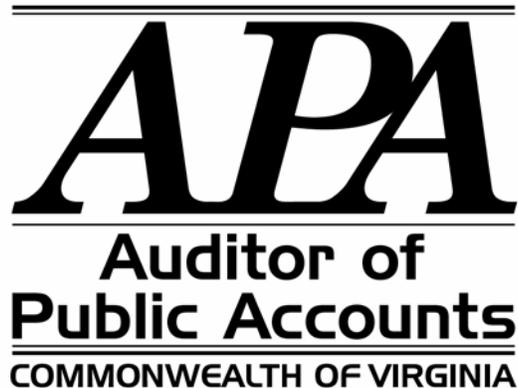


**POTOMAC RIVER FISHERIES COMMISSION
COLONIAL BEACH, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2004**



AUDIT SUMMARY

Our audit of the Potomac River Fisheries Commission for the year ended June 30, 2004, found:

- the financial information is properly reported in the Commission's financial system;
- no internal control matters that we consider material weaknesses; and
- no instances of noncompliance required to be reported under Government Auditing Standards.

AGENCY BACKGROUND AND FINANCIAL INFORMATION

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.

The Commission is responsible for reseeding and replanting oyster bars, prescribing the type, size, and description of seafood which may be taken or caught, issuing licenses for the taking of finfish, crabs, oysters, clams and for boats, vessels, and equipment used for such taking, and imposing an inspection tax on oysters caught in the Potomac River.

During the fiscal year ending June 30, 2004, the Commission received revenue from the following sources:

Virginia appropriations	\$155,000
Maryland appropriations	155,000
Federal grant	96,979
Sport fishing licenses	80,200
Commercial fishing licenses	62,070
Commercial crab licenses	58,970
Commercial oyster licenses	5,760
Oyster bushel tax	204
Interest and miscellaneous	<u>9,484</u>
 Total revenue	 <u>\$623,667</u>

Revenues decreased by \$12,876 when compared to fiscal year 2003. The decreased revenues occurred primarily because of a decrease in federal projects during fiscal year 2004 compared to fiscal year 2003.

The Commission had the following expenses during fiscal year 2004:

Capital improvements reserve	\$100,000
Federal grant	86,642
Fixed assets	1,199
Contractual services	67,565
Insurance	4,958
Development and repletion	29,990
Materials and supplies	40,047
Personnel services	<u>261,278</u>
 Total expenses	 <u>\$591,679</u>

Expenses decreased by \$176,092 from fiscal year 2003, due to the wind down of the construction of a new office building. As of August 6, 2004, the building was substantially complete and the Commission was able to take possession. The Commission has not made final payments to the contractor pending the resolution of minor construction. The final payment of approximately \$50,000 will be within the Commission's remaining \$100,000 budget set aside for the completion of the project. The Commission estimates the total cost of the building to be \$800,000.

The Commission places its excess cash into both the Maryland and Virginia Local Government Investment Pools and has designated a portion of these investments for the construction of its new office building. Sufficient assets exist to meet the Commission's remaining obligation for the project.



Commonwealth of Virginia

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

Walter J. Kucharski, Auditor

April 12, 2005

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE

We have audited the financial records and operations of the **Potomac Rivers Fisheries Commission** for the year ended June 30, 2004. We conducted our audit in accordance with the standards for performance audits set forth in Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives, Scope and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions in the Commission's accounting records, review the adequacy of the Commission's internal control, and test for compliance with applicable laws, regulations, contracts, and grant agreements.

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, regulations, contracts, and grant agreements. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Cash and investments	Grants
Fixed assets	Revenues
Accrued leave	Expenditures

We gained 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.

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, regulations, contracts, and grant agreements. 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 Commission's accounting records. 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 Commission's accounting records.

We noted no matters involving internal control and its operation that we consider to be reportable conditions. Our consideration of internal control would not necessarily disclose all matters in internal control that might be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial records.

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

This report is intended for the information and use of the Governor and General Assembly, management, and citizens of the Commonwealth of Virginia and the state of Maryland and is a public record.

EXIT CONFERENCE

We discussed this letter with management at an exit conference held on April 26, 2005.

AUDITOR OF PUBLIC ACCOUNTS

DBC:aom
aom:35

POTOMAC RIVER FISHERIES COMMISSION
Colonial Beach, Virginia

COMMISSIONERS

Virginia

Gordon M. Birkett

Ida Hall

J. T. Holland

William A. Pruitt

Maryland

Kenneth Keen

Howard Kimball

John T. Parran

William L. Rice, Sr.

Officers

Kirby A. Carpenter, Executive Secretary

J. Clifford Hutt, Legal Officer

Michael C. Mayo, Legal Officer