



# POTOMAC RIVER FISHERIES COMMISSION

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, found:

- proper recording and reporting of all transactions in all material respects in the Commission's financial system;
- two matters involving internal control and its operation necessary to bring to management's attention; and
- two instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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## AUDIT FINDINGS AND RECOMMENDATIONS

### **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 services, such as developing a business impact analysis and a system security plan; however, to date, VITA has not provided any services. Due to a lack of communication between VITA and the Commission with respect to a timeframe for the contract deliverables, 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 has taken the first step by contracting with VITA to provide required information security services. 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.

### **Ensure Timely Updates of Disaster Recovery Plan**

**Type:** Internal Control and Compliance

**Repeat:** No

The Commission has not updated its Disaster Recovery Plan (DRP) since establishing the original plan in 2019. Since the initial plan, the Commission has made significant changes to equipment and software and has changed information technology (IT) contractors but has not investigated a timeframe for equipment replacement should a disaster occur. The Executive Secretary was unaware of the requirements for updating the DRP each time the Commission performs continuity of operations (COOP) testing.

The Security Standard, Section 8.6, CP-1 – COV-2, requires annual review, reassessment, testing, and revision of the DRP to reflect changes in mission essential functions, services, IT system hardware and software, and personnel. A current disaster recovery plan is essential to ongoing operations in the

event of a catastrophic event, and the Commission should update its plan each year during COOP testing. The Commission should also reassess its pre-determined recovery time for updated or replaced equipment during COOP testing.

The lack of a current DRP increases the risk that, in the event of a disaster, the Commission will not accurately replace mission-critical systems currently in use, which could affect the Commission's ability to generate revenue, cause a permanent loss of records, and result in a long-term reduction in productivity. The Executive Secretary should ensure that he is familiar with the Security Standard requirements. The Commission should update its DRP to include current equipment and software with realistic replacement timeframes. The Commission should review and update the DRP each time it performs COOP testing.

## 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 increased by 34 percent; expenses increased by 95 percent; and net income decreased overall by 137 percent. The Commission's revenue increase was due primarily to federal grant activity. For two grants, the Commission received and spent the revenues for fiscal years 2021 and 2022 during fiscal year 2022. In addition, the Commission received a new federal grant for development and implementation of an online reporting system. Expense increases and the net income decrease were primarily due to the federal grant activity noted above and the new oyster plantings during fiscal year 2022 that did not occur in fiscal year 2021.

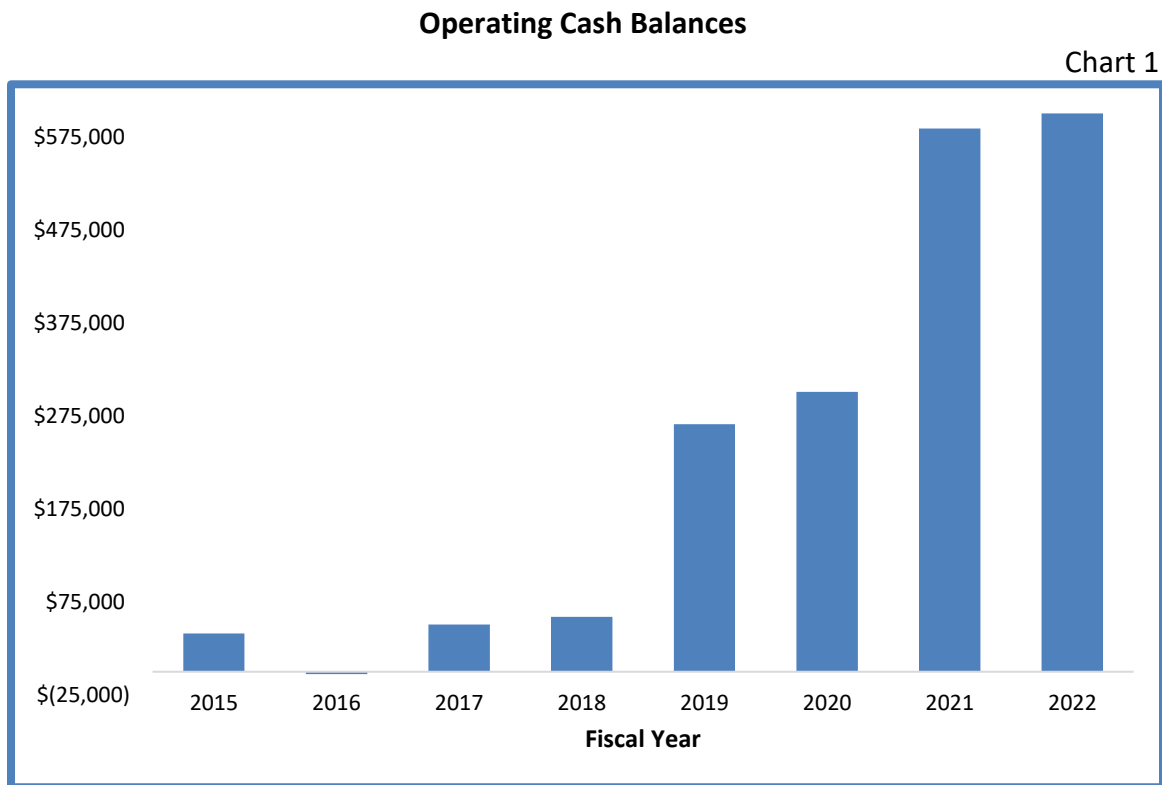
### Commission Financial Activity

Table 1

	2021	2022
Virginia appropriations	\$ 148,750	\$ 148,750
Maryland appropriations	140,000	140,000
Federal and other grants	260,505	597,537
Sport fishing licenses	97,112	72,271
Commercial fishing licenses	78,855	82,723
Commercial crab licenses	72,650	68,532
Commercial oyster and clam licenses	67,175	79,608
Commercial license surcharge	102,600	103,800
Oyster bushel tax	23,819	31,888
Interest and miscellaneous	37,080	55,321
<b>Total revenue</b>	<b>1,028,546</b>	<b>1,380,430</b>
Personnel services	433,014	480,834
Development and repletion	45,880	230,000
Federal and other grants	150,130	579,301
Contractual services	57,076	89,903
Materials and supplies	39,417	53,538
Insurance	6,997	6,725
Capital assets	4,415	-
Operating Expenses	736,929	1,440,301
Reserve Fund Deposits for:		
Retiree health care	35,000	35,000
<b>Total expenses</b>	<b>771,929</b>	<b>1,475,301</b>
<b>Net income</b>	<b>\$ 256,617</b>	<b>\$ (94,871)</b>

Source: Commission's financial system – cash basis

The Commission closed fiscal year 2022 with an operating loss of \$94,871. However, the Commission ended the year with a positive operating cash balance of \$600,234 as shown in Chart 1.

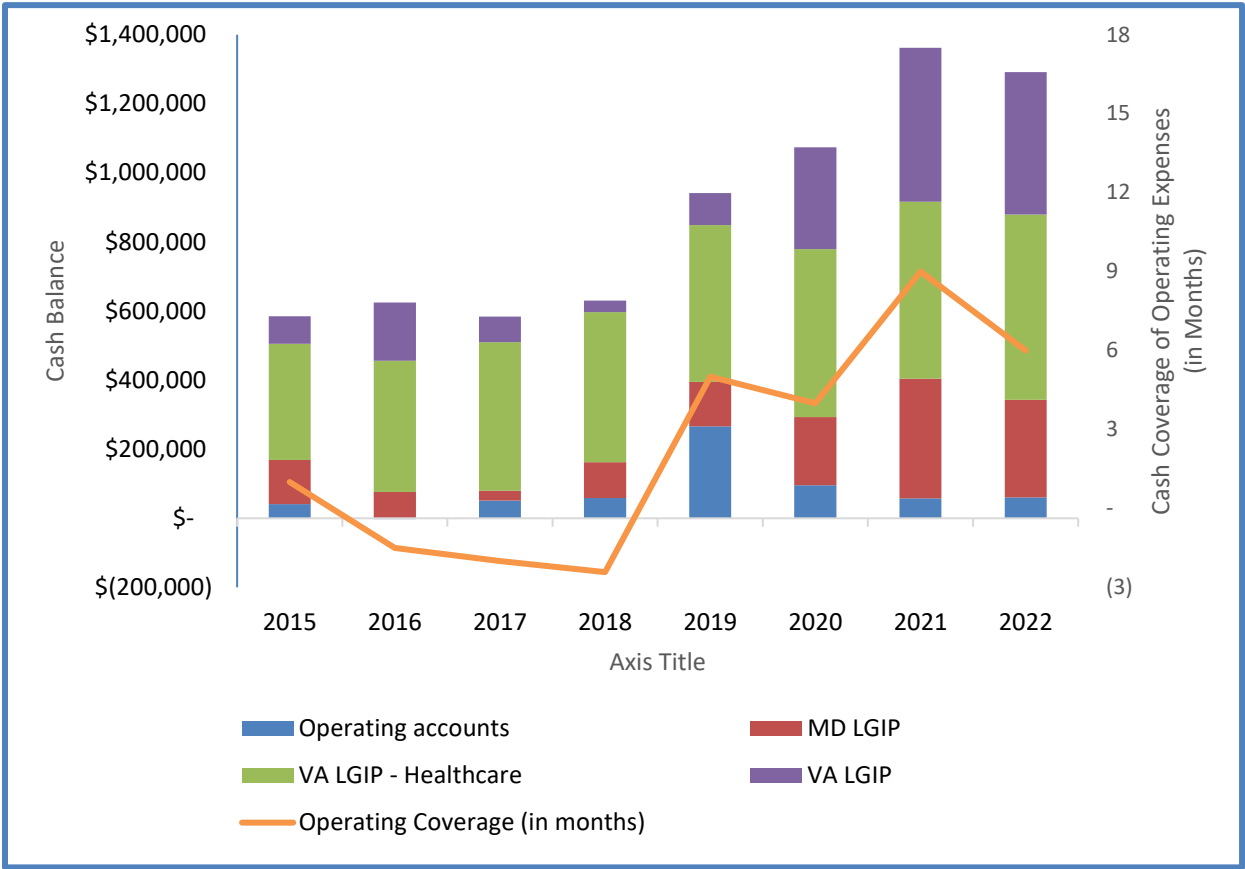


Source: Commission's financial system

The Commission closed fiscal year 2022 with an overall cash balance of \$1,291,754, which was a 5 percent or \$70,376 decrease, over fiscal year 2021 levels. The cash balance includes \$694,552 in the Virginia and Maryland local government investment pool accounts to fund future oyster work and supplement operating expenses, \$536,637 in a separate Virginia investment pool account for retiree health care reserves, and \$60,565 in its operating bank accounts. The retiree healthcare account is managed by a trust and legally cannot be used to fund operations. The Commission earmarked funds for the Oyster Management Reserve and Rotational Oyster Harvest programs, and the Commission no longer uses these reserves to supplement operating cash. As shown in Chart 2, as of June 30, 2022, the Commission's operating cash coverage remains at a positive rate of 6.4 months coverage of operating expenses (assuming expenses continue at the current rate) as the Commission continues to restrict contributions to the oyster programs.

Cash Balances by Account

Chart 2



Source: Commission's financial system





Staci A. Henshaw, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

September 26, 2022

The Honorable Glenn Youngkin  
Governor of Virginia

Joint Legislative Audit  
and Review 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, 2022. 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 two matters involving internal control and its operation and compliance with applicable laws, regulations, contracts, and grant agreements that require management’s attention and corrective action. These matters are described in the section titled “Audit Findings and Recommendations.”

The Commission has not completed corrective action with respect to the audit finding reported in the prior year.

### **Exit Conference and Report Distribution**

We discussed this report with management on October 31, 2022. 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/clj

**COMMISSIONERS:**

JEANNIE HADDAWAY-RICCIO  
(PROXY: LYNN FEGLEY) (MD)  
(Interim) Chairman

PHIL L. LANGLEY (MD)  
Secretary

WAYNE FRANCE (VA)

JAMES GREEN (VA)

ROBERT A. BOARMAN (MD)

WILLIAM L. RICE (MD)

SPENCER HEADLEY (VA)

RONALD OWENS (VA)

MARYLAND - VIRGINIA  
"Potomac River Compact of 1958"

**Potomac River Fisheries Commission**

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November 28, 2022

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

Dear Ms. Henshaw,

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 2021-2022 fiscal year. PRFC acknowledges the finding of the report. The Executive Secretary will discuss the finding with its commissioners, as they relate to compliance by the PRFC. The PRFC will continue to address the dual findings related to IT security protocols and disaster recovery 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,

Martin L. Gary  
Executive Secretary  
Potomac River Fisheries Commission

## POTOMAC RIVER FISHERIES COMMISSION

as of June 30, 2022

### COMMISSIONERS

#### Virginia

G. Wayne France

Kyle J. Schick, Chairman

Justin Worrell

#### Maryland

Robert Boarman

Phil L. Langley, Secretary

Jeannie Riccio-Haddaway, Vice Chair

William L. Rice, Sr.

#### Officers

Martin L. Gary, Executive Secretary

Michael C. Mayo, Legal Officer