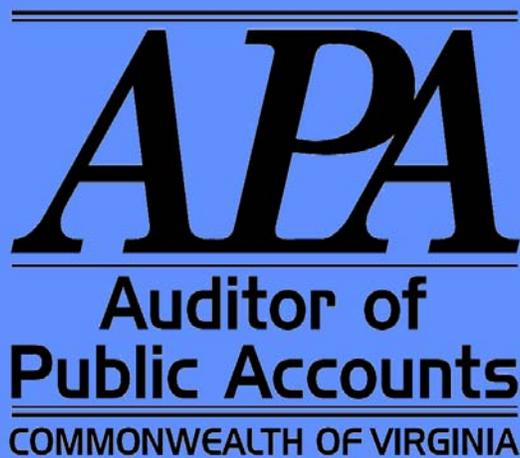


POTOMAC RIVER FISHERIES COMMISSION

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



AUDIT SUMMARY

Our audit of the Potomac River Fisheries Commission for the year ended June 30, 2008, found:

- proper recording and reporting of all transactions, in all material respects, in the Commission's financial 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 require reporting.

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AGENCY HIGHLIGHTS

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 has the following responsibilities:

1. Adopting the rules and regulations for the recreational and commercial taking or catching of finfish, crabs, oysters and clams from the Potomac River;
2. Issuing licenses for the taking or catching of finfish, crabs, oysters, and clams and for boats, vessels, and related equipment;
3. Imposing an inspection tax on oysters caught in the Potomac River; and
4. Reseeding and replanting oyster bars.

The Commission's regulations carry the full force and effect of law, and the Maryland Department of Natural Resources and the Virginia Marine Resources Commission jointly enforce the regulations.

During the current and previous fiscal years, the Commission received revenues from the following sources.

	<u>2008</u>	<u>2007</u>
Virginia appropriations	\$175,000	\$175,000
Maryland appropriations	175,000	175,000
Federal grant	97,583	104,772
Special grant	-	22,500
Sport fishing licenses	94,103	93,148
Commercial fishing licenses	62,870	61,010
Commercial crab licenses	56,675	57,985
Commercial oyster licenses	6,730	13,845
Commercial clam licenses	200	-
Oyster bushel tax	1,325	4,795
Interest and miscellaneous	<u>7,778</u>	<u>13,248</u>
Total revenue	<u>\$677,264</u>	<u>\$721,303</u>

The Commission saw a reduction in revenue for fiscal year 2008, as a result of significant decreases in the sales of commercial oyster licenses and interest from investment pool accounts. The oyster population in the Potomac River is declining, which has led to decreased sales of licenses and revenue from the oyster bushel tax. During fiscal year 2007, the Commission received a special grant to support a contract for the "Programmatic Environmental Impact Statement of Asian Oyster Introduction to the Chesapeake Bay" project. The Commission completed this project during fiscal year 2008, but received no new revenue. The Commission used \$110,000 from their investment pool accounts to pay expenses during fiscal year 2008 as discussed below. This drastically reduced the balance in the accounts, which led to a decrease in the interest earned.

The Commission had the following expenses during the current and previous fiscal years.

	<u>2008</u>	<u>2007</u>
Personnel services	\$360,417	\$350,887
Federal grant	92,052	99,265
Contractual services	200,194	70,140
Development and repletion	97,663	55,568
Materials and supplies	41,371	46,432
Insurance	6,659	5,481
Fixed assets	<u>706</u>	<u>2,819</u>
Total expenses	<u>\$799,062</u>	<u>\$630,592</u>

Expenses increased by \$168,470 from fiscal year 2007. During fiscal year 2008, the Commission began a project to replace the jurisdictional markers in the upper section of the Potomac River at a cost of approximately \$120,000. The Commission originally placed these markers at the mouths of all the rivers and tributaries that feed into the Potomac River and must replace them every 10-15 years. Another large increase in expenses was for development and repletion. During fiscal year 2008, the Commission received material from the demolition of the old Woodrow Wilson Bridge to use in an artificial reef project. The Commission incurred costs for the transportation of the bridge material and creation of the artificial reef.

The Commission closed fiscal year 2008 with an overall operating loss of \$121,798. A large portion of this loss is a result of project costs for the replacement of the jurisdictional markers and the creation of the artificial reef. The Commission was able to handle this operating loss by using funds in its investment pool accounts accumulated over the past several years in anticipation of the periodic costs of replacing the jurisdictional markers. The Commission closed fiscal year 2008 with a cash balance of \$62,219, including \$12,342 in the Virginia and Maryland investment pool accounts.



Commonwealth of Virginia

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

Walter J. Kucharski, Auditor

April 30, 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 **Potomac River Fisheries Commission** for the year 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 Commission's accounting system, review the adequacy of the Commission'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 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.

- Capital assets
- Contractual services expenses
- Payroll expenses
- Appropriations
- Cash receipting
- License revenues
- Federal grant revenues and expenses
- Information 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, records, and contracts, and observation of the Commission's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses. We confirmed bank balances with outside parties.

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 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.

The Commission has taken adequate corrective action with respect to the audit finding reported in the prior year that is not repeated in this letter.

Exit Conference and Report Distribution

We discussed this report with management on May 13, 2009.

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

DAC/alh

POTOMAC RIVER FISHERIES COMMISSION
Colonial Beach, Virginia

COMMISSIONERS

Virginia

Kyle J. Schick, Vice Chairman

Steven G. Bowman, Secretary

Ida C. Hall

J.T. Holland

Maryland

Robert H. Bowes, Chairman

Dennis C. Fleming

William L. Rice, Sr.

Harley Speir

Officers

Kirby A. Carpenter, Executive Secretary

J. Clifford Hutt, Senior Advisor

Michael C. Mayo, Legal Officer