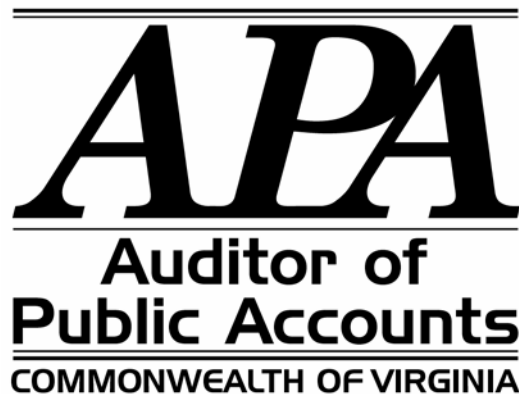


VIRGINIA MARINE RESOURCES COMMISSION

**REPORT ON AUDIT FOR
TWO-YEAR PERIOD ENDED JUNE 30, 2006**



AUDIT SUMMARY

Our audit for the Virginia Marine Resources Commission (the Commission) for the two-year period ending June 30, 2006 found:

- Proper recording and reporting of 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 public health services related to seafood.

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. For fiscal year 2006, the General Assembly restored \$1 million in state appropriations for the Commission's Oyster Replenishment program.

The Commission also collects various special revenue funds, including saltwater fishing licenses, which the Department of Game and Inland Fisheries sells on behalf of the Commission. In fiscal year 2006, the Commission resumed collection of rent and royalties from individuals and businesses using state bottomlands. In November 2005, the Commission approved a plan to resume these collections, which commenced on December 1, 2005.

The Commission's largest program, Marine Life Resource Management, accounts for most of the Commission's expenses. This program includes regulation and enforcement activities, fishery management, and replenishment/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 transferred funds to the Town of Cape Charles and York County for mandated projects related to the Saltwater Recreational Fishing Fund. The following tables show budget and actual expense information for fiscal years 2005 and 2006 for the Commission's programs.

Analysis of Budgeted and Actual Expenses by Program - FY 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>
Marine life management	\$13,566,099	\$17,230,184	\$13,359,981
Coastal lands management	1,292,821	1,661,417	1,553,758
Tourist promotion	205,000	209,920	188,465
Administrative and support	<u>1,396,140</u>	<u>1,589,480</u>	<u>1,583,995</u>
Total	\$16,460,060	\$20,691,001	\$16,686,199

Analysis of Budgeted and Actual Expenses by Program - FY 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>
Marine life management	\$12,051,099	\$14,688,124	\$12,018,248
Coastal lands management	1,534,821	1,671,821	1,302,266
Tourist promotion	205,000	205,000	188,501
Administrative and support	<u>1,398,617</u>	<u>1,398,908</u>	<u>1,386,857</u>
Total	\$15,189,537	\$17,963,853	\$14,895,872

As shown in the table above, the Commission has requested and received significant budget increases in the Marine Life Management program. During the fiscal year, the Commission requested additional appropriations based on 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.

Statewide Systems Review

The Auditor of Public Accounts (APA) performed a statewide review of systems security policies and procedures in Fall of 2006. During this review, the APA determined that the Commission had an inadequate security program. The Commission lacked sufficient policies that documented the assignment of an information security officer, adequate processes for user-authentication to agency systems, policies regarding password controls, and policies documenting appropriate physical safeguards for sensitive assets.

The Commission issued a corrective action plan to update their current security program by July 2007, and their security audit plan by August 2007. The Commission tailored their corrective action plan to align their security policies and procedures with new statewide security standards, the Department of Accounts' Agency Risk Management and Internal Control Standards, and industry-recognized best practices.



Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295

Richmond, Virginia 23218

Walter J. Kucharski, Auditor

March 1, 2007

The Honorable Timothy Kaine
Governor of Virginia Chairman,
State Capital
Richmond, Virginia

The Honorable Lacey E. Putney
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, 2006. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions on the Commonwealth Accounting and Reporting System or other agency financial system, review the adequacy of the Agency's internal controls, test compliance with applicable laws and regulations and review corrective actions of audit findings from prior year reports.

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 materiality 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:

- Payroll expenditures
- Fixed assets
- Revenues
- Expenditures

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; review of external audit reports; and inspection of documents including vouchers, deposit certificates, contracts, board minutes, and applicable sections of the Code of Virginia. We tested transactions and performed analytical procedures including 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 13, 2007.

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

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VIRGINIA MARINE RESOURCES COMMISSION BOARD

Newport News, Virginia

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Commissioner

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