

Audit Report

Potomac River Fisheries Commission

Report for the Year Ended June 30, 2009



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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Karl S. Aro
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Bruce A. Myers, CPA
Legislative Auditor

April 27, 2010

Senator Verna L. Jones, Co-Chair, Joint Audit Committee
Delegate Steven J. DeBoy, Sr., 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, 2009 as prepared by the Auditor of Public Accounts of the Commonwealth of Virginia.

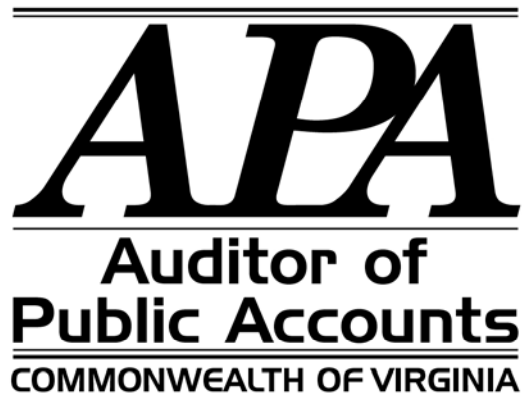
The Commission receives annual grants from the State of Maryland (via the Department of Natural Resources) and the Commonwealth of Virginia. Annual examinations of the records of the Commission are conducted jointly by representatives of the Office of the Auditor of Public Accounts of the Commonwealth 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,

Bruce A. Myers, CPA
Legislative Auditor

POTOMAC RIVER FISHERIES COMMISSION

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2009**



AUDIT SUMMARY

Our audit of the Potomac River Fisheries Commission for the year ended June 30, 2009, 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.

- TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
AGENCY HIGHLIGHTS	1-2
AUDIT OBJECTIVES	3
AUDIT SCOPE AND METHODOLOGY	3-4
CONCLUSIONS	4
EXIT CONFERENCE AND REPORT DISTRIBUTION	4
AGENCY OFFICIALS	5

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>2009</u>	<u>2008</u>
Virginia appropriations	\$175,000	\$175,000
Maryland appropriations	175,000	175,000
Federal grant	98,061	97,583
Sport fishing licenses	100,382	94,103
Commercial fishing licenses	80,310	62,870
Commercial crab licenses	74,925	56,675
Commercial oyster licenses	5,375	6,730
Commercial clam licenses	-	200
Oyster bushel tax	525	1,325
Interest and miscellaneous	<u>5,523</u>	<u>7,778</u>
Total revenue	<u>\$715,101</u>	<u>\$677,264</u>

The Commission saw an increase in total revenue for fiscal year 2009, as a result of significant increases in revenue from sport and commercial fishing and crab licenses. The Commission raised license fees in April of 2008, which contributed to the large increase in license revenue. The oyster population in the Potomac River is declining, which has led to decreased sales of licenses and revenue from the oyster bushel tax.

The Commission was able to retain more cash this year than in the prior year as they performed no major projects in fiscal year 2009. In the prior fiscal year, the Commission replaced several jurisdictional markers, which decreased cash balances. Despite the increase in cash balances, interest earned actually decreased. This decrease resulted from a declining economic climate during the fiscal year under audit, which led to a decrease in interest rates and returns.

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

	<u>2009</u>	<u>2008</u>
Personnel services	\$362,213	\$360,417
Federal grant	92,301	92,052
Contractual services	75,521	200,194
Development and repletion	10,623	97,663
Materials and supplies	46,261	41,371
Insurance	6,509	6,659
Fixed assets	1,324	706
Reserves	<u>65,000</u>	<u>-</u>
Total expenses	<u>\$659,752</u>	<u>\$799,062</u>

Expenses decreased by \$139,310 from fiscal year 2008. During fiscal year 2008, the Commission replaced the jurisdictional markers in the upper section of the Potomac River at a cost of approximately \$120,000. The Commission originally placed these markers at the mouths of all the rivers and tributaries that feed into the Potomac River and must replace them every 10-15 years.

Another large increase in expenses during fiscal year 2008 was for development and repletion. The Commission received material from the demolition of the old Woodrow Wilson Bridge to use in an artificial reef project. The Commission incurred costs for the transportation of the bridge material and creation of the artificial reef. The Commission did not incur similar expenses in 2009. In fiscal year 2009, the Commission created reserve accounts to fund future oyster work and future health care costs for retirees of the Commission. The Commission transferred \$65,000 to the reserve accounts, \$40,000 for oyster work and \$25,000 for retiree health care.

The Commission closed fiscal year 2009 with an overall operating gain of \$55,349. This gain is a result of the increase in license revenue and the decrease of the one-time project costs from the prior year. The Commission closed fiscal year 2009 with a cash balance of \$160,525, including \$114,572 in the Virginia and Maryland investment pool accounts plus a separate Virginia investment pool account for the retiree health care reserves of \$25,377.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

April 12, 2010

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable M. Kirkland Cox
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, 2009. 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
- Contractual services expenses
- Payroll expenses
- Appropriations
- Cash receipting

License revenues
Federal grant revenues and expenses
Information security

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 April 13, 2010.

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/clj

POTOMAC RIVER FISHERIES COMMISSION
Colonial Beach, Virginia

COMMISSIONERS

Virginia

Kyle J. Schick, Chairman

Steven G. Bowman, Secretary

Ida C. Hall

J.T. Holland

Maryland

Thomas J. O'Connell, Vice Chairman

Dennis C. Fleming

William L. Rice, Sr.

Robert H. Bowes

Officers

Kirby A. Carpenter, Executive Secretary

J. Clifford Hutt, Senior Advisor

Michael C. Mayo, Legal Officer