

Audit Report

Potomac River Fisheries Commission

Report for the Year Ended June 30, 2021



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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Victoria L. Gruber
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Gregory A. Hook, CPA
Legislative Auditor

September 28, 2021

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Carol L. Krimm, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation 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, 2021 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 prepared and issued by the Auditor of Public Accounts.

Respectfully submitted,

A handwritten signature in cursive script that reads "Gregory A. Hook".

Gregory A. Hook, CPA
Legislative Auditor



POTOMAC RIVER FISHERIES COMMISSION

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2021

Auditor of Public Accounts
Staci A. Henshaw, CPA

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AUDIT SUMMARY

Our audit of the Potomac River Fisheries Commission for the fiscal year ended June 30, 2021, found:

- proper recording and reporting of all transactions in all material respects in the Commission's financial system;
- one matter involving internal control and its operation 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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AUDIT FINDING AND RECOMMENDATION

Continue to Develop and Implement Information Security Policies and Procedures

Type: Internal Control

Repeat: Yes (First Issued in 2019)

Prior Title: Develop and Implement Information Security Policies and Procedures

The Potomac River Fisheries Commission (Commission) does not have information security policies and procedures to support its information security program. In addition, the Commission has not adopted an information security standard. Industry best practices suggest that entities prepare, disseminate, and maintain information security policies, standards, guidelines, and procedures to facilitate effective implementation of an information security program.

Without documented and formally approved information security policies and procedures, the Commission cannot effectively communicate and implement information security requirements to protect and mitigate risks to sensitive data. Additionally, the Commission may inconsistently address security needs in the information technology (IT) environment, increasing the potential of unauthorized access to data and reducing the ability to recover from system outages timely, among other risks.

The Commission has not adopted an information security standard and lacks documented and approved information security policies and procedures due to a lack of sufficient financial resources to hire full-time IT personnel. Additionally, the Commission uses outside contractors to help manage and maintain its IT operations, and the contractors may not understand the Commission's security needs.

The Commission is currently in discussion with the Virginia Information Technologies Agency (VITA) for VITA to provide required IT services. The Commission should consider finalizing negotiations with VITA or dedicate the necessary resources to select a security standard, develop and formally approve information security policies and procedures, and implement them into their information security program. Selecting an information security standard and developing and implementing information security policies and procedures will help to ensure the confidentiality, integrity, and availability of data.

COMMISSION 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.

When compared to the previous fiscal year, Commission revenues increased by three percent; expenses decreased by fifteen percent; and net income increased overall by 178 percent. The Commission's revenue increase was due primarily to a new grant from the Maryland Department of Transportation for moving oyster beds due to construction of a new bridge over the Potomac River. Expense decreases and the net income increase were primarily due to the absence of oyster plantings during fiscal year 2021.

Commission Financial Activity

Table 1

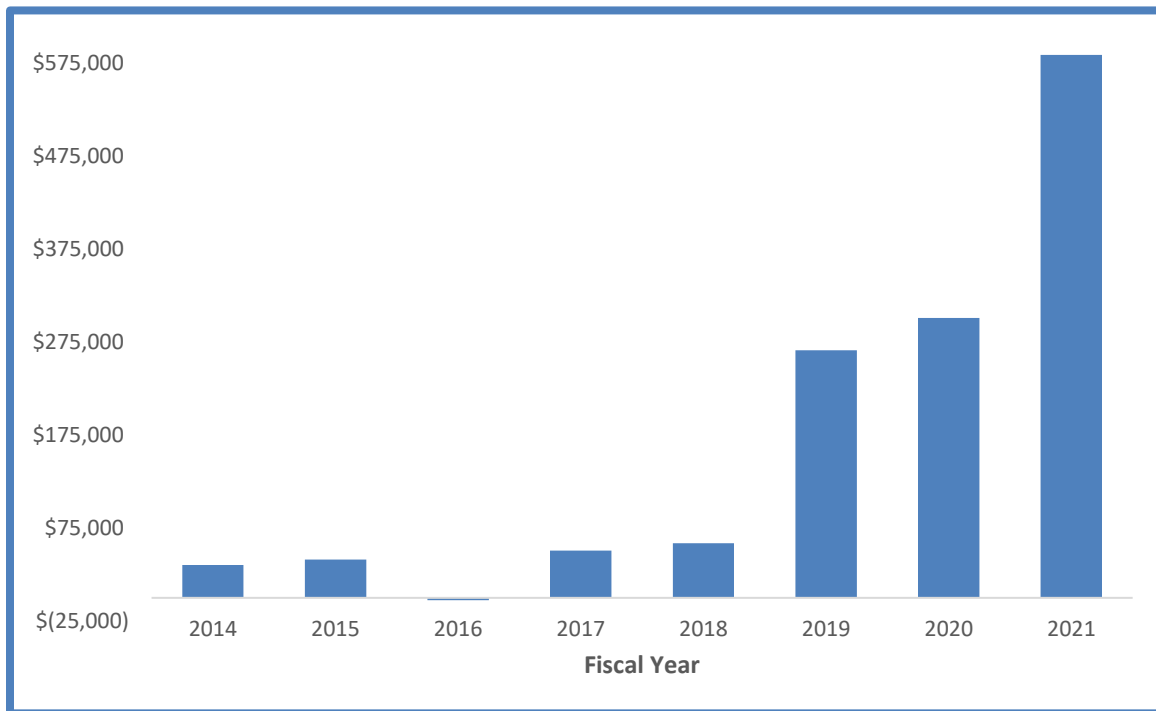
	2020	2021
Virginia appropriations	\$ 148,750	\$ 148,750
Maryland appropriations	140,000	140,000
Federal and other grants	194,486	260,505
Sport fishing licenses	90,621	97,112
Commercial fishing licenses	78,383	78,855
Commercial crab licenses	67,890	72,650
Commercial oyster and clam licenses	101,998	67,175
Commercial license surcharge	104,250	102,600
Oyster bushel tax	25,385	23,819
Interest and miscellaneous	44,071	37,080
Total revenue	995,834	1,028,546
Personnel services	404,261	433,014
Development and repletion	50,000	45,880
Federal and other grants	270,821	150,130
Contractual services	62,852	57,076
Materials and supplies	53,245	39,417
Insurance	7,085	6,997
Fixed assets	20,377	4,415
Operating Expenses	868,641	736,929
Reserve Fund Deposits for:		
Retiree health care	35,000	35,000
Total expenses	903,641	771,929
Net income	\$ 92,193	\$ 256,617

Source: Commission's financial system – cash basis

The Commission closed fiscal year 2021 with an operating profit of \$256,617. In addition, the Commission ended the year with a positive operating cash balance of \$583,862 as shown in Chart 1. The available operating cash is a combination of money held in three separate accounts: operating, Virginia Local Government Investment Pool, and Maryland Local Government Investment Pool.

Operating Cash Balances

Chart 1

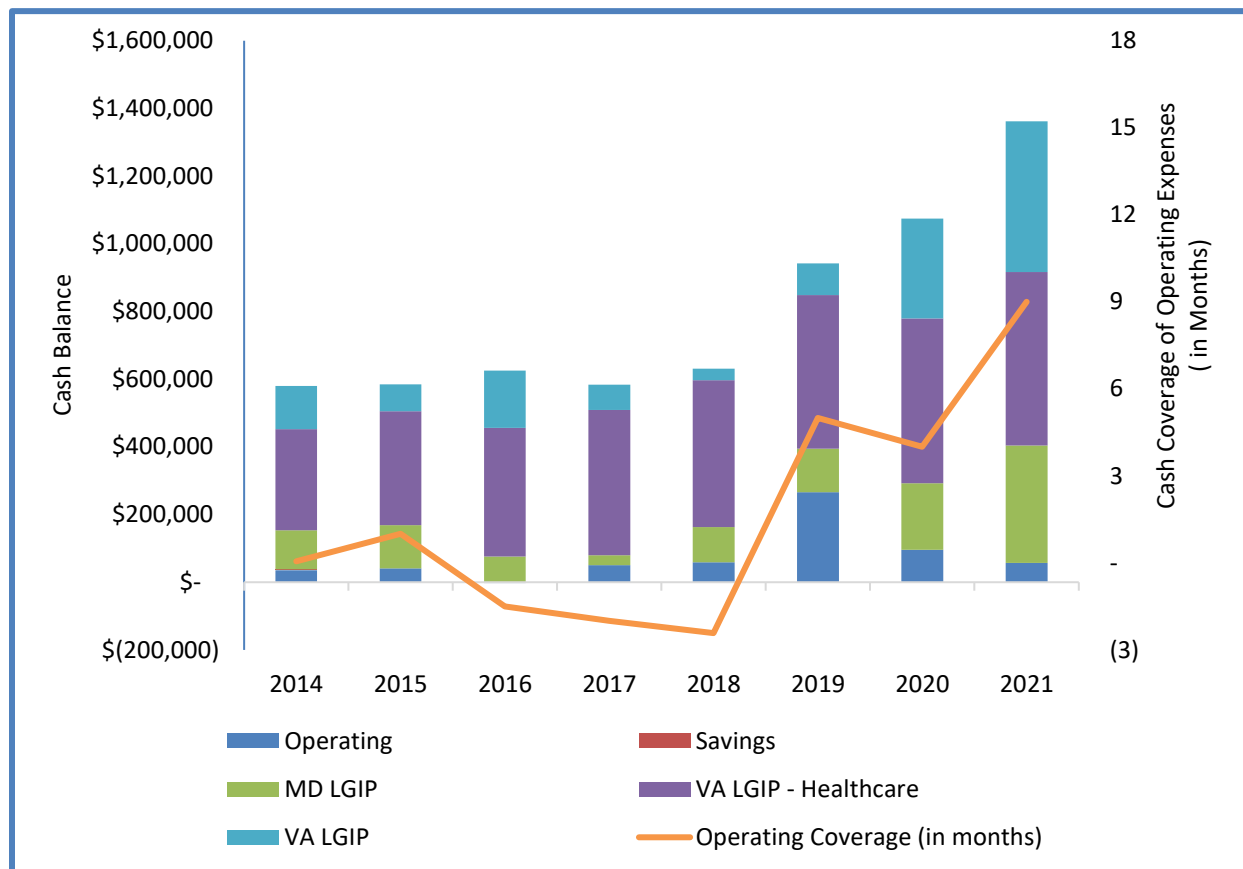


Source: Commission's financial system

The Commission closed fiscal year 2021 with an overall cash balance of \$1,362,130 in six different bank accounts, which was a 27 percent or \$287,878 increase, over fiscal year 2020 levels. The cash balance includes \$792,870 in the Virginia and Maryland investment pool accounts to fund future oyster work and supplement operating expenses and \$511,865 in a separate Virginia investment pool account for retiree health care reserves. The remaining three accounts include three operating accounts. The retiree healthcare account is managed by a trust and legally cannot be used to fund operations. The Commission earmarked two accounts for the Reserve and Harvest programs, and the Commission no longer uses these reserves to supplement operating cash. As shown in Chart 2, as of June 30, 2021, the Commission's operating cash coverage remains at a positive rate of 9 months coverage of operating expenses as the Commission continues to restrict contributions to the oyster programs.

Cash Balances by Account

Chart 2



Source: Commission's financial system



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

September 8, 2021

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
Chairman, Joint Legislative Audit
and Review Commission

Commissioners
Potomac River Fisheries Commission

We have audited the financial records and operations of the **Potomac River Fisheries Commission** for the year ended June 30, 2021. 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 financial system; review the adequacy of the Commission's internal controls; test compliance with applicable laws, regulations, contracts, and grant agreements; and review corrective actions of audit findings from the prior year report.

Audit Scope and Methodology

The Commission's management has responsibility for establishing and maintaining internal control and complying with applicable laws, regulations, contracts, and grant agreements. 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, regulations, contracts, and grant agreements.

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.

Federal grant revenues and expenses
Contractual services expenses
Payroll expenses
Small purchase charge card
Appropriations
Cash receipting
Capital assets
Information system 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, regulations, contracts, and grant agreements. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Commission's operations. We performed analytical procedures, including budgetary and trend analyses. We confirmed bank balances with outside parties. We also tested details of transactions to achieve our objectives.

A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Conclusions

We found that the Commission properly stated, in all material respects, the amounts recorded and reported in the Commission's financial system. The financial information presented in this report came directly from the Commission's financial system.

We noted one matter involving internal control and its operation that requires management's attention and corrective action. The results of our tests of compliance with applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. The matter is described in the section entitled "Audit Finding and Recommendation."

The Commission has not taken adequate corrective action with respect to audit finding reported in the prior year.

Exit Conference and Report Distribution

We discussed this report with management on September 14, 2021. Management's response to the finding identified in our audit is included in the section titled "Commission Response." We did not audit management's response and, accordingly, we express no opinion on it.

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 is a public record.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

DBC/clj

COMMISSIONERS:

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Chairman

KYLE J. SCHICK (VA)
Vice Chairman

WILLIAM L. RICE, SR (MD)
Secretary

JEANNIE HADDAWAY-RICCIO
(MD)

STEVEN G. BOWMAN (VA)

PHIL L. LANGLEY (MD)

KEN NEILL (VA)

WAYNE FRANCE (VA)

MARYLAND - VIRGINIA
"Potomac River Compact of 1958"

Potomac River Fisheries Commission

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September 8, 2021
The Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

Dear Ms. Henshaw,

The Executive Secretary of the Potomac River Fisheries Commission (PRFC) has reviewed the findings of the final report associated with the audit of the Commission for the 2020-2021 fiscal year. PRFC concurs with the findings of the audit report. PRFC agrees with the issues identified as areas of concern, including those related to the following:

Continue to Develop and Implement Information Security Policies and Procedures

Type: Internal Control

Repeat: Yes (First Issued in 2019)

Prior Title: Develop and Implement Information Security Policies and Procedures

PRFC has found a methodology to address this Internal Control finding working with Virginia Information Technologies Agency (VITA), and will be discussing approving adopting this methodology at its September 16, 2021 meeting.

While the overarching fiscal status of the PRFC has improved, we continue to look for opportunities to enhance revenues. Making sport fishing licenses available through online purchase remains a priority.

We thank the auditors for their professionalism, and efforts to identify areas which need improvement. PRFC is taking action to correct the identified area of concern.

Very Respectfully,

A handwritten signature in black ink, appearing to read "Martin L. Gary".

Martin L. Gary
Executive Secretary
Potomac River Fisheries Commission

POTOMAC RIVER FISHERIES COMMISSION

as of June 30, 2021

COMMISSIONERS

Virginia

Steven G. Bowman

G. Wayne France, Chairman

Ken Neill

Kyle J. Schick, Vice-Chairman

Maryland

Robert Boarman, Chairman

Jeannie Riccio-Haddaway

Phil L. Langley

William L. Rice, Sr., Secretary

Officers

Martin L. Gary, Executive Secretary

Michael C. Mayo, Legal Officer