

**POTOMAC RIVER FISHERIES COMMISSION  
COLONIAL BEACH, VIRGINIA**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2002**



## **AUDIT SUMMARY**

Our audit of the Potomac River Fisheries Commission for the year ended June 30, 2002, found:

- the financial information is properly reported in the Commission's financial system;
- no internal control matters that we consider material weaknesses; and
- no instances of noncompliance required to be reported under Government Auditing Standards.

### **Construction of New Office Building**

The Commission has placed excess cash into both the Maryland and Virginia Local Government Investment Pools and designated a portion of these investments for the future construction of a new office building. As of June 30, 2002, the building fund totaled \$330,074 after the purchase of land adjacent to the existing office building for approximately \$175,000 in fiscal year 2000 and architect design fees paid in 2002.

Since completing the building design, the Commission is now negotiating with a bank to secure a construction loan up to \$300,000. This loan amount combined with the \$330,000 designated for the building should cover the building cost of about \$650,000.

The Commission receives more than \$310,000 in General Fund appropriations annually from Maryland and Virginia to support their operations. Over the past year, both Maryland and Virginia have experienced significant revenue shortfalls, causing budget reductions and personnel layoffs.

The Commission has had its support from Virginia reduced by nearly \$20,000 in fiscal year 2002. Current budget projections for both Maryland and Virginia indicate that support to the Commission will continue to be less than in previous years.

We recommend that the Commission defer construction of a new office building until the Maryland and Virginia fiscal situation stabilizes. The Commission, by obtaining a loan in a period of reduced appropriations, could place the Commission at risk of having to commit their operating budget to making debt service payments.

## AGENCY BACKGROUND AND FINANCIAL INFORMATION

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 is responsible for reseeding and replanting oyster bars, prescribing the type, size, and description of seafood which may be taken or caught, issuing licenses for the taking of finfish, crabs, oysters, clams and for boats, vessels, and equipment used for such taking, and imposing an inspection tax on oysters caught in the Potomac River.

During the fiscal year ending June 30, 2002, the Commission received revenue from the following sources:

Virginia appropriations	\$155,000
Maryland appropriations	155,000
Sport fishing licenses	77,973
Fishing licenses	65,455
Crab licenses	61,705
Oyster licenses	4,750
Oyster bushel tax	1,402
Clam licenses	200
Grants, interest and miscellaneous	<u>23,331</u>
Total revenue	<u><u>\$544,816</u></u>

Revenues fell by \$134,096 when compared to fiscal year 2001. The reduced revenues resulted from the following:

- Virginia appropriations decreased by \$20,000 due to statewide budget reductions.
- Oyster license sales decreased by 39 percent and oyster bushel tax decreased by 67 percent due to a population decrease and the shortened harvesting season that resulted.
- The Commission did not draw down the majority of federal grant revenue for fiscal year 2002 until fiscal year 2003. Vendor problems delayed the research for this grant and the federal government granted an extension to draw down the funds into fiscal year 2003.
- Interest revenue decreased by 30 percent due primarily to low interest rate yields on cash and investments.
- License drawing income decreased by 67 percent due to fewer available limited use licenses. The Commission issues a fixed number of limited use licenses. When a licensee fails to renew their limited use license, it becomes available to others through a random drawing, which costs \$25 per application. The fewer licenses available, the fewer applications the Commission will receive from individuals wanting to be included in the drawing.

The Commission had the following expenses during fiscal year 2002:

Capital improvements reserve	\$100,000
Fixed assets	586
Contractual services	83,059
Insurance	3,938
Development and repletion	30,464
Materials and supplies	38,183
Personnel services	<u>255,845</u>
Total expenses	<u>\$512,075</u>

The reduction in expenses of \$262,877 when compared to fiscal year 2001 resulted from:

- Development and repletion decreased by 79 percent due to a Commission decision to limit oyster plantings in fiscal year 2002 due to poor performance from plantings made in fiscal year 2001. Water conditions in the river contributed to the failure in the previous plantings, so the Commission decided to defer future plantings until conditions were favorable.
- A reduction in contractual services of 50 percent due to federal grant expenditures that were extended into fiscal year 2003 due to vendor performance issues that delayed research.
- The Commission transferred \$100,000 to the capital reserve, \$80,000 less than they transferred in fiscal year 2001. The Commission established the reserve to pay for the design and construction of a new office building in Colonial Beach, Virginia. As of June 30, 2002, the reserve account totaled \$330,274 and the Commission plans to borrow up to an additional \$300,000 to pay for the building's construction.

February 26, 2003

The Honorable Mark R. Warner  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable Kevin G. Miller  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

### INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Potomac Rivers Fisheries Commission** for the year ended June 30, 2002. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

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

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Commission's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Cash and investments	Fixed assets
Accrued leave	Revenues
Expenditures	

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. 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.

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.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

We found that the Commission properly stated, in all material respects, the amounts recorded and reported in the Commission's accounting records. 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 records.

We noted no matters involving internal control and its operation that we consider to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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.

#### EXIT CONFERENCE

We discussed this report with management at an exit conference held on March 26, 2003.

AUDITOR OF PUBLIC ACCOUNTS

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POTOMAC RIVER FISHERIES COMMISSION  
Colonial Beach, Virginia

COMMISSIONERS

Virginia

William A. Pruitt, Chair

Gordon M. Birkett

John W. White, Sr.

Kenneth W. Williams, Sr.

Maryland

Eric C. Schwaab, Vice Chair

Paul Harris Kellam, III

John T. Parran

William L. Rice, Sr.

Officers

Kirby A. Carpenter, Executive Secretary

J. Clifford Hutt, Legal Officer

Michael C. Mayo, Legal Officer