



POTOMAC RIVER FISHERIES COMMISSION

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2023

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, 2023, found:

- proper recording and reporting of all transactions in all material respects in the Commission's financial system; and
- one matter involving internal control and its operation necessary to bring to management's attention that also represents an instance of noncompliance with applicable laws and regulations.

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AUDIT FINDING AND RECOMMENDATION

Continue to Develop and Implement Information Security Policies and Procedures

Type: Internal Control and Compliance

Repeat: Yes (First Issued in 2019)

Potomac River Fisheries Commission (Commission) has adopted the Commonwealth Information Security Standard SEC 501 (Security Standard) to follow in implementing its information security program. The Commission contracted with the Virginia Information Technologies Agency (VITA) for VITA to provide required Information Security Officer (ISO) services, such as developing a business impact analysis and a system security plan. The Commission has made substantial progress in completion of the required analysis and plan; however, the process is not yet complete. Due to staffing changes at VITA throughout fiscal year 2023, there were significant delays in both communications and document completion, and the Commission continues to lack documented and approved information security policies and procedures.

The Security Standard requires specific policies and procedures regarding access, security awareness and training, systems audits and accountability, security assessment and authorization, system configuration, contingency planning, identification and authentication, incident response, system maintenance, physical and environmental protection, planning and risk assessment, and system integrity. 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.

The Commission should continue to be proactive in communicating with VITA to obtain the contract deliverables, including resources to develop and formally approve information security policies and procedures, and implement them into its information security program. Implementing information security policies and procedures will help to ensure the confidentiality, integrity, and availability of data and achieve compliance with the Security Standard.

COMMISSION HIGHLIGHTS

The 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 decreased by two percent; expenses decreased by 19 percent; and net income increased overall by 269 percent. The Commission's revenue decrease was due primarily to federal grant activity. The decrease in expenses resulted from a decrease in oyster planting due to environmental issues; a reduction of personnel expenses due to the retirement of the Assistant Executive Secretary at the end of fiscal year 2022; and a 16 percent reduction in contractual expenses. Also, Maryland increased its appropriation for the current fiscal year by \$35,000 to help defray the continuing decline of individual and sport fishing licenses sold due to the ability of the public to purchase these licenses online, which is not currently available from the Commission.

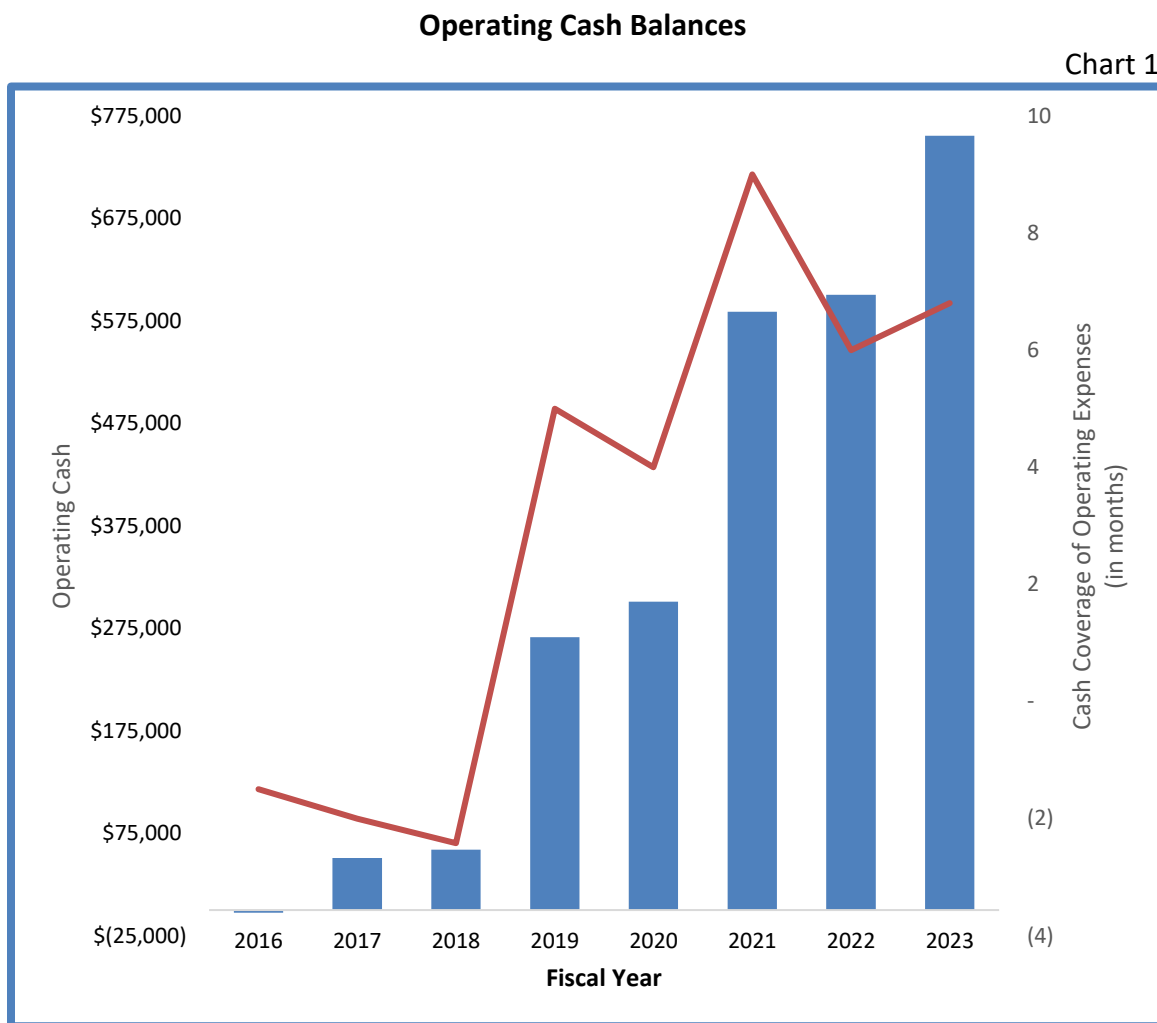
Commission Financial Activity

Table 1

	2022	2023
Virginia appropriations	\$ 148,750	\$ 148,750
Maryland appropriations	140,000	175,000
Federal and other grants	597,537	496,354
Sport fishing licenses	72,271	77,201
Commercial fishing licenses	82,723	88,012
Commercial crab licenses	68,532	70,760
Commercial oyster and clam licenses	79,608	73,818
Commercial license surcharge	103,800	105,600
Oyster bushel tax	31,888	46,036
Interest and miscellaneous	55,321	71,340
Total revenue	1,380,430	1,352,871
Personnel services	480,834	454,025
Development and repletion	230,000	50,990
Federal and other grants	579,301	489,657
Contractual services	89,903	83,296
Materials and supplies	53,538	69,126
Insurance	6,725	7,023
Capital assets	-	3,065
Operating Expenses	1,440,301	1,157,182
Reserve Fund Deposits for:		
Retiree health care	35,000	35,000
Total expenses	1,475,301	1,192,182
Net income	\$ (94,871)	\$ 160,689

Source: Commission's financial system – cash basis

The Commission closed fiscal year 2023 with an operating profit of \$160,689. The operating cash balance continues to increase and, as of June 30, was \$755,610, a 26 percent increase over fiscal year 2022 as shown in Chart 1. As of June 30, 2023, the Commission's operating cash coverage remains at a positive rate of 6.8 months' coverage of operating expenses (assuming expenses continue at the current rate).



Source: Commission's financial system

In addition to its operating cash, the Commission has several reserve accounts. The Commission has \$194,486 in the Virginia and Maryland local government investment pool accounts earmarked to fund future oyster work under the Oyster Management Reserve and Rotational Oyster Harvest programs. The Commission also has \$542,824 in a separate Virginia investment pool account for retiree health care reserves. The retiree healthcare account is managed by a trust and legally cannot be used to fund operations. The Commission contributes to the retiree healthcare account annually based on recommendations from an actuarial periodic funding study.



Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 3, 2023

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Mr. Ronald Owens, Executive Secretary
Potomac River Fisheries 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, 2023. 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
- 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 and compliance with applicable laws, regulations, contracts, and grant agreements that require management's attention and corrective action. This matter is described in the section titled "Audit Finding and Recommendation."

The Commission has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this letter.

Exit Conference and Report Distribution

We discussed this report with management on November 8, 2023. Management's response to the findings 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/vks

COMMISSIONERS:

WILLIAM L. RICE, Sr. (MD)
Chairman

JAMES GREEN (VA)
Secretary

PHIL L. LANGLEY (MD)

ROBERT A. BOARMAN (MD)

JOSH KURTZ (MD)
(PROXY: LYNN FEGLEY)

SPENCER HEADLEY (VA)

S. LYNN KELLUM (VA)

MARYLAND - VIRGINIA
"Potomac River Compact of 1958"

Potomac River Fisheries Commission

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November 8, 2023

The Auditor of Public Accounts
Ms. Staci Henshaw
P.O. Box 1295
Richmond, VA 23218

Dear Ms. Henshaw,

The Chief Fisheries Science and Administrative Officer of the Potomac River Fisheries Commission (PRFC) has reviewed the finding of the final report associated with the audit of the PRFC for the 2022-2023 fiscal year. PRFC acknowledges the finding of the report. The Chief Fisheries Science and Administrative Officer will discuss the finding with its commissioners, as they relate to compliance by the PRFC. The PRFC will continue to address the finding related to IT security protocols that were identified, using the collective resources of our staff, and working with our Bi-State partnership. We are currently working with VITA to address the IT security protocols.

We thank the Bi-State audit team for their professionalism, and for their patience working with our staff during these challenging times.

Very Respectfully,

Ingrid Braun
Chief Fisheries Science and Administrative Officer
Potomac River Fisheries Commission