

**POTOMAC RIVER FISHERIES COMMISSION**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2010**

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**Auditor of  
Public Accounts**

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**COMMONWEALTH OF VIRGINIA**

## **AUDIT SUMMARY**

Our audit of the Potomac River Fisheries Commission for the year ended June 30, 2010, 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 are required to be reported.

- TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
AGENCY HIGHLIGHTS	1-2
INDEPENDENT AUDITOR'S REPORT	3-4
AGENCY OFFICIALS	5

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>2010</u>	<u>2009</u>
Virginia appropriations	\$148,750	\$175,000
Maryland appropriations	175,000	175,000
Federal grant	79,495	98,061
Sport fishing licenses	109,615	100,382
Commercial fishing licenses	76,185	80,310
Commercial crab licenses	72,870	74,925
Commercial oyster licenses	3,945	5,375
Commercial clam licenses	-	-
Oyster bushel tax	401	525
Interest and miscellaneous	<u>15,808</u>	<u>5,523</u>
Total revenue	<u>\$682,069</u>	<u>\$715,101</u>

The Commission saw a slight decrease in total revenue for fiscal year 2010, as a result of small decreases in the sale of licenses and grant funding from the Atlantic Coast Fisheries Cooperative Management Act grant. The Commission performed less work related to their federal grant in fiscal year 2010, and as such, received less funding from the grant. In addition, as part of budget reductions in fiscal year 2010, the Commission returned \$26,250 of the original \$175,000 appropriation to the Commonwealth of Virginia in September 2009.

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

	<u>2010</u>	<u>2009</u>
Personnel services	\$363,228	\$362,213
Federal grant	74,730	92,301
Contractual services	86,901	75,521
Development and repletion	8,774	10,623
Materials and supplies	46,192	46,261
Insurance	6,629	6,509
Fixed assets	<u>5,846</u>	<u>1,324</u>
Operating Expenses	592,300	594,752
Reserve Fund Deposits for:		
Oyster development	100,000	40,000
Retiree health care	<u>50,000</u>	<u>25,000</u>
Reserve Expenses	<u>150,000</u>	<u>65,000</u>
Total Expenses	<u>\$742,300</u>	<u>\$659,752</u>

Operating expenses decreased by \$2,452 from fiscal year 2009. An increase in contractual service expense offset a decrease in federal grant expense. Other expense categories remained relatively unchanged. In addition, the Commission continues to retain funds in order to support future oyster work in the Potomac River and support retiree health care costs. They are attempting to determine the best way to develop a self-sustaining oyster industry in the Potomac, and they intend to use reserve funds to support this cause.

During fiscal year 2010, the Commission set aside an additional \$100,000 to fund future oyster work and \$50,000 to fund retiree health insurance. The chart below shows the continued growth of the reserve funds for use in future fiscal years:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Oyster Reserves	\$ 40,000	\$100,000	\$140,000
Retiree Health Care Reserves	<u>25,000</u>	<u>50,000</u>	<u>75,000</u>
Total Reserve Balance	<u>\$ 65,000</u>	<u>\$150,000</u>	<u>\$215,000</u>

The Commission closed fiscal year 2010 with an operating gain of \$89,769. After factoring in the reserve expense of \$150,000, the Commission had an overall loss of \$60,231.

The Commission was able to retain more cash this year than in the prior year as they performed no major projects in fiscal year 2010. The Commission closed fiscal year 2010 with a cash balance of \$281,550, including \$155,161 in the Virginia and Maryland investment pool accounts and a separate Virginia investment pool account for retiree health care reserves, with a balance of \$75,591 as of June 30, 2010.



# Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

May 31, 2011

The Honorable Robert F. McDonnell  
Governor of Virginia

The Honorable Charles J. Colgan  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Potomac River Fisheries Commission** for the year ended June 30, 2010. 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, and test compliance with applicable laws and regulations.

## 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

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 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 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.

### Exit Conference and Report Distribution

We discussed this report with management on June 6, 2011.

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 the state of Maryland and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

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POTOMAC RIVER FISHERIES COMMISSION

Colonial Beach, Virginia

COMMISSIONERS

Virginia

Kyle J. Schick, Chairman

Steven G. Bowman, Secretary

Ida C. Hall

J.T. Holland

Maryland

Thomas J. O'Connell, Vice Chairman

Dennis C. Fleming

William L. Rice, Sr.

Robert H. Bowes

Officers

Kirby A. Carpenter, Executive Secretary

J. Clifford Hutt, Senior Advisor

Michael C. Mayo, Legal Officer