



POTOMAC RIVER FISHERIES COMMISSION

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2020

Auditor of Public Accounts
Martha S. Mavredes, CPA

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AUDIT SUMMARY

Our audit of the Potomac River Fisheries Commission for the fiscal year ended June 30, 2020, 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;
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported; and
- adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

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AUDIT FINDING AND RECOMMENDATION

Develop and Implement Information Security Policies and Procedures

Type: Internal Control

Repeat: Yes (First Issued in 2019)

The Executive Secretary continues to explore options with respect to adoption of a security standard and development of security policies and procedures. 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 Potomac River Fisheries Commission (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 financial resources to hire full-time IT personnel. Instead, the Commission uses outside contractors to help manage and maintain its IT operations, and these contractors may not be fully cognizant of the requirements of the industry best practices.

The Commission should continue to 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. The policies should align with the requirements in the security standard the Commission selects and establish the minimum information security requirements to implement in the Commission's IT environment. 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 and achieve compliance with the security standard.

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.

During the current and previous fiscal years, the Commission received revenues from the following sources.

Commission Revenues

Table 1

	2019	2020
Virginia appropriations	\$148,750	\$148,750
Maryland appropriations	140,000	140,000
Federal and other grants	67,728	194,486
Sport fishing licenses	102,505	90,621
Commercial fishing licenses	82,618	78,383
Commercial crab licenses	70,690	67,890
Commercial oyster and clam licenses	92,873	101,998
Commercial license surcharge	120,250	104,250
Oyster bushel tax	23,815	25,385
Interest and miscellaneous	53,708	44,071
Total Revenue	\$902,937	\$995,834

Source: Commission's financial system

The Commission's revenues increased by ten percent for fiscal year 2020 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. License revenues decreased overall by approximately five percent.

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

Commission Expenses

Table 2

	2019	2020
Personnel services	\$377,974	\$404,261
Federal and other grants	53,268	270,821
Contractual services	72,039	62,852
Materials and supplies	52,908	53,245
Development and repletion	22,500	50,000
Fixed assets	3,368	20,377
Insurance	8,175	7,085
Total Operating Expenses	590,232	868,641
Reserve Fund Deposits for:		
Retiree health care	20,000	35,000
Total Expenses	\$610,232	\$903,641

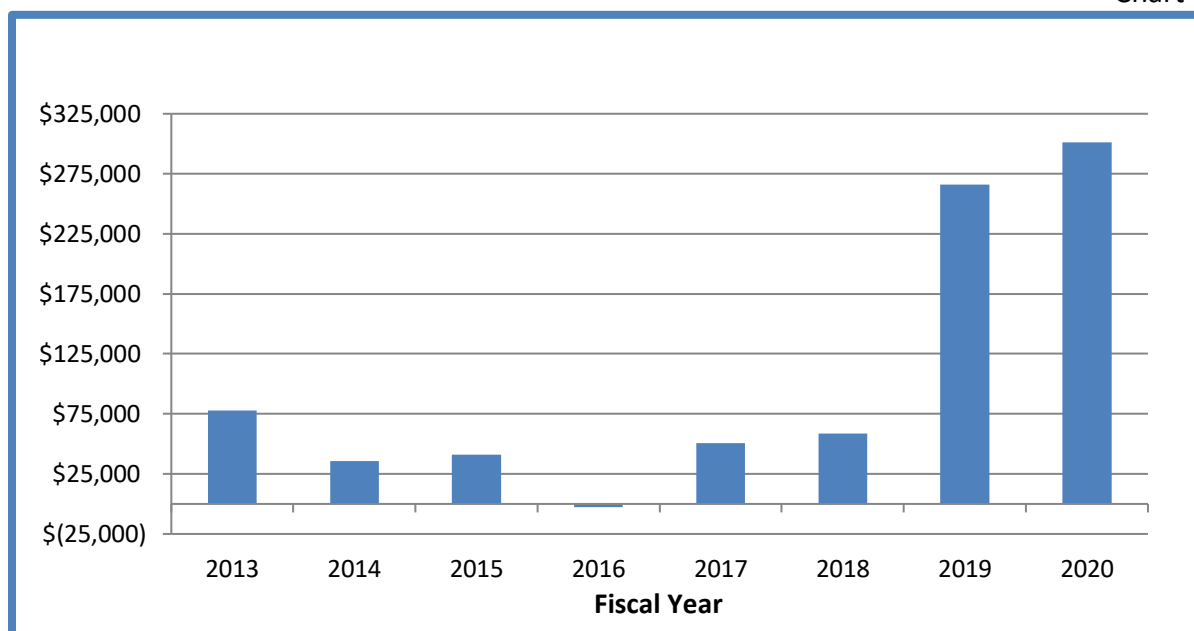
Source: Commission's financial system

Total expenses increased by 48 percent from fiscal year 2019 due to an increase in oyster seeding expenses including new seeding covered by the Maryland Department of Transportation grant. In addition, the Commission upgraded and replaced their information technology equipment and software.

The Commission closed fiscal year 2020 with an operating profit of \$92,193, including funding of the retiree healthcare trust. In addition, the Commission ended the year with a positive operating cash balance of \$301,038 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

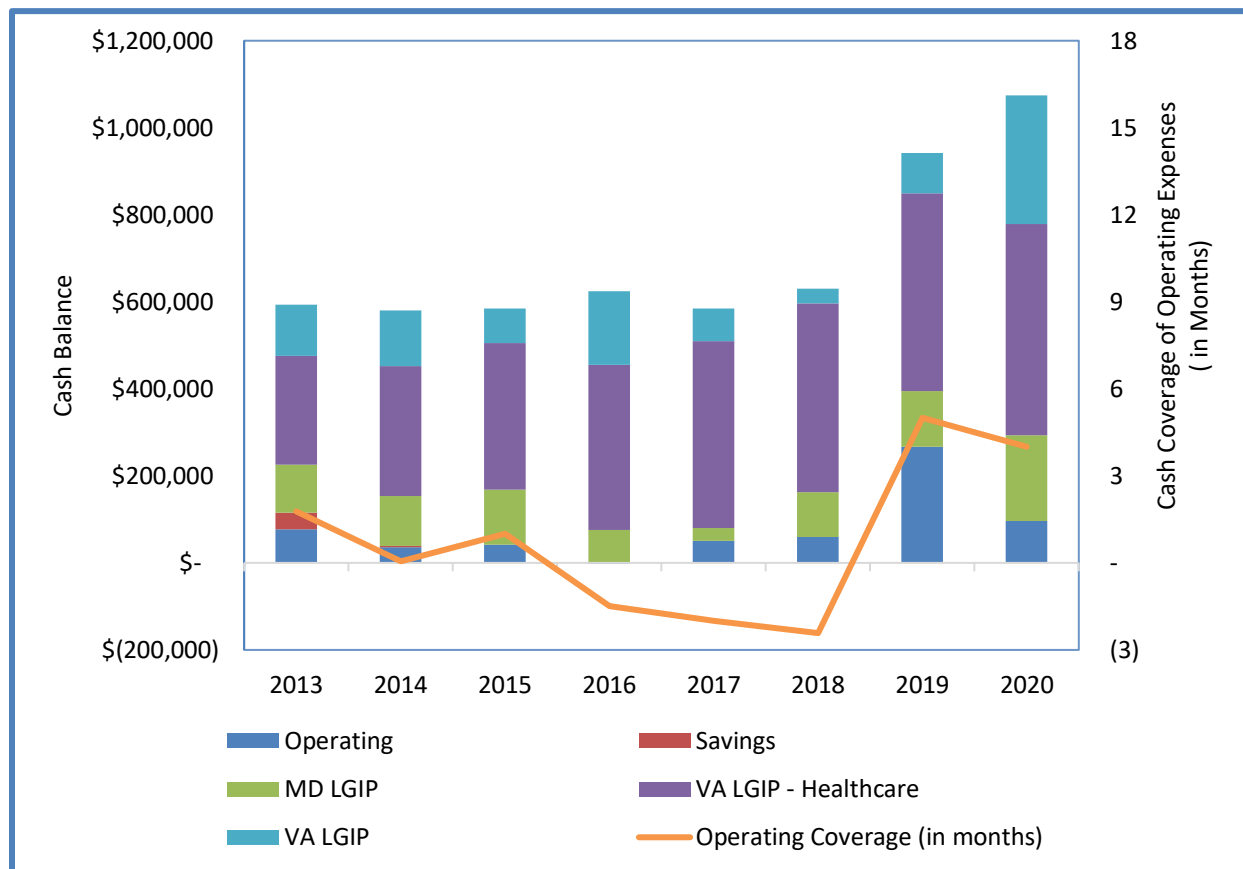


Source: Commission's financial system

The Commission closed fiscal year 2020 with an overall cash balance of \$1,074,253 in five different bank accounts, which was a 14 percent increase, \$132,295, over fiscal year 2019 levels. The cash balance includes \$205,150 in the Virginia and Maryland investment pool accounts to fund future oyster work and \$486,251 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, 2020, the Commission's operating cash coverage remains at a positive rate of 4 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



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

September 3, 2020

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
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, 2020. 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 a 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."

Status of Prior Findings

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 September 15, 2020. 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.

Martha S Mavredes
AUDITOR OF PUBLIC ACCOUNTS

DBC/clj

COMMISSIONERS:

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Chairman

BOBBY BOARMAN (MD)
Vice Chairman

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(MD)

WILLIAM L. RICE, SR. (MD)

KEN NEILL (VA)

KYLE J. SCHICK (VA)

STEVEN G. BOWMAN (VA)

PHIL L. LANGLEY (MD)

MARYLAND - VIRGINIA

"Potomac River Compact of 1958"

Potomac River Fisheries Commission

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September 16, 2020

The Auditor of Public Accounts
P.O. Box 1295
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Dear Ms. Mavredes,

The Executive Secretary of the Potomac River Fisheries Commission (PRFC) has reviewed the finding of the final report associated with the audit of the PRFC for the 2019-2020 fiscal year. PRFC acknowledges the finding of the report. The Executive Secretary has been and will continue to 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 was identified, using the collective resources of our staff, and working with our Bi-State partnership.

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

Very Respectfully,

Martin L. Gary
Executive Secretary
Potomac River Fisheries Commission

POTOMAC RIVER FISHERIES COMMISSION

as of June 30, 2020

COMMISSIONERS

Virginia

Steven G. Bowman

G. Wayne France, Chairman

Dr. Ken Neill, Secretary

Kyle J. Schick

Maryland

Robert Boarman, Vice-Chairman

Jeannie Riccio-Haddaway

Phil L. Langley

William L. Rice, Sr.

Officers

Martin L. Gary, Executive Secretary

Michael C. Mayo, Legal Officer