

AUDIT SUMMARY

Our audit of the **Virginia Marine Resources Commission** for the year ended June 30, 1998, found:

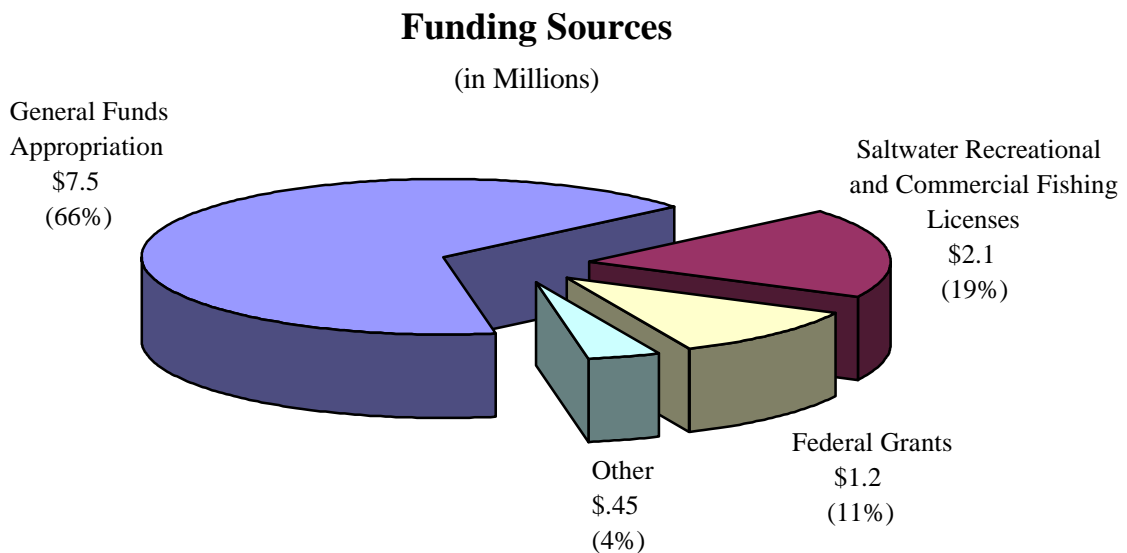
- proper recording and reporting of transactions, in all material aspects, in the Commonwealth Accounting and Reporting System;
- no matters involving the internal control structure and its operation that we consider material weaknesses; and
- no instances of noncompliance with applicable laws and regulations that are required to be reported.

AGENCY BACKGROUND AND FINANCIAL INFORMATION

The Virginia Marine Resources Commission regulates and develops marine fishery resources, and protects and preserves the resources in the Chesapeake Bay, its tidal tributaries, and the adjacent Atlantic Ocean. The Commission's primary activities include:

1. regulation of commercial and recreational saltwater fishing and development of fisheries management plans and policies;
2. enforcement of conservation, health, and boating laws;
3. replenishment of the public oyster grounds and leasing of oyster planting grounds;
4. protection and preservation of tidal wetlands and coastal primary sand dunes; and
5. development of artificial fishing reefs.

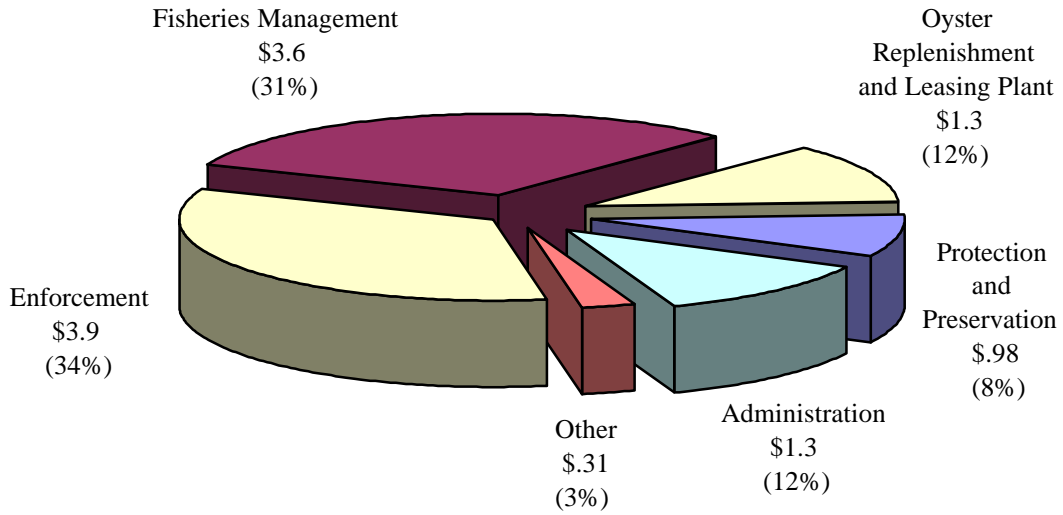
The Commission consists of six divisions: Administration and Finance, Fisheries Management, Habitat Management, Law Enforcement, Conservation and Replenishment, and Management Information Systems. The Commission received over \$11 million in funding from the following sources for the fiscal year ended June 30, 1998.



The Commission participates in five federal grant programs sponsored by three different federal agencies. Payments to federal sub-recipients for assisting with marine projects include approximately \$600,000 to the Virginia Institute of Marine Science.

Program Expenses

(in Millions)



The Commission has nearly 140 employees, 70 of which are devoted to law enforcement. Commission expenses for the year totaled more than \$11.5 million, with approximately 49 percent spent on salaries and fringe benefits.

May 5, 1999

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Richard J. Holland
Chairman, Joint Legislative Audit
and Review Commission
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Virginia Marine Resources Commission** for the year ended and June 30, 1998. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Commission's internal control structure, 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 revenue and expenditure cycles and transactions.

We obtained an understanding of the relevant policies and procedures for these internal accounting controls. 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 policies and procedures 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.

Commission management has responsibility for establishing and maintaining an internal control structure and complying with applicable laws and regulations. The objectives of an internal control structure are to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are processed in accordance with management's authorization, properly recorded, and comply with applicable laws and regulations.

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

AUDIT CONCLUSIONS

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

We noted no matters involving the internal control structure and its operation that we considered to be material weaknesses. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control structure elements 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 found no instances of noncompliance that are required to be reported under Government Auditing Standards.

AUDITOR OF PUBLIC ACCOUNTS

PBB:aom
aom:34

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Newport News, Virginia

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Commissioner

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