

VIRGINIA MARINE RESOURCES COMMISSION

**REPORT ON AUDIT
FOR THE TWO-YEAR PERIOD ENDED
JUNE 30, 2008**



AUDIT SUMMARY

Our audit of the Virginia Marine Resources Commission, for the two year period ending June 30, 2008, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting 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 Commission manages the Commonwealth's marine fishery and habitat resources. It manages publicly owned oyster beds, leases oyster planting grounds, constructs artificial reefs to enhance habitat, and is responsible for Virginia's streambeds and tidal bottomlands, wetlands, and dunes. The Virginia Marine Police, the Commission's law enforcement division, enforces boating, fishery, and habitat management laws and regulations in tidal waters. It also provides search and rescue services, and patrols contaminated areas to prevent harvesting and fishing. All of the Commission's duties relate primarily to the tidal waters of the Commonwealth.

Financial Information

The Commission receives a combination of General Fund appropriations, special revenue funds, and federal grants, with general funds making up over half of the budget. The Commission also collects various special revenue funds, including revenue from the sale of saltwater fishing licenses, which the Department of Game and Inland Fisheries sells on behalf of the Commission.

The Commission's largest program, Marine Life Management, accounts for most of the Commission's expenses. This program includes regulation and enforcement activities, fishery management, and replenishment and restoration activities for shellfish and oysters. Most of the expenses under this program are personnel costs for approximately 100 employees who carry out these functions. Under this program, the Commission also, after a public review process and approval by the agency Commission Board, awards grants for projects benefitting recreational fishing in the Commonwealth. The Commission transferred funds to the City of Norfolk, Gloucester County, Old Dominion University Research Foundation, and the Virginia Institute of Marine Science for projects related to this cause. Using these funds, the City of Norfolk completed construction of a recreational and educational fishing pier, and Gloucester County improved landing facilities under the Coleman Bridge. The following tables show budget and actual expense information for fiscal years 2007 and 2008 for the Commission's programs.

Analysis of Budgeted and Actual Expenses by Program - FY 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>
Marine life management	\$15,455,581	\$16,453,618	\$13,820,182
Coastal lands management	2,019,150	1,901,450	1,821,916
Tourist promotion	205,000	220,000	208,012
Administrative and support Services	<u>1,579,663</u>	<u>1,766,838</u>	<u>1,757,528</u>
Total	<u>\$19,259,394</u>	<u>\$20,341,906</u>	<u>\$17,607,638</u>

Analysis of Budgeted and Actual Expenses by Program - FY 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>
Marine life management	\$14,705,581	\$16,647,881	\$12,873,303
Coastal lands management	1,519,150	1,707,904	1,539,318
Tourist promotion	205,000	220,000	210,289
Administrative and support Services	<u>1,579,663</u>	<u>1,790,844</u>	<u>1,770,175</u>
Total	<u>\$18,009,394</u>	<u>\$20,366,629</u>	<u>\$16,393,085</u>

During both fiscal years, the Commission requested additional appropriations based on anticipated grants and other funds available after approval of their budget; however, due to timing differences, incompatible biological conditions, and delays in project completion, the Commission fell short of expected expenses.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

February 26, 2009

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the financial records and operations of the **Virginia Marine Resources Commission** (the Commission) for the two-year period ended June 30, 2008. 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 Commonwealth Accounting and Reporting System, review the adequacy of the Agency's internal controls, and test compliance with applicable laws and regulations.

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 and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and control 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.

Contractual services expenditures
Transfer payment expenditures
Supplies and materials expenditures
Payroll expenditures
Small purchase charge card
Revenues
Capital assets
Information Systems 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 and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, including vouchers, deposit certificates, contracts, board minutes, and applicable sections of the Code of Virginia. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

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 accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting 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 and regulations 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 March 27, 2009. Management's response has been included at the end of this report.

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.

AUDITOR OF PUBLIC ACCOUNTS

AVG/clj



COMMONWEALTH of VIRGINIA

L. Preston Bryant, Jr.
Secretary of Natural Resources

Marine Resources Commission
2600 Washington Avenue
Third Floor
Newport News, Virginia 23607

Steven G. Bowman
Commissioner

March 30, 2009

Mr. Walter J. Kucharski
The Auditor of Public Accounts
P. O. Box 1295
Richmond, Virginia 23218

Dear Mr. Kucharski:

As our yearly agency audit has just concluded, we like to commend all of your staff who participated in the 2009 audit at the Marine Resources Commission.

We were very pleased by their professionalism and in-depth knowledge of the State's financial and internal control processes, and appreciate their willingness to work with us during the audit period.

We are also appreciative of the knowledge that MRC staff gained of State financial and computer procedures, and associated expectations for internal control, as a result of the recent audit process.

I am a firm believer in accountability, and in protecting the financial resources of the Commonwealth. Participating in a yearly audit is an excellent way to safeguard the assets that we hold in trust for the citizens of Virginia, and to ensure that our agency is as fiscally responsible as possible.

As we move forward during this fiscal year, and the next, we will certainly bear in mind all the suggestions and recommendations that your staff made during the recent audit, and will incorporate these into our agency financial and internal control processes.

We are pleased to say that there were no reported findings in our agency's 2009 audit, and we look forward to a similar result when we are audited again in early 2010.

Sincerely,

A handwritten signature in black ink, appearing to read "S. G. Bowman".

Steven G. Bowman

SGB:gsc
CO

VIRGINIA MARINE RESOURCES COMMISSION BOARD

Steven G. Bowman
Commissioner

Steven G. Bowman, Chairman

Ernest L. Bowden, Jr.	John R. McConaugha
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