

POTOMAC RIVER FISHERIES COMMISSION

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2007**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Potomac River Fisheries Commission for the year ended June 30, 2007, found:

- proper recording and reporting of all transactions, in all material respects, in the Commission's financial system;
- one matter 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.

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AUDIT FINDING AND RECOMMENDATION

Improve Continuity and Disaster Recovery Plans

The Potomac River Fisheries Commission (Commission) does not have an adequate business impact analysis, risk assessment, continuity of operations plan or disaster recovery plan for its sensitive and mission critical applications. In our review of the documentation, we identified the following concerns:

- The Commission has not documented basic steps for their disaster recovery plan.
- The Commission has not documented the role and expectations of their computer/software support company with the company, to establish steps in the event of some disaster.

Inadequate documentation of the Commission's continuity of operations and disaster recovery plans places the confidentiality, integrity, and availability of the Commission's sensitive and mission critical information at risk. Industry best practices require that agencies develop business impact analysis, risk assessments, continuity of operations plans, and disaster recovery plans for sensitive and mission critical applications. Additionally, agencies must perform annual tests of these plans.

The Federal Information Systems Controls Audit Manual section 3.6 – Service Continuity states: “Losing the capability to process, retrieve, and protect information maintained electronically can significantly affect an agency’s ability to accomplish its mission. For this reason, an agency should have (1) procedures in place to protect information resources and minimize the risk of unplanned interruptions and (2) a plan to recover critical operations should interruptions occur. These plans should consider the activities performed at general support facilities, such as data processing centers and telecommunications facilities, as well as the activities performed by users of specific applications. To determine whether recovery plans will work as intended, they should be tested periodically in disaster simulation exercises.”

The Commission should apply the industry best practices consistently to all applications housing sensitive and mission critical information. The Commission should start this process by dedicating the necessary resources to review and remediate the risks to their sensitive and mission critical applications.

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 has the following responsibilities:

1. Reseeding and replanting oyster bars;
2. Prescribing the type, size, and description of seafood available for fishing;
3. Issuing licenses for the taking of finfish, crabs, oysters, and clams and for boats, vessels, and related equipment; and
4. Imposing an inspection tax on oysters caught in the Potomac River.

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

	<u>2007</u>	<u>2006</u>
Virginia appropriations	\$175,000	\$155,000
Maryland appropriations	175,000	155,000
Federal grant	104,772	82,365
Special grant	22,500	5,000
Sport fishing licenses	93,148	90,643
Commercial fishing licenses	61,010	62,425
Commercial crab licenses	57,985	61,685
Commercial oyster licenses	13,845	13,780
Oyster bushel tax	4,795	4,073
Interest and miscellaneous	<u>13,248</u>	<u>13,152</u>
Total revenue	<u>\$721,303</u>	<u>\$643,123</u>

The Commission experienced a revenue increase for fiscal year 2007, as a result of a significant increase in the Virginia and Maryland appropriations, as well as federal and special grants contributed to this increase. As of July 2006, the Commission obtained a multi-year federal grant to support management and analysis of fishery data; fishery research including biological and socioeconomic research; and fishery management planning. The multi-year grant made federal funds more readily available, allowing the Commission to use federal grant funds to the fullest extent possible, increasing grant funds during fiscal year 2007.

The Commission increased its funding of a special grant to support a contract for technical services of the "Eco-risk Assessment of Asian Oyster Introduction to Chesapeake Bay" project. The funding helped cover the Ecological Risk Assessment and Analysis portion of the Environmental Impact Study for this project.

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

	<u>2007</u>	<u>2006</u>
Personnel services	\$ 350,887	\$ 298,489
Federal grant	99,265	78,151
Contractual services	70,140	82,476
Development and repletion	55,568	49,728
Materials and supplies	46,432	41,337
Insurance	5,481	8,122
Fixed assets	<u>2,819</u>	<u>3,086</u>
Total expenses	<u>\$ 630,592</u>	<u>\$ 561,389</u>

Expenses increased by \$69,203 from fiscal year 2006. During fiscal year 2007, personnel expenses increased because the Commission hired an additional staff member, an assistant executive secretary, at the end of fiscal year 2006. The assistant executive secretary provided continuity of services and operations as the current executive secretary neared retirement. Federal grant expenses increased because the Commission received a multi-year federal grant, making funds readily available resulting in the Commission spending more federal funds faster.

The Commission closed fiscal year 2006 with an overall operating gain of \$81,734. The Commission closed fiscal year 2007 with an overall operating gain of \$90,711, which is consistent with operations in previous years.

Prior to and during construction of the new office building, the Commission set aside funds in a capital account to pay for the building construction. Upon completion of the building, total cost for the building was \$811,500. The Commission did not have adequate funds in the capital account to pay all construction expenses. As a result, the Commission obtained a bank loan for \$165,000 to cover the remaining construction costs. The 5.75 percent interest note has minimum monthly payments of \$1,811 with a final balloon payment due on January 3, 2009. The Commission made \$3,000 monthly payments during fiscal year 2006 towards the loan balance and an additional \$50,000 principal-only payment June 2006 with the approval of the Board of Commissioners. This lump sum payment brought the June 30, 2006 loan balance down to \$72,445. Beginning in fiscal year 2007, the Commission made \$4,000 monthly payments toward the loan balance and a \$31,336 payment in June 2007 to pay the note in full.

The Commission continues to place any excess cash into both the Maryland and Virginia Local Government Investment Pools. These accounts represent just over \$117,672 in investment funds.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

June 19, 2008

The Honorable Timothy M. Kaine
Governor of Virginia
State Capitol
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 Rivers Fisheries Commission** for the year ended June 30, 2007. 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 records, review the adequacy of the Commission's internal controls, and test for 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 relevant internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control 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.

Cash and investments	Federal grant revenues and expenses
License revenues	Payroll
Operating and capital 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 and records, and observation of the Commission's operations. We tested transactions and performed analytical procedures, including budgetary and trend analysis. 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 records.

We noted a certain matter involving internal control and its operation that requires management's attention and corrective action. This matter is described in the section entitled "Audit Finding and Recommendation." 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 July 1, 2008. Management agreed to implement the recommendation but chose not to include a response in this report.

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.

AUDITOR OF PUBLIC ACCOUNTS

DBC/clj

POTOMAC RIVER FISHERIES COMMISSION
Colonial Beach, Virginia

COMMISSIONERS

Virginia

Steven G. Bowman, Secretary

Ida Hall

J. T. Holland, Chairman

Kyle J. Schick

Maryland

Robert H. Bowes, Vice Chairman

William L. Rice, Sr.

Dennis C. Fleming

Howard King

Officers

Kirby A. Carpenter, Executive Secretary

J. Clifford Hutt, Senior Advisor

Michael C. Mayo, Legal Officer

