VIRGINIA MARINE RESOURCES COMMISSION

NEWPORT NEWS, VIRGINIA

REPORT ON AUDIT

FOR THE TWO-YEAR PERIOD ENDED

JUNE 30, 2000

APA

Auditor of Public Accounts

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Virginia Marine Resources Commission for the two-year period ended June 30, 2000, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no material weaknesses in internal controls; and
- no instances of noncompliance with applicable laws and regulations that are required to be reported.

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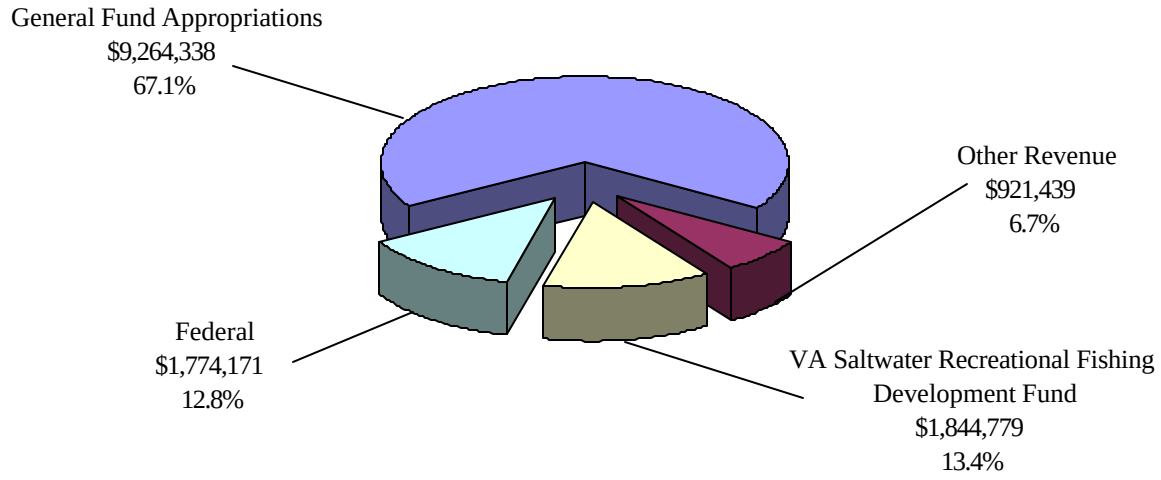
AGENCY BACKGROUND AND FINANCIAL INFORMATION

The Virginia Marine Resources Commission regulates and develops marine fishery resources, and protects and preserves the resources in the Chesapeake Bay, its tidal tributaries, and the adjacent Atlantic Ocean. The Commission's primary activities include:

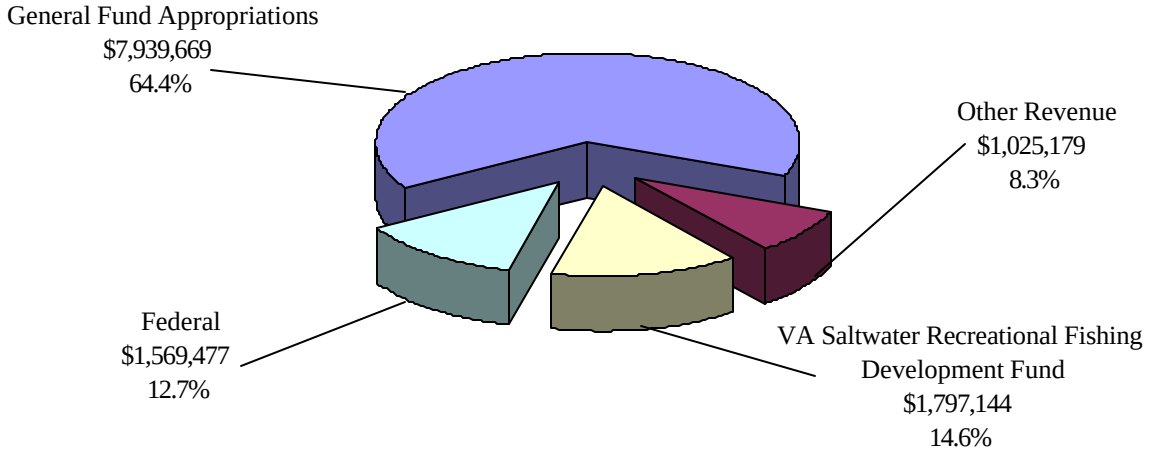
1. regulation of commercial and recreational saltwater fishing and development of fisheries management plans and polices;
2. enforcement of conservation, health, and boating laws;
3. replenishment of the public oyster grounds and leasing of oyster planting grounds;
4. protection and preservation of tidal wetlands and coastal primary sand dunes; and
5. development of artificial fishing reefs.

The Commission received approximately $13.8 million and $12.3 million in funding from the following sources for the fiscal years ended June 30, 2000 and 1999, respectively.

FY 2000 Funding Sources



FY 1999 Funding Sources



Total funding for fiscal year 1999 did not increase significantly over 1998. Fiscal year 2000's funding reflects an increase in general fund appropriations of 16.6 percent over 1999. We have provided information pertaining to use of these funds under "Commission Expenses."

Commission Expenses

The Commission consists of six divisions: Administration and Finance, Fisheries Management, Habitat Management, Law Enforcement, Conservation and Replenishment, and Management Information Systems. The table below presents expenses for the 3-year period 1998 through 2000 by program.

Program	Expenses FY 1998	Expenses FY 1999	Expenses FY 2000
Enforcement	$ 3,913,432	$ 4,051,904	$ 4,598,441
Fisheries Management	3,608,507	3,543,046	3,386,742
Oyster Replenishment and Leasing	1,377,076	1,400,700	1,997,663
Protection and Preservation	980,364	828,865	855,812
Administration	1,389,825	1,498,423	1,699,119
Other	315,168	319,366	290,963
Total	$11,584,372	$11,642,304	$12,828,739

The table above shows no significant increase in expenses between 1999 and 1998, but does show an approximate 10 percent in 2000. This increase comes from additional general fund appropriations in the areas of *Enforcement* and *Oyster Replenishment Program.*

Enforcement – Law enforcement officers received a special 9.3 percent salary increase through General Assembly actions. The Commission also received 4 additional salaried positions in the Law Enforcement Division.

Oyster Replenishment Program - During fiscal 2000, the Commission, under a unified plan with the Department of Environmental Quality, began on-site development of new oyster reefs. The Commission placed six oyster sanctuary reefs in the Rappahannock River and replenished 500 acres of restored harvest areas with oyster shells and seed. The Commission also constructed two new reefs in the Ware and Elizabeth Rivers.

The Commission currently participates in six federal grant programs sponsored by three different federal agencies. Payments to federal subrecipients for assisting with marine projects included approximately $1.0 million to the Virginia Institute of Marine Science and $0.1 million to the Virginia Department of Game and Inland Fisheries.

Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

April 30, 2001

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Virginia Marine Resources Commission** for the two-year period ended June 30, 2000. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Commission's internal control, and test compliance with applicable laws and regulations. We also reviewed the Commission's corrective actions of audit findings from prior year reports.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Commission's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Expenditures
Revenues
Fixed Assets

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. 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.

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.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit 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 generally accepted accounting principles. 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 to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information 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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