

POTOMAC RIVER FISHERIES COMMISSION

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2012**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Potomac River Fisheries Commission for the year ended June 30, 2012, 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.

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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:

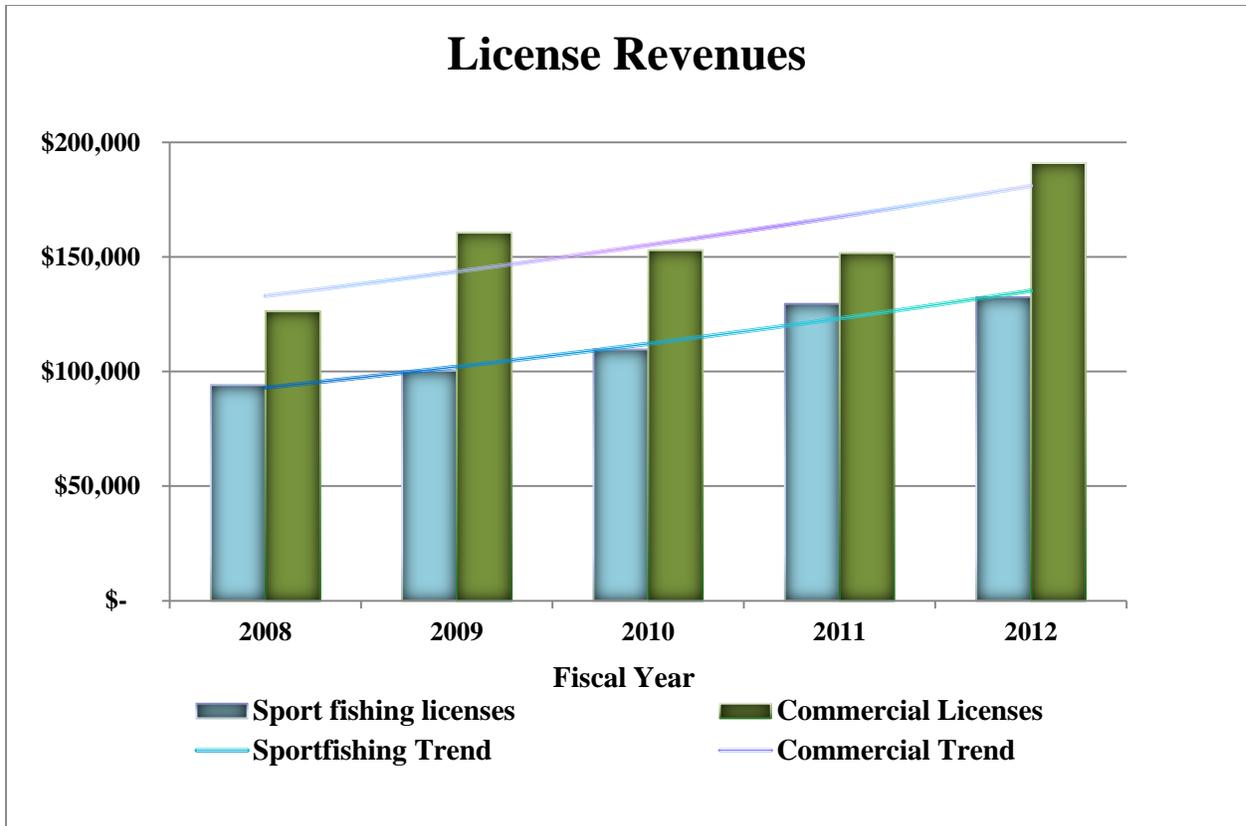
1. Adopting the rules and regulations for the recreational and commercial taking or catching of finfish, crabs, oysters, and clams from the Potomac River;
2. Issuing licenses for the taking or catching of finfish, crabs, oysters, and clams and for boats, vessels, and related equipment;
3. Imposing an 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>2012</u>	<u>2011</u>
Virginia appropriations	\$148,750	\$148,750
Maryland appropriations	140,000	140,000
Federal grant	104,147	109,348
Sport fishing licenses	132,370	129,528
Commercial fishing licenses	74,790	76,215
Commercial crab licenses	71,000	71,825
Commercial oyster licenses	3,570	3,695
Commercial license surcharge	41,650	-
Oyster bushel tax	328	209
Interest and miscellaneous	<u>38,035</u>	<u>15,406</u>
Total revenue	<u>\$754,640</u>	<u>\$694,976</u>

The Commission's revenues increased by nine percent for fiscal year 2012 mainly due to an increase in the sale of sport fishing and commercial licenses and a new commercial license registration fee, discussed below. Additionally, the large increase in revenues for interest and miscellaneous is attributable to approximately \$20,000 in revenues resulting from a new tagging program for crab pot identifications, the continuation of striped bass tagging requirements, and the collection of shipping fees. It also includes revenue from the sale of the Commission's vehicle, which was replaced. In the past five years, sport fishing license revenues have trended upwards and commercial licenses are now on an upward trend as can be seen in the following chart:



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

	2012	2011
Personnel services	\$356,232	\$375,857
Federal grant	92,275	106,772
Contractual services	69,665	77,266
Development and repletion	4,387	-
Materials and supplies	51,770	46,482
Insurance	7,508	6,846
Fixed assets	<u>27,283</u>	<u>2,901</u>
Operating Expenses	<u>609,120</u>	<u>616,124</u>
Reserve Fund Deposits for:		
Oyster development	31,500	15,000
Retiree health care	<u>50,000</u>	<u>50,000</u>
Reserve Expenses	<u>81,500</u>	<u>65,000</u>
Total Expenses	<u>\$690,620</u>	<u>\$681,124</u>

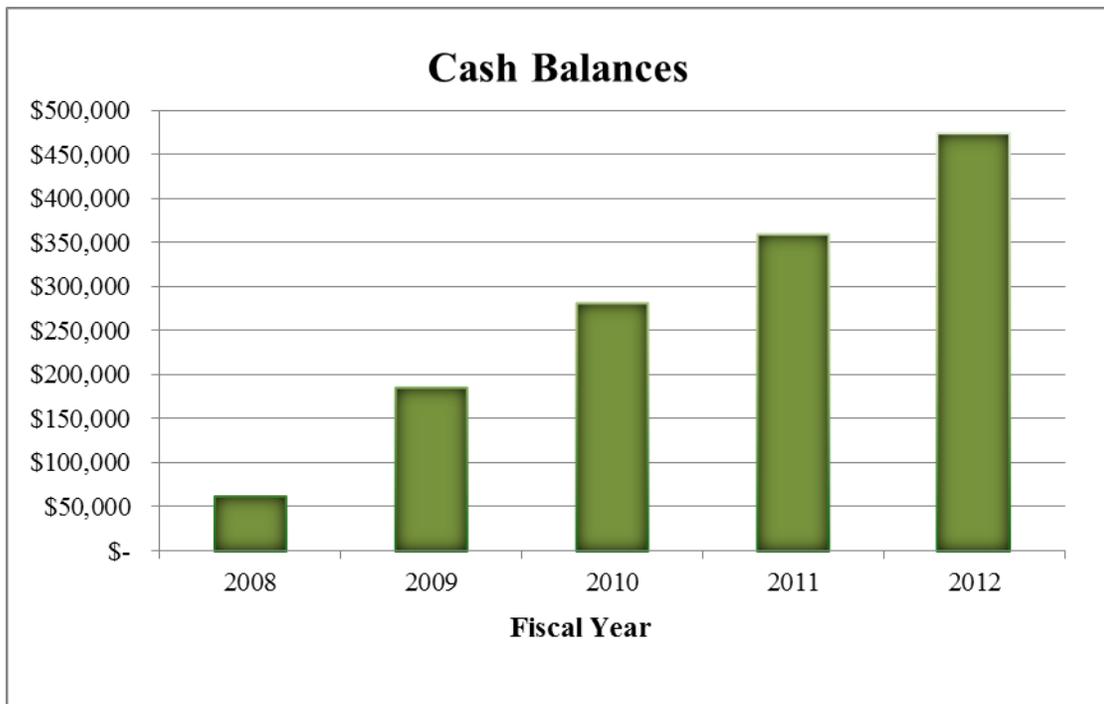
Operating expenses decreased by \$7,004 or one percent from fiscal year 2011. This is attributable to a decrease in personnel and contractual expenses and an increase in fixed asset purchases. Personnel costs decreased due to the retirement of one employee and the elimination of a part time position. Contractual service expenses decreased due to funding certain fish studies with Federal grants rather than general operating funds in fiscal year 2012. Fixed asset purchases included the purchase of a new vehicle for the Executive Secretary. Other expense categories remained relatively unchanged.

The Commission is attempting to determine the best way to develop a self-sustaining oyster industry in the Potomac and continues to retain funds in order to support future oyster work in the Potomac River. However, in order to replace the funds held in reserve as they are used, the Commission established new surcharges for oyster licenses and commercial licenses in 2012. The Commission realized \$41,650 in revenues from these surcharges in fiscal year 2012.

During fiscal year 2012, the Commission set aside an additional \$31,500 to fund future oyster work and \$50,000 to fund retiree health insurance. Interest accrues on these accounts at the market rate.

The Commission closed fiscal year 2012 with an operating gain of \$145,520. After factoring in the reserve expense of \$81,500, the Commission's operating gain was \$64,020. The Commission's net gain has constantly increased over the last five years due to continued efforts to become more efficient in their operations.

The ability of the Commission to continue to retain more cash each year is due to the fact that they performed no major projects in either fiscal year 2011 or 2012, and they are striving for continued efficiency in operations. The Commission closed fiscal year 2012 with a cash balance of \$473,491 to include \$175,862 in the Virginia and Maryland investment pool accounts and a separate Virginia investment pool account for retiree health care reserves, with a balance of \$176,089 as of June 30, 2012.





Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

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May 14, 2013

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable John M. O'Bannon, III
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, 2012. 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, regulations, contracts, and grant agreements.

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, 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.

Capital assets	Cash receipting
Contractual services expenses	License revenues
Payroll expenses	Federal grant revenues and expenses
Appropriations	

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 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, regulations, contracts, and grant agreements 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 May 24, 2013.

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

Jack G. Travelstead, Vice Chairman

Ida C. Hall, Secretary

Kyle J. Schick

Joseph G. Palmer, Jr.

Maryland

Dennis C. Fleming, Chairman

William L. Rice, Sr.

Robert H. Bowes

Thomas J. O'Connell

Officers

Kirby A. Carpenter, Executive Secretary

Michael C. Mayo, Legal Officer