



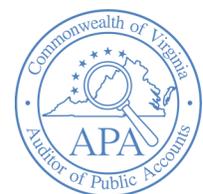
# POTOMAC RIVER FISHERIES COMMISSION

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2015

Auditor of Public Accounts  
Martha S. Mavredes, CPA

[www.apa.virginia.gov](http://www.apa.virginia.gov)

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## AUDIT SUMMARY

Our audit of the **Potomac River Fisheries Commission** for the fiscal year ended June 30, 2015, 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 operation necessary to bring to management's attention;
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported; and,
- corrective action completed for all findings in the prior year.

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## COMMISSION 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.

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

### Commission Revenues

	2014	2015
Virginia appropriations	\$148,750	\$148,750
Maryland appropriations	140,000	140,000
Federal grant	50,030	50,837
Sport fishing licenses	152,103	140,003
Commercial fishing licenses	77,545	79,350
Commercial crab licenses	71,500	68,580
Commercial oyster licenses	35,030	34,230
Commercial license surcharge	34,800	34,900
Oyster bushel tax	2,317	5,016
Interest and miscellaneous	25,682	28,727
<b>Total revenue</b>	<b>\$737,757</b>	<b>\$730,393</b>

Source: Commission's financial system

The Commission's revenues decreased by one percent for fiscal year 2015 mainly due to pricing increases in the sport fishing licenses. As the Commission increased license fees to mirror fees charged by Maryland, Virginia sport fishermen purchased licenses from the Department of Game and Inland Fisheries instead of the Commission.

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

### Commission Expenses

	2014	2015
Personnel services	\$405,662	\$398,085
Development and repletion	135,849	146,222
Federal grant	42,705	34,860
Contractual services	80,333	101,619
Materials and supplies	59,789	62,154
Insurance	14,218	(2)
Fixed assets	<u>4,909</u>	<u>1,338</u>
Operating expenses	743,465	744,276
Reserve fund deposits for:		
Retiree health care	<u>53,500</u>	<u>53,500</u>
Total expenses	<u>\$796,965</u>	<u>\$797,776</u>

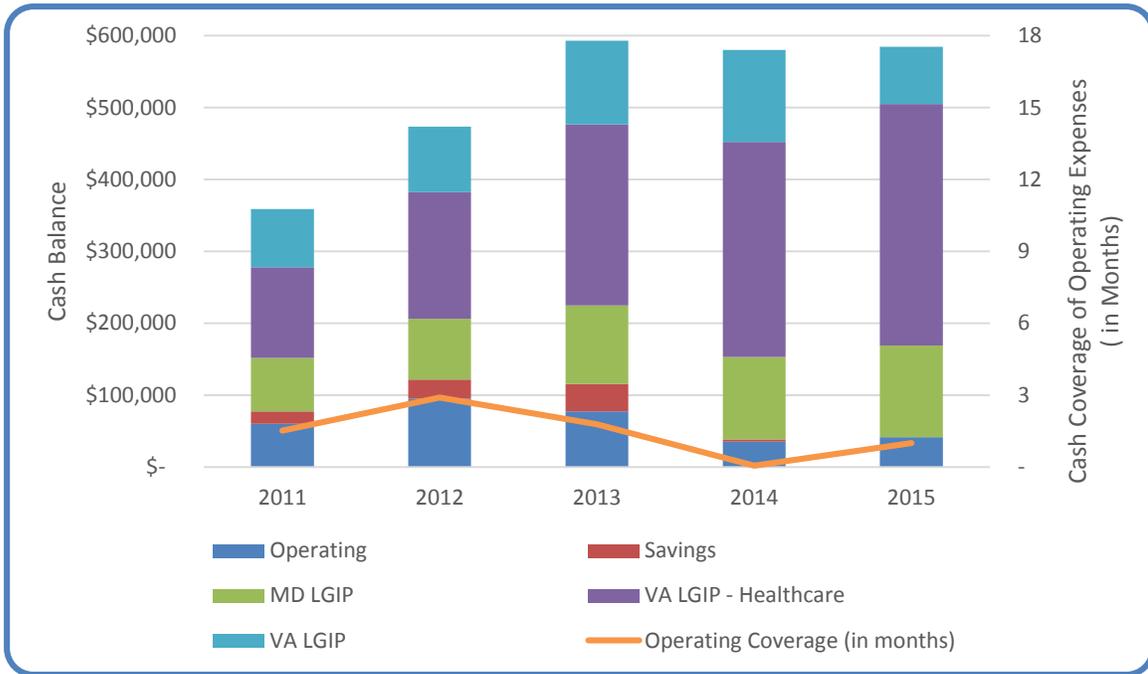
Source: Commission's financial system

Total expenses were relatively stable over fiscal year 2015, decreasing only \$810 from fiscal year 2014. This is attributable in part to the Commission's decision to decrease funding for future oyster development and efforts to maintain level spending. However, increasing costs coupled with decreasing revenues could be a concern for the Commission in the future.

The Commission closed fiscal year 2015 with an operating loss of \$13,883. After factoring in the reserve expense of \$53,500, the Commission's total loss was \$67,383. This is the third consecutive year that the Commission had a net loss.

The ability of the Commission to continue to retain more cash each year is dependent on whether they are proactive in holding down spending on operations and continue to bring in license revenues at increasing levels, thus making funds available to set aside each year for future liabilities and ongoing oyster programs. The Commission closed fiscal year 2015 with a cash balance of \$584,720, which was a one percent increase over fiscal year 2014 levels. The cash balance includes \$207,182 in the Virginia and Maryland investment pool accounts to fund future oyster work and \$336,278 in a separate Virginia investment pool account for retiree health care reserves as of June 30, 2015. Both of these accounts are restricted and cannot be used to fund operations. The Commission has traditionally maintained sufficient operating cash to cover two to three months of expenses. Average monthly expenses, which have increased over the last several years, caused the drop in cash balances and reduced the Commission's operating coverage to three-quarters of a month, a slight increase from one-half month in fiscal year 2014. The Executive Secretary and the Board continue to monitor this situation.

### Cash Balances by Account



Source: Commission's financial system



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

May 27, 2016

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable Robert D. Orrock, Sr.,  
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, 2015. 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 financial system, review the adequacy of the Commission's internal controls, test compliance with applicable laws, regulations, contracts, and grant agreements, 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, regulations, contracts, and grant agreements.

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	Cash receipting
Contractual services expenses	License revenues
Payroll expenses	Federal grant revenues and expenses
Appropriations	

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, regulations, contracts, and grant agreements. 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 financial 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 financial 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, regulations, contracts, and grant agreements 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 audit findings reported in the prior year.

### **Exit Conference and Report Distribution**

We discussed this report with management on June 1, 2016.

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

DBC/clj

## COMMISSION OFFICIALS

(as of June 30, 2015)

### POTOMAC RIVER FISHERIES COMMISSION

Colonial Beach, Virginia

#### COMMISSIONERS

##### Virginia

A. J. Erskine, Vice-Chairman

Ida C. Hall

John M. R. Bull

S. Lynn Haynie, Secretary

##### Maryland

William L. Rice, Sr., Chairman

Gina Hunt

Dennis C. Fleming

Phil L. Langley

##### Officers

Martin L. Gary, Executive Secretary

Michael C. Mayo, Legal Officer