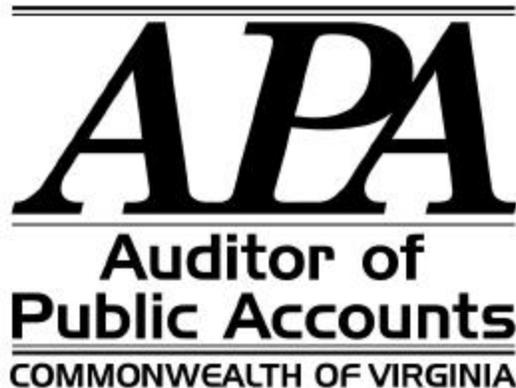


**VIRGINIA MARINE RESOURCES COMMISSION  
NEWPORT NEWS, VIRGINIA**

**REPORT ON AUDIT  
FOR THE PERIOD JULY 1, 2000,  
THROUGH DECEMBER 31, 2001**



## **AUDIT SUMMARY**

Our audit of the Virginia Marine Resources Commission for the period ended July 1, 2000 through December 31, 2001, found:

- proper recording and reporting of transactions, in all material aspects, in the Commonwealth Accounting and Reporting System;
- no internal control matters that we consider material weaknesses; and
- no instances of noncompliance with applicable laws and regulations that are required to be reported.

May 13, 2002

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

The Honorable Kevin G. Miller  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

### INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Virginia Marine Resources Commission** for the period July 1, 2000, through December 31, 2001. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

#### Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Commission's internal control, and test compliance with 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 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 and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Expenditures  
Revenues  
Fixed Assets

We obtained 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. Our audit also included tests of compliance with provisions of applicable laws and regulations.

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 and regulations. 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 Commonwealth Accounting and Reporting 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 Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations 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 the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

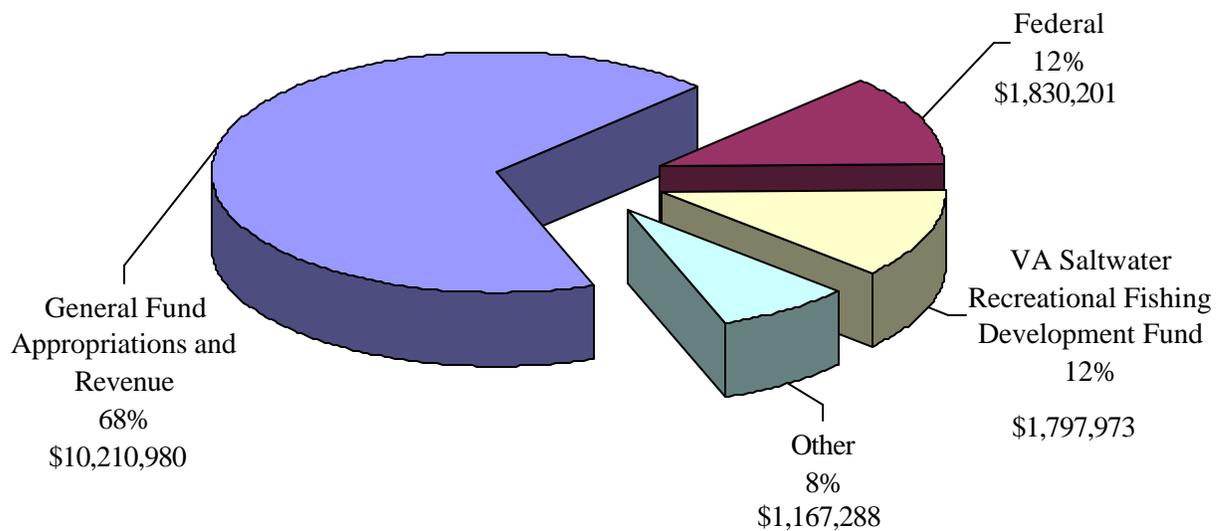
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## AGENCY BACKGROUND AND FINANCIAL INFORMATION

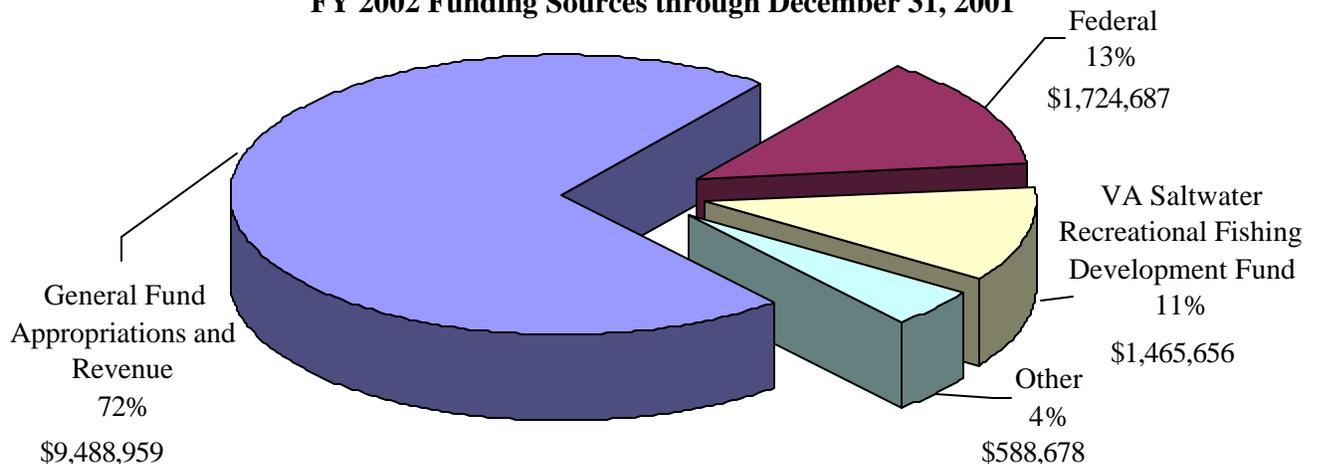
The Commission manages the Commonwealth's marine fishery and habitat resources. It emphasizes a decision-making process that is science-based, balanced, and open to wide public participation to ensure healthy resources and maximum benefit to all citizens. It manages publicly owned oyster beds, leases oyster planting grounds, constructs artificial reefs to enhance habitat, and is responsible for Virginia's streambeds and tidal bottomlands, wetlands, and dunes. The Virginia Marine Police, the Commission's law enforcement division, enforces boating, fishery, and habitat management laws and regulations in tidal waters. It also provides search and rescue services and public health services related to seafood.

The Commission received approximately \$15.0 million and \$13.3 million in funding from the following sources for the periods ended June 30, 2001 and December 31, 2001, respectively.

### **FY 2001 Funding Sources**



### **FY 2002 Funding Sources through December 31, 2001**



Total funding from General Fund Appropriations has decreased during fiscal year 2002 due to budget reductions across the Commonwealth.

### Commission Expenses

The Commission consists of four divisions: Administration and Finance, Fisheries Management, Habitat Management, and Law Enforcement. The table below presents expenditures during the audit period.

<u>Program</u>	<u>2001</u>		<u>2002 (through December 31, 2001)</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Enforcement	\$ 5,156,393	36	\$2,850,289	40
Fisheries Management	3,413,711	24	1,668,401	24
Oyster Replenishment and Leasing	2,750,953	19	1,158,357	16
Protection and Preservation	891,934	6	455,331	7
Administration	1,719,945	12	780,452	11
Other	<u>377,397</u>	<u>3</u>	<u>147,874</u>	<u>2</u>
Total	<u>\$ 14,310,333</u>	<u>100</u>	<u>\$7,060,704</u>	<u>100</u>

Expenditures for the fiscal year 2001 increased approximately 11 percent over fiscal year 2000. This increase comes from additional general fund appropriations in the areas of *Enforcement* and *Oyster Replenishment Program*.

*Enforcement* – Law enforcement officers received a special 9.3 percent salary increase effective November 1999 and an additional 3.5 percent effective November 2000. Also, the Commission’s contributions to VALORS, the Commonwealth’s new retirement system for law enforcement officers, were almost double the contributions made to the Commonwealth’s traditional retirement program. Approximately 50 percent of the Commission’s employees are included under the new plan.

*Oyster Replenishment Program* - The Commission experienced programmatic delays related to its Oyster Replenishment Programs during fiscal year 2000, which caused the carry over of a significant amount of funding into fiscal year 2001. The Commission expended these funds and the fiscal year 2001 appropriation for its Oyster Replenishment Programs during 2001.

The Commission expects to distribute fiscal year 2002 expenditures similar to expenses of 2001, although budget reductions have reduced the total expenses for 2002.

The Commission participates in six federal grant programs sponsored by four different federal agencies. Payments to federal sub-recipients for assisting with marine projects have included approximately \$1.1 million to the Virginia Institute of Marine Science and \$100,000 million to the Virginia Department of Game and Inland Fisheries in fiscal year 2001, with similar amounts expected in fiscal year 2002.

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Newport News, Virginia

William A. Pruitt  
Commissioner

William A. Pruitt, Chairman

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