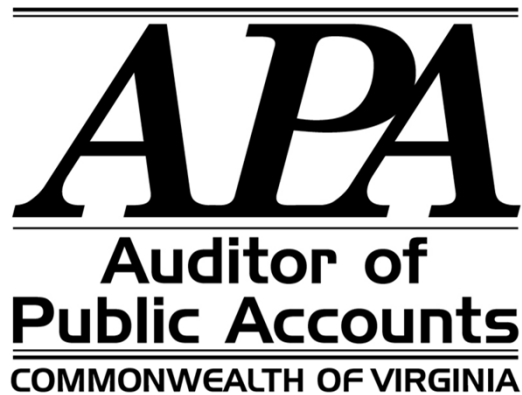
Respectfully submitted,

A handwritten signature in black ink that reads "Bruce A. Myers". The signature is written in a cursive, flowing style.

Bruce A. Myers, CPA
Legislative Auditor

POTOMAC RIVER FISHERIES COMMISSION

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2011**



AUDIT SUMMARY

Our audit of the Potomac River Fisheries Commission for the year ended June 30, 2011, found:

- proper recording and reporting of all transactions, in all material respects, in the Commission's financial system;
- no matters involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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AGENCY HIGHLIGHTS

The Potomac River Fisheries Commission is a bi-state commission established to conserve and improve the fishery resources of the tidewater portion of the Potomac River. The Commission's leadership consists of eight Commissioners, four representing Maryland and four representing Virginia.

The Commission has the following responsibilities:

1. Adopting the rules and regulations for the recreational and commercial taking or catching of finfish, crabs, oysters, and clams from the Potomac River;
2. Issuing licenses for the taking or catching of finfish, crabs, oysters, and clams and for boats, vessels, and related equipment;
3. Imposing an inspection tax on oysters caught in the Potomac River; and
4. Reseeding and replanting oyster bars.

The Commission's regulations carry the full force and effect of law, and the Maryland Department of Natural Resources and the Virginia Marine Resources Commission jointly enforce the regulations.

During the current and previous fiscal years, the Commission received revenues from the following sources.

	<u>2011</u>	<u>2010</u>
Virginia appropriations	\$148,750	\$148,750
Maryland appropriations	140,000	175,000
Federal grant	109,348	79,495
Sport fishing licenses	129,528	109,615
Commercial fishing licenses	76,215	76,185
Commercial crab licenses	71,825	72,870
Commercial oyster licenses	3,695	3,945
Commercial clam licenses	-	-
Oyster bushel tax	209	401
Interest and miscellaneous	<u>15,406</u>	<u>15,808</u>
Total revenue	<u>\$694,976</u>	<u>\$682,069</u>

The Commission saw a slight increase in total revenue for fiscal year 2011, which was the net result of a decrease in Maryland's appropriations with increases in the sales of licenses and additional grant funding from the Atlantic Coast Fisheries Cooperative Management Act grant. The Commission performed more work on this federal grant in fiscal year 2011, resulting in the additional funding from the grant.

The Commission had the following expenses during the current and previous fiscal years:

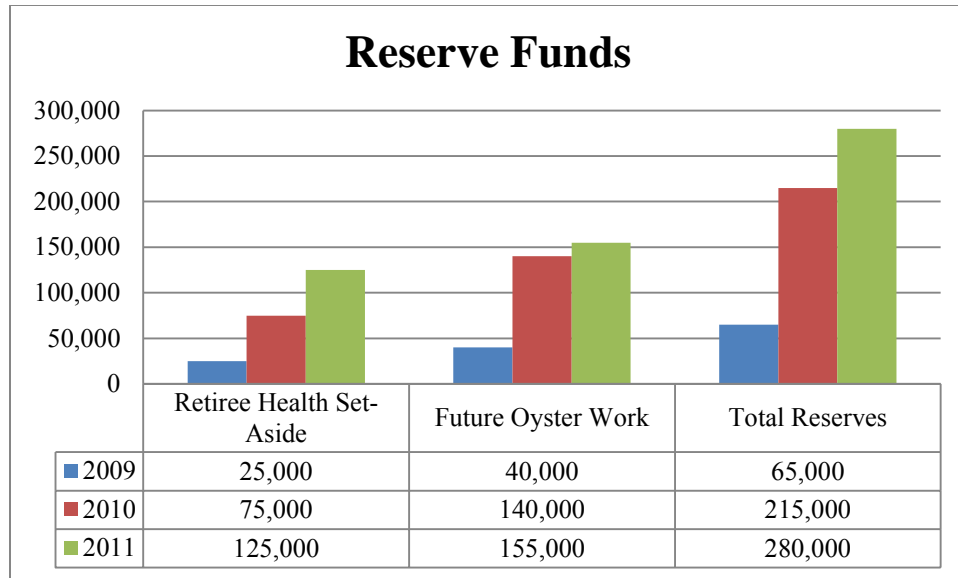
	<u>2011</u>	<u>2010</u>
Personnel services	\$375,857	\$363,228
Federal grant	106,772	74,730
Contractual services	77,266	86,901
Development and repletion	-	8,774
Materials and supplies	46,482	46,192
Insurance	6,846	6,629
Fixed assets	<u>2,901</u>	<u>5,846</u>
Operating Expenses	616,124	592,300
Reserve Fund Deposits for:		
Oyster development	15,000	100,000
Retiree health care	<u>50,000</u>	<u>50,000</u>
Reserve Expenses	<u>65,000</u>	<u>150,000</u>
Total Expenses	<u>\$681,124</u>	<u>\$742,300</u>

Operating expenses increased by \$23,824 from fiscal year 2010. The increase is mainly due to increased Federal grants to support fish sampling. Personnel expenses increased due to the December 2010 three percent bonus and leave payouts for retiring personnel. Contractual service expenses decreased due to funding certain fish studies with Federal grants rather than general operating funds in fiscal year 2011. Other expense categories remained relatively unchanged.

In addition, the Commission continues to retain funds in order to support future oyster work in the Potomac River and support retiree health care costs. The Commission is attempting to determine the best way to develop a self-sustaining oyster industry in the Potomac, and they intend to use reserve funds to support this cause.

The Commission changed its method of funding health insurance benefits. Traditionally, the Commission provided 80 percent of the health insurance cost for employees and employees contributed 20 percent. The Board adopted a resolution in June 2010 for the employees to contribute 90 percent of the cost and the Commission would pay 10 percent of the cost for 36 months. The benefit to the employee is a salary increase, which not only defrays the cost of the additional 70 percent insurance deduction but also augments the employee's salary for retirement benefit analysis, which has a net zero cost to the Commission.

During fiscal year 2011, the Commission set aside an additional \$15,000 to fund future oyster work and \$50,000 to fund retiree health insurance. The chart on the next page shows the continued growth of the reserve funds for use in future fiscal years. Interest accrues on these accounts at the market rate.



The Commission closed fiscal year 2011 with an operating gain of \$78,852. After factoring in the reserve expense of \$65,000, the Commission's operating gain was \$13,852.

The ability of the Commission to continue to retain more cash each year is due to the fact that they performed no major projects in either fiscal year 2010 or 2011. The Commission closed fiscal year 2011 with a cash balance of \$358,889 to include \$155,500 in the Virginia and Maryland investment pool accounts and a separate Virginia investment pool account for retiree health care reserves, with a balance of \$125,828 as of June 30, 2011.



Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 9, 2012

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Potomac River Fisheries Commission** for the year ended June 30, 2011. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commission's accounting system, review the adequacy of the Commission's internal controls, and test compliance with applicable laws and regulations.

Audit Scope and Methodology

The Commission's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Capital assets	Cash receipting
Contractual services expenses	License revenues
Payroll expenses	Federal grant revenues and expenses
Appropriations	

We performed audit tests to determine whether the Commission's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents,

records, and contracts, and observation of the Commission's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses. We confirmed bank balances with outside parties.

Conclusions

We found that the Commission properly stated, in all material respects, the amounts recorded and reported in the Commission's accounting system. The Commission records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commission's accounting system.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Exit Conference and Report Distribution

We discussed this report with management on May 21, 2012.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and the state of Maryland and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

DBC: alh

POTOMAC RIVER FISHERIES COMMISSION
Colonial Beach, Virginia

COMMISSIONERS

Virginia

Joseph G. Palmer, Jr., Chairman

Ida C. Hall, Secretary

Kyle J. Schick

Jack G. Travelstead

Maryland

Dennis C. Fleming, Vice Chairman

William L. Rice, Sr.

Robert H. Bowes

Thomas J. O'Connell

Officers

Kirby A. Carpenter, Executive Secretary

Michael C. Mayo, Legal Officer