

# Atlantic States Marine Fisheries Commission

## Executive Committee

*October 29, 2014  
8:00 – 10:00 a.m.  
Mystic, Connecticut*

### Draft Agenda

1. Welcome/Call to Order, *L. Daniel*
2. Committee Consent
  - Approval of Agenda
  - Approval of Meeting Summary from August 2014
3. Public Comment
4. Procedural Issues, *R. Beal*
  - What Constitutes a 2/3 Vote with Regard to the Services Abstaining
  - Advisory Panel Involvement in FMP Development
  - Use of Meeting-specific Proxies
5. Report of Administrative Oversight Committee, *D. Grout*
  - Presentation of the FY14 Audit **Action**
6. Executive Director 2015 Priorities
7. Discussion with NOAA Fisheries Regional Leadership
8. Future Annual Meetings Update
  - 2015 – Florida
  - 2016 – Maine
  - 2017 – Virginia
  - 2018 – New York
  - 2019 – New Hampshire
9. Other Business/Adjourn

The meeting will be held at the Hilton Mystic  
20 Coogan Boulevard, Mystic, Connecticut  
Tel: (860) 572-0731

**MEETING SUMMARY OF THE  
ATLANTIC STATES MARINE FISHERIES COMMISSION  
EXECUTIVE COMMITTEE**

**Crowne Plaza Hotel  
Alexandria, Virginia  
August 6, 2014**

**INDEX OF MOTIONS**

- 1. Approval of Agenda by Consent (Page 1)**
- 2. Approval of Meeting Summary from May 15, 2014 by Consent (Page 1)**
- 3. Adjournment by Consent (Page 2)**

**ATTENDANCE****Committee Members**

Doug Grout, NH (AA)  
Dennis Abbott, NH (LA Chair)  
Roy Miller, DE (GA Vice Chair)  
Paul Diodati, MA (AA)  
Bob Ballou, RI (AA)  
David Simpson, CT (AA)  
Jim Gilmore, NY (AA)  
Brandon Muffley, NJ (AA proxy)

Leroy Young, PA (AA proxy)  
David Saveikis, DE (AA)  
Tom O'Connell, MD (AA)  
John M.R. Bull, VA (AA)  
Louis Daniel, NC (AA)  
Robert Boyles, SC (AA)  
Spud Woodward, GA (AA)  
Jim Estes, FL (AA proxy)

**(AA = Administrative Appointee; GA = Governor Appointee; LA = Legislative Appointee)**

**Other Commissioners**

David Borden, RI  
David Watters, NH  
Ritchie White, NH

**Staff**

Bob Beal  
Toni Kerns  
Laura Leach

**Others**

Wilson Laney, USFWS  
Chip Lynch, NOAA Fisheries  
Dan McKiernan, MA DMF

Steve Meyers, NOAA Fisheries  
Derek Orner, NOAA Fisheries  
Sherry White, USFWS

## CALL TO ORDER

The Executive Committee of the Atlantic States Marine Fisheries Commission convened in the Roosevelt East Room of the Crowne Plaza Hotel in Alexandria, Virginia on August 5, 2014. It was called to order at 8:00 a.m. by Chairman Louis Daniel.

## APPROVAL OF AGENDA

The agenda was approved as presented. Dr. Daniel briefed the Committee on the lawsuit filed against North Carolina by the NCFA and CCFA with regard to turtles and incidental take permits. Dr. Daniel wanted the rest of the states to be aware of the complaint because it has the potential to impact recreational fisheries in any state that also has sea turtle interactions.

## APPROVAL OF PROCEEDINGS

The summary minutes from the May 15, 2014 meeting were approved as presented.

## PUBLIC COMMENT

There was no public comment.

## PROCEDURAL ISSUES

### Conflict of Interest

Executive Director Beal presented a memo highlighting the changes to the Conflict of Interest Policy, detailing the three issues to be finalized.

The first issue was determining when a conflict of issue exists, and after much deliberation the committee decided that *"A conflict of interest exists when a Legislative Commissioner, Governor Appointee, or proxy:*

1. *Has greater than 10% interest in the total harvest of the fishery under consideration by the Commission;*

2. *Has greater than 10% interest in the marketing or processing of the total harvest of the fishery under consideration by the Commission;*
3. *Has full or partial ownership of more than 10% of the vessels using the same gear type within the fishery under consideration by the Commission;*
4. *Is an employee or representative of a harvesting entity that harvests greater than 10% of total harvest of the fishery under consideration by the Commission. This includes, but is not limited to, fishery association employees, lobbyists, and industry representatives."*

The second issue dealt with determining options for Commissioner/proxy recusal once he/she is determined to have a conflict of interest.

It was decided to bring the following two options to the Business Session for full Commissioner discussion and determination.

*When a conflict of interest exists as defined under the Commission's Policy on Financial Disclosure and Conflict of Interest, a Commissioner or proxy must:*

1. *No longer sit at the table as a participating board/section member. The Legislative Commissioner, Governor Appointee, or proxy will not participate in the board/section discussion on an issue and in the state caucus prior to a vote. The Legislative Commissioner, Governor Appointee, or proxy can comment from the public microphone if recognized by the board/section chair during the public comment portion of the agenda.*
2. *Prior to the discussion of an issue, the Legislative Commissioner, Governor Appointee, or proxy must announce to*

*the board/section that he/she is recusing himself/herself from participating in the caucus on voting. Once recused, the Legislative Commissioner, Governor Appointee, or proxy will be able to participate in the board/section debate but will not be able to make or second motions on the issue. (This option is similar to the regional council process and was approved as the preferred option by the Executive Committee at the 2014 Spring Meeting.)*

The third issue , Definition of a Minor Child, it was decided the following should be added as the description of a “minor child”.

*The following definition focuses on guardianship of child. Sections could be modified to read: “you, your spouse, partner, or dependent child for which you are a guardian”.*

#### **USE OF MEETING SPECIFIC PROXIES**

The use of meeting specific proxies was discussed. Because of time constraints the discussion did not come to a conclusion so Executive Director Beal will redistribute memo outlining proxy situation, and there will be further discussion at the October Executive Committee meeting.

#### **2/3 VOTE CRITERIA**

The 2/3 rule on voting was discussed. The Commission has three instances where a 2/3 vote is required to take action. There is concern that an abstention, or an absent state, is really a vote against in cases requiring the 2/3 rule and Commissioners feel this rule should be reviewed to make sure there are no unintended consequences of the current wording. Commissioners commented that the current wording was originally written to establish a “high bar” to reverse a decision. Executive

Director Beal will develop a white paper with options for the Committee to consider at the October Executive Committee meeting.

#### **ADVISORY PANEL INVOLVEMENT IN FMP DEVELOPMENT**

Not discussed due to time constraints – will be on October Executive Committee meeting agenda.

#### **TECHNICAL GROUP GUIDELINES ON CONSENSUS BUILDING**

Some Commissioners feel the Technical Committee process would provide better advice to the managers if consensus was not required. They feel it is more appropriate for committees to vote and provide a majority opinion for the Board’s consideration. Minority opinions will also be presented, if appropriate. Due to time constraints this issue was not fully discussed so will be considered at the Business Session.

#### **OTHER BUSINESS**

Executive Director Beal noted that he would be working with the Chair to seek volunteers and populate the MRIP Transition Team.

#### **AMERICAN EEL ENFORCEMENT EFFORTS**

Commissioner Stockwell reviewed the increased enforcement efforts to address the elver poaching issue in Maine and noted that in 2014 the number of American eel violations was down by 92%.

#### **ADJOURN**

CHAIRMAN LOUIS DANIEL adjourned the Executive Committee meeting at 10:00 a.m.



# Atlantic States Marine Fisheries Commission

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## MEMORANDUM

**TO: Executive Committee**

**FROM: Robert Beal**

**DATE: October 14, 2014**

**SUBJECT: ASMFC Voting Procedures**

Both the Commission's Compact Rules and Regulations and the ISFMP Charter provide guidance on the conduct of Commission meetings and voting procedures. Commissioners have raised concerns regarding 2/3 majority votes and the impact of members abstaining from the vote. For example, a vote of the Spiny Dogfish Board did not pass because it lacked 2/3 majority but two of the voting members had abstained. If those voting members had not abstained and voted in favor of the motion, it would have passed.

Article III, Section I of the Commission's Compact Rules and Regulations states the following on when a 2/3 vote is necessary:

*Unless a specific alternative procedure is established by the Commission, its decisions shall be made by the majority of the member states present and voting at any meeting...The conduct of meetings of the Commission or any other body established under its authority shall be governed by the current edition of Robert's Rules of Order, Newly Revised, **except a Board or Section will need a two-third's vote of all the voting members (i.e. entire membership) to amend or rescind any final actions regardless of prior notice.** For this section a final action will be defined as establishment of quotas, allocations, approval of fishery management plans/amendments/addenda, and non-compliance recommendations.*

The above bold exception in voting procedures was designed to provide the Commission a mechanism to correct obvious errors while not slipping into a practice of constantly revisiting final actions.

Section 6 (C) (10) of ISFMP Charter specifies the actions requiring a 2/3 majority vote include emergency actions and the extension of a FMP provision. The Charter specifies when the 2/3 majority vote is comprised of the entire membership of the voting body (emergency action) and when it does not (extension of a FMP provision).

*Emergencies - A management board/section may, without regard to the other provisions of Section Six (c), authorize or require any emergency action that is not covered by an FMP or is an exception or change to any provision in an FMP. Such action shall, during the time it is in effect, be treated as an amendment to the FMP. **Such action must be approved by two-thirds of all voting members (i.e., entire membership) of the management board/section prior to taking effect.** The decision may be made by meeting, mail, or electronic ballot in the case of an*

*emergency. The management board/section may terminate an emergency action at any time with approval of two-thirds of all voting members (i.e., entire membership).*

*A management board/section, by 2/3 vote, may extend, after giving the public one month's notice, the period of effectiveness for any FMP or provision that would otherwise expire for a period of up to 6 months, and may be extended for an additional six months, if the management board/section is actively working on an amendment or addendum to address the provisions that would otherwise expire.*

In order to make changes to the Commission process the ASMFC Compact Rules and Regulations and the ISFMP Charter would need to be modified. The following are options for the Executive Committee to consider:

1. Modify the policy to require a 2/3 majority of only the members present.
2. Modify the policy to require a 2/3 majority of voting members present.
3. Modify the policy to not count federal abstentions in the calculation of the 2/3 majority.



# ASMFC Advisory Panel Involvement in Fishery Management Plan Development

July 23, 2014

In 2003, the Commission through a working group of the Legislators and Governors' Appointees, investigated ways to improve communication and coordination with its species advisory panels (AP) by conducting a pilot study of AP involvement during the development of Amendment 4 to the Weakfish FMP. Our current procedures are largely based on the recommendations that came out of that pilot program and are detailed in the document, *Guidelines for Working and Communicating with ASMFC Advisory Panels*. Below are the portions of that document that deal specifically with AP involvement during FMP development.

## **Public Information Document (PID) Developed**

The PID is the first step in the development of a plan/amendment. It provides a general overview of the species of concern and the problem/issues(s) the plan intends to address. It is general in scope and is used to solicit public input on the fishery or resource. It is drafted by the species plan development team, with input from the Technical Committee, Management Board and Advisory Panel.

In the past, advisory input at this stage has been applied inconsistently, with some panels provided the opportunity to provide input and others not. Much of this has been driven by budgetary constraints and the desire to allow for greater advisory participation during later, more substantive phases FMP development process. However, one of the major recommendations of both the 1998 AP questionnaire and Weakfish Pilot Program is the call for greater advisor involvement in the early stages of plan/amendment development or changes in the management program (through addendum). Advisors want to play a greater role in the development of management options and do not want to be limited to evaluating Board/PDT options.

## ***Guidance***

- Staff should make every effort to solicit AP input in the development of the PID. Depending on available funding, this feedback can be gathered through an AP meeting, conference call, or individual responses.
  - Specifically, staff should notify the AP regarding the development of the PID, providing a general overview of the issues to be covered. Staff should solicit information of any or all of the following items:
    - **Perceived trends** in the resource and the fishery, and the extent to which current stock assessments and other available scientific information reflect these trends
    - **Problems in the resource** or the fishery that need to be addressed by the management program
    - **Socioeconomic factors** affecting the fishery
    - **Existing or potential conflicts** between or among user groups
    - **Ecological or other environmental concerns** affecting the resource or the fishery

- Information concerning the **accuracy and adequacy of available fishery statistics**
- **Interactions** among species or fisheries
- **Suggest strategies** for inclusion in a fishery management plan

*Practice:* The practice has been to still involve the AP during the public comment period of the PID. This includes the PIDs for Coastal Sharks, Omnibus Amendment, Black Drum, and Atlantic Herring (this list is not exhaustive). The primary reason for delaying AP input is that it is difficult to get substantive input on a document that has very little content. The PID is so broad in scope staff believes that it is more important to get their feedback in the development of the actual FMP.

The one exception to this was Atlantic Menhaden Amendment 2, where the AP was closely involved in the development of the PID and provided input at every stage possible throughout the development of the FMP. The Northern Shrimp PID is in the initial stages of being developed, so there is still the opportunity for early AP engagement.

### **PID Approved for Public Comment**

*Guideline:* Staff should provide the AP with a written summary of each Board meeting, including Board's action/non-action on AP recommendations.

*Practice:* This is done regularly through release of the meeting summary document and memos from FMP Coordinators.

### **Issues Identified for Inclusion in draft FMP/Amendment**

*Guideline:* Upon completion of state public hearings and the public comment period, staff notifies the AP of its first meeting/conference call. At this meeting, AP reviews public comment and provides guidance to the Board for the development of the draft plan/amendment. Staff works with AP Chair to develop a meeting summary and report to the Board; should be distributed to AP within a month of the AP meeting.

*Practice:* This is done regularly although there are some cases in which the AP meets while public hearings are still being conducted, based on the timing between the last hearing and the upcoming Board meeting.

### **Draft FMP/ Amendment Approved for Public Comment**

Management Board reviews AP input, finalizes draft plan/amendment for public comment and establishes the schedule for the state hearings.

### **Approval of FMP/Amendment by Board and full Commission**

*Guideline:* AP meets either during or following public comment period to review submitted public comments and provide recommendations to the Board on final management measures. Staff works with AP Chair to develop a meeting summary and report to the Board.

*Practice:* This is done regularly.

### **AP Input into the Addendum Process**

Changes to a species management program can also be made through the addendum process, as specified by the FMP or the ISFMP Charter. Unlike plans/amendments, which may take 1-2 years to develop, addenda can be developed within several months. Addenda cover a range of issues from simple technical revisions to the plan to substantive changes. AP input is sought depending upon the extent of the revision and Board/Section guidance on AP review.

**Guideline:** At a minimum, the AP should be notified about the development of the addendum, the issues it will address and at what point, if any, AP input will be solicited. The more substantial the change in the management program, the more important it is to bring the AP together either by conference call or face-to-face meeting. Often, the Board/Section provide direct guidance regarding the need for and timing of AP input.

**Practice:** For the most part, APs provide input in the development of an addendum. Examples of where AP input is not sought (technical addenda; updates to references points, depending on the species and situation; and habitat considerations). Usually, input is sought during or at the end of the public comment period but may be earlier as in the initial development of the draft addendum (prior to Board review and approval for public comment).

### **Communicating with Inactive Panels**

**An inactive advisory panel** is one whose species is in maintenance mode (e.g., no significant changes to the management program – Atlantic Sturgeon).

**Guideline:**

- At a minimum, staff should **contact inactive APs at least once/year**, and can be times to the release of the Annual FMP Review.
- Correspondence should include updates on current issues, significant news or events that might impact the species, and any new information on the resource or the fishery.
- Advisors should be able to provide their observations and views on the fishery/resource. Because of their on-the-water experiences, they may be the first to observe problems/issues or improvements to the species. Staff should capitalize on this knowledge base.

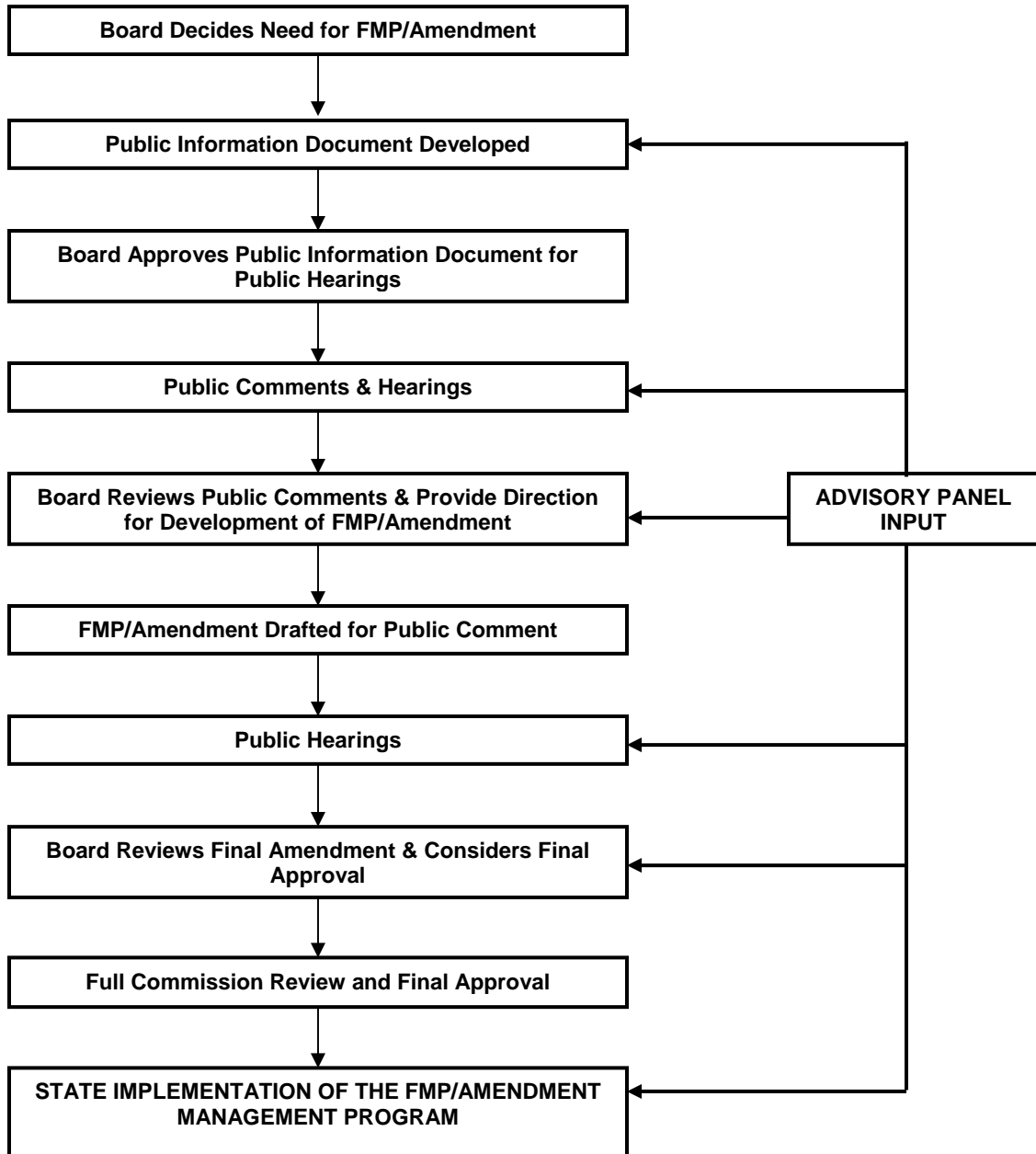
**Practice:** At least annually, staff provide updates on science and management activities to inactive APs. The solicitation of AP input on FMP Review content has been inconsistently applied (yes for some species and no for others).

### **Throughout the Process**

- Commissioners should maintain regular contact with its advisors.
- All relevant/ appropriate Management Board and Technical Committee communications should be forwarded to the AP in a timely fashion.
- Advisors should be notified of any changes or delays in the FMP process.
- AP Chairs should attend all Management Board and are welcomed to all Technical Committee meetings.

- Staff should make an effort to coordinate meetings of the AP and Management Board, so that advisors have the opportunity to attend Board meetings.
- Advisors are encouraged to participate in public hearing process and solicit input from state stakeholders.
- Chairs and members should be encouraged to participate or at least communicate with organizations that are likely interested in their species. This is to increase information flow to the public and enable input of public comment to the AP.

### FMP/Amendment Development Flowchart Recommendations



**ATLANTIC STATES MARINE FISHERIES COMMISSION**

**OMB CIRCULAR A-133**

**FINANCIAL REPORTS**

**JUNE 30, 2014 AND 2013**

***DRAFT***

ATLANTIC STATES MARINE FISHERIES COMMISSION

OMB CIRCULAR A-133

FINANCIAL REPORTS

JUNE 30, 2014 AND 2013

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## Independent Auditors' Report

To the Executive Committee  
Atlantic States Marine Fisheries Commission  
Arlington, Virginia

**DRAFT**

We have audited the accompanying financial statements of the Atlantic States Marine Fisheries Commission (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Atlantic States Marine Fisheries Commission as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



## Independent Auditor's Report (Concluded)

### Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of contributions requested and received is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedules of expenditures of federal awards, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014 on our consideration of Atlantic States Marine Fisheries Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Atlantic States Marine Fisheries Commission's internal control over financial reporting and compliance.

**DRAFT**

October 10, 2014

**ATLANTIC STATES MARINE FISHERIES COMMISSION**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2014 AND 2013**

<b>ASSETS</b>		
	2014	2013
<b>CURRENT ASSETS:</b>		
Cash	\$ 212,949	\$ 676,072
Investments	538,557	537,402
Grants receivable	434,907	564,821
Accounts receivable	71,990	56,452
Prepaid expenses	24,701	28,071
Total Current Assets	\$ 1,283,104	\$ 1,862,818
<b>PROPERTY AND EQUIPMENT, AT COST:</b>		
Office furniture and equipment	\$ 444,122	\$ 446,048
Office condominium	4,122,947	4,122,947
Total	\$ 4,567,069	\$ 4,568,995
Less, Accumulated depreciation	(633,993)	(497,507)
Property and Equipment, Net	\$ 3,933,076	\$ 4,071,488
<b>TOTAL ASSETS</b>	\$ 5,216,180	\$ 5,934,306
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 156,218	\$ 829,712
Accrued salaries and vacation	429,429	398,350
Deferred revenue	111,881	114,463
Contract advances	49,923	57,580
Current maturities of long term debt	206,532	208,841
Total Current Liabilities	\$ 953,983	\$ 1,608,946
<b>OTHER LIABILITIES;</b>		
Long term debt	\$ 979,014	\$ 1,385,694
Obligation under interest rate swap	70,040	94,089
Total Other Liabilities	\$ 1,049,054	\$ 1,479,783
<b>TOTAL LIABILITES</b>	\$ 2,003,037	\$ 3,088,729
<b>UNRESTRICTED NET ASSETS</b>	3,213,143	2,845,577
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 5,216,180	\$ 5,934,306

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The accompanying notes are an integral part of these financial statements.

**ATLANTIC STATES MARINE FISHERIES COMMISSION**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2014**

	Total	ASMFC	Outside Contracts			
			Wallop/ Breaux	Other	ACCSP	ACFCMA
<b>REVENUE:</b>						
Contract reimbursements	\$ 5,720,578	\$ -	\$ 200,821	\$ 1,757,878	\$ 1,822,275	\$ 1,939,604
Contributions from member states	633,579	633,579	-	-	-	-
Annual meeting fees	23,870	23,870	-	-	-	-
Investment income (loss)	1,714	1,714	-	-	-	-
<b>Total Revenue</b>	<b>\$ 6,379,741</b>	<b>\$ 659,163</b>	<b>\$ 200,821</b>	<b>\$ 1,757,878</b>	<b>\$ 1,822,275</b>	<b>\$ 1,939,604</b>
<b>EXPENSES:</b>						
Salaries	\$ 2,607,573	\$ 707,147	\$ 111,573	\$ 271,427	\$ 861,453	\$ 655,973
Travel	921,172	13,104	18,007	295,271	75,471	519,319
Subcontracts	1,036,827	170,993	-	738,263	78,165	49,406
Fringe benefits	705,008	192,647	30,655	80,375	221,192	180,139
Professional services	48,512	26,648	-	17,750	-	4,114
Equipment maintenance	253,263	131,237	-	48,191	68,040	5,795
Depreciation	159,076	159,076	-	-	-	-
Office	53,018	44,635	-	455	7,928	-
Printing	7,809	7,583	226	-	-	-
Meetings	57,491	57,491	-	-	-	-
Postage	9,598	9,598	-	-	-	-
Interest and taxes	94,197	94,197	-	-	-	-
Other	43,194	33,843	-	-	9,351	-
Dues and subscriptions	2,842	2,842	-	-	-	-
Telephone	10,817	10,817	-	-	-	-
Equipment leases	13,991	13,991	-	-	-	-
Insurance	11,836	11,836	-	-	-	-
Indirect cost allocation	-	(1,354,407)	40,315	322,364	478,867	512,861
<b>Total Expenses</b>	<b>\$ 6,036,224</b>	<b>\$ 333,278</b>	<b>\$ 200,776</b>	<b>\$ 1,774,096</b>	<b>\$ 1,800,467</b>	<b>\$ 1,927,607</b>
<b>OPERATING NET INCOME</b>	<b>\$ 343,517</b>	<b>\$ 325,885</b>	<b>\$ 45</b>	<b>\$ (16,218)</b>	<b>\$ 21,808</b>	<b>\$ 11,997</b>
<b>OTHER INCOME ( EXPENSE):</b>						
Interest rate swap obligation adjustment	24,049					
<b>CHANGE IN NET ASSETS</b>	<b>\$ 367,566</b>					
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>2,845,577</b>					
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 3,213,143</b>					

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The accompanying notes are an integral part of this financial statement.

**ATLANTIC STATES MARINE FISHERIES COMMISSION**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2013**

	Total	ASMFC	Outside Contracts			
			Wallop/ Breaux	Other	ACCSP	ACFCMA
<b>REVENUE:</b>						
Contract reimbursements	\$ 6,266,019	\$ -	\$ 188,032	\$ 2,473,695	\$ 1,680,674	\$ 1,923,618
Contributions from member states	603,421	603,421	-	-	-	-
Annual meeting fees	17,250	17,250	-	-	-	-
Investment income (loss)	992	992	-	-	-	-
<b>Total Revenue</b>	<b>\$ 6,887,682</b>	<b>\$ 621,663</b>	<b>\$ 188,032</b>	<b>\$ 2,473,695</b>	<b>\$ 1,680,674</b>	<b>\$ 1,923,618</b>
<b>EXPENSES:</b>						
Salaries	\$ 2,626,085	\$ 807,250	\$ 88,953	\$ 330,442	\$ 835,821	\$ 563,619
Travel	880,017	18,749	8,841	115,039	70,994	666,394
Subcontracts	1,880,834	111,136	28,500	1,630,155	52,193	58,850
Fringe benefits	622,619	146,972	23,659	95,626	210,074	146,288
Professional services	18,932	18,932	-	-	-	-
Equipment maintenance	212,239	150,904	-	-	60,788	547
Depreciation	159,423	159,423	-	-	-	-
Office	60,897	51,435	-	938	8,524	-
Printing	19,336	19,034	257	-	-	45
Meetings	53,497	53,497	-	-	-	-
Postage	13,105	13,105	-	-	-	-
Interest and taxes	103,869	103,869	-	-	-	-
Other	46,149	36,174	-	-	9,975	-
Dues and subscriptions	4,742	4,742	-	-	-	-
Telephone	11,682	11,682	-	-	-	-
Equipment leases	16,126	16,126	-	-	-	-
Insurance	14,894	14,894	-	-	-	-
Indirect cost allocation	-	(1,246,406)	38,416	280,922	432,425	494,643
<b>Total Expenses</b>	<b>\$ 6,744,446</b>	<b>\$ 491,518</b>	<b>\$ 188,626</b>	<b>\$ 2,453,122</b>	<b>\$ 1,680,794</b>	<b>\$ 1,930,386</b>
<b>OPERATING NET INCOME</b>	<b>\$ 143,236</b>	<b>\$ 130,145</b>	<b>\$ (594)</b>	<b>\$ 20,573</b>	<b>\$ (120)</b>	<b>\$ (6,768)</b>
<b>OTHER INCOME ( EXPENSE):</b>						
Interest rate swap obligation adjustment	22,301					
<b>CHANGE IN NET ASSETS</b>	<b>\$ 165,537</b>					
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>2,680,040</b>					
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,845,577</b>					

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The accompanying notes are an integral part of this financial statement.

**ATLANTIC STATES MARINE FISHERIES COMMISSION**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from members and contracts	\$ 6,458,294	\$ 6,546,574
Annual meeting fees	23,870	17,250
Investment income received	2,334	1,801
Cash paid to suppliers and employees	(6,459,695)	(5,800,743)
Interest paid	<u>(56,498)</u>	<u>(63,989)</u>
Net cash provided by (used in) operating activities	<u>\$ (31,695)</u>	<u>\$ 700,893</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	\$ (20,664)	\$ (12,120)
Investments, net	<u>(1,775)</u>	<u>(1,765)</u>
Net cash provided by (used in) investing activities	<u>\$ (22,439)</u>	<u>\$ (13,885)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on long term debt	<u>\$ (408,989)</u>	<u>\$ (512,529)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	\$ (463,123)	\$ 174,479
<b>CASH, BEGINNING OF YEAR</b>	<u>676,072</u>	<u>501,593</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 212,949</u></u>	<u><u>\$ 676,072</u></u>
Reconciliation of change in net assets to net cash provided by operating activities (Note 7)		
Supplemental Disclosures:		
Equipment financed by capital lease	<u><u>\$ -</u></u>	<u><u>\$ 3,339</u></u>

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The accompanying notes are an integral part of these financial statements.

ATLANTIC STATES MARINE FISHERIES COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

Note 1. **Summary of Significant Accounting Policies**

**Organization:**

The Atlantic States Marine Fisheries Commission (the Commission) (a nonprofit organization) was established in 1942 to represent the interests and needs of the marine fisheries of its member states (Maine, New Hampshire, Massachusetts, Rhode Island, Connecticut, New York, Pennsylvania, New Jersey, Delaware, Maryland, Virginia, North Carolina, South Carolina, Georgia, Florida). Since the Commission is an instrumentality wholly owned by member states, it is exempt from income tax; therefore, an internal revenue code exemption is not required. The purpose of the Commission, as set forth by Congress in Article I of the Commission's Compact, is "to promote the better utilization of the fisheries, marine, shell and anadromous, of the Atlantic seaboard by the development of a joint program for the promotion and protection of such fisheries."

**Basis of Accounting:**

The Commission prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

Monies received under grants are accounted for separately. Revenue is recognized when funds are expended for the purposes specified in the grant. The Commission funds any excess of expense over revenue incurred in the performance of a grant project.

The accompanying statements of activities reflect expenses summarized on a functional basis. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Fringe benefits and administrative costs of the Commission have been prorated among the programs by various statistical bases.

**Financial Statement Presentation:**

Under FASB ASC 958, the Commission is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Commission has only unrestricted net assets.

**Cash:**

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Cash consists of deposits in checking and money market accounts. The Commission's demand deposits with financial institutions may at times exceed federally insured limits. The Commission has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risks.

**Bad Debts:**

The Commission recognizes bad debts when, in the opinion of management, an account becomes uncollectible.

ATLANTIC STATES MARINE FISHERIES COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014 AND 2013

Note 1. **Summary of Significant Accounting Policies (Concluded)**

**Investments:**

Investments are recorded at fair value, based on quoted market prices.

**Property and Equipment:**

Depreciation of property and equipment has been provided for using the straight-line method over useful lives of five years for computer equipment and ten years for other furniture and equipment. The Commission capitalizes equipment purchases with a unit cost exceeding \$1,500. The office condominium suite is being depreciated over 40 years.

**Indirect Cost Allocation:**

Indirect costs are allocated to contracts based on the Commission's indirect cost allocation rate or the indirect cost allocation allowed by the contract.

**Estimates:**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications:**

Certain 2013 amounts have been reclassified for comparison with the 2014 presentation.

Note 2. **Investments**

At June 30, 2013 and 2012, investments consisted of the following:

	<u>2014</u>	<u>2013</u>
Cash and money market funds	\$ 327,450	\$ 327,417
Fixed income government mutual fund	<u>211,107</u>	<u>209,985</u>
Total Investments	<u>\$ 538,557</u>	<u>\$ 537,402</u>

Unrealized and realized gains (losses) included in investment income on the Statement of Activities totaled \$(620) and \$(809) for the years ended June 30, 2014 and 2013, respectively.

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**ATLANTIC STATES MARINE FISHERIES COMMISSION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2014 AND 2013**

**Note 2. Investments (Concluded)**

FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value into three broad categories: levels 1, 2 and 3. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (level 1), inputs generally available from indirect information, such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active (level 2), and lowest priority to unobservable inputs (level 3). In some cases, the inputs used to measure fair value might fall into different levels of the fair value hierarchy. When this happens, the level in the fair value hierarchy that the assets or liability falls under is based on the lowest input level that is significant to the fair value measurement in its entirety. The fair value of the investments noted in the above table is based on quoted prices in active markets (level 1 inputs).

**Note 3. Notes Payable and Derivative Transactions**

At June 30, long-term debt consists of the following:

	<u>2014</u>	<u>2013</u>
Note payable, BB&T, secured by headquarters office condominium suite, payable in monthly installments of \$15,000 plus interest at 68% of the one month LIBOR rate plus 1.7875%, due August 2020.	\$ 1,150,500	\$ 1,530,647
Capital leases, payable in monthly installments of \$3,378 including interest ranging from 8.89% to 10.88% due November 2013 – December 2017	<u>35,046</u>	<u>63,888</u>
Subtotal	\$ 1,185,546	\$ 1,594,535
Less, Current portion	<u>( 206,532)</u>	<u>( 208,841)</u>
Total Long-Term Debt	<u>\$ 979,014</u>	<u>\$ 1,385,694</u>

Maturities on long-term debt for the years ending June 30 are as follows:

2015	\$ 206,532
2016	187,560
2017	180,636
2018	180,318
2019	180,000
2020 and thereafter	<u>250,500</u>
Total	<u>\$ 1,185,546</u>

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**ATLANTIC STATES MARINE FISHERIES COMMISSION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2014 AND 2013**

**Note 3. Notes Payable and Derivative Transactions (Concluded)**

In August 2010 the Commission purchased an office condominium suite in Arlington, Virginia and moved its headquarters there in October 2010. The Industrial Development Authority of Arlington County, Virginia (the Authority) provided financing of \$2,700,000 through the sale of revenue bonds under the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia of 1950, as amended. The Authority assigned the related promissory note to Branch Banking and Trust Company (BB&T).

The Commission makes limited use of derivative instruments for the purpose of managing interest rate risks. The Commission has entered into two interest rate swap agreements to reduce the impact of changes in interest rates on its office condominium suite mortgage note. At June 30, 2014 one of the Commission's interest rate swap agreements had a notional amount of \$620,500 and requires a fixed rate of interest of 3.45%. At June 30, 2014 the second interest rate swap agreement had a notional amount of \$530,000 and requires a fixed rate of interest of 4.14%. Under both agreements the Commission is to receive a variable rate of interest (the one-month LIBOR rate plus 1.7875%) on the notional amount of indebtedness. The Commission pays or receives any difference in interest on a monthly basis. This amount is charged or credited to interest expense in the statement of activities. The interest rate swap agreements expire in August 2020. The Commission is exposed to credit loss in the event of nonperformance by the other party to the interest rate swap agreement. However the Commission does not anticipate nonperformance by the counterparty.

The carrying amount of the swap has been adjusted to its estimated fair value as of June 30, 2014. The inputs used in determining the fair value fall within level 2 of the fair value hierarchy. The liability is classified as noncurrent since the Commission does not intend to settle it during its next fiscal year. The fair value of the obligation under interest rate swap at June 30, 2014 and 2013 is as follows:

<u>Fair Value</u>	<u>FY 2013</u>	<u>Fair Value</u>	<u>FY 2014</u>	<u>Fair Value</u>
<u>June 30, 2012</u>	<u>Other Income</u>	<u>June 30, 2013</u>	<u>Other income</u>	<u>June 30, 2014</u>
\$116,390	\$22,301	\$94,089	\$24,049	\$70,040

**Note 4. Obligations Under Capital Leases**

The assets and related obligations for capital leases are recorded at amounts equal to the present value of future minimum lease payments using incremental borrowing rates at the inception of the leases. The assets are amortized over the life of the lease or asset, as appropriate, by the straight-line method. Interest expense is accrued on the basis of the outstanding obligations under capital leases.

The Commission had two capital leases for office equipment and support at June 30, 2014. The gross amount of assets recorded under these capital leases totaled \$103,339. Accumulated depreciation on these assets totaled \$70,501.

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**ATLANTIC STATES MARINE FISHERIES COMMISSION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2014 AND 2013**

**Note 4. Obligations Under Capital Leases (Concluded)**

Minimum future lease payments under capital leases are as follows for the years ending June 30,

	<u>Total</u>
2015	\$ 28,836
2016	7,686
2017	636
2018	<u>318</u>
	\$ 37,476
Less, executory costs: Interest	<u>( 2,430)</u>
Total	<u>\$ 35,046</u>

**Note 5. Lease Commitments**

The Commission leases office equipment under a noncancelable operating lease. Minimum lease payments are as follows for the years ending June 30:

2015	\$ 45,777
2016	<u>7,630</u>
Total	<u>\$ 53,407</u>

**Note 6. Retirement Plans**

The Commission sponsors a defined contribution pension plan which covers all employees. The Commission contributes 7% of eligible wages to the plan. The Commission also matches employee contributions up to 3% of eligible wages under an eligible Section 457 plan. Pension expense for the years ended June 30, 2014 and 2013 was \$239,902 and \$230,004, respectively.

**Note 7. Corporate Credit Card**

The Commission has a corporate credit card with a total credit line of \$50,000. At June 30, 2014 and 2013 the Commission had an outstanding balance of \$4,394 and \$2,349, respectively, which is included in accounts payable on the statement of financial position.

**Note 8. Concentrations**

The Commission received 73% and 69% of its revenue from the Atlantic Coastal Act Program for the years ended June 30, 2014 and 2013, respectively.

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**ATLANTIC STATES MARINE FISHERIES COMMISSION**

**NOTES TO FINANCIAL STATEMENTS (CONCLUDED)**

**JUNE 30, 2014 AND 2013**

**Note 9. Reconciliation of Change in Net Assets to Net Cash Provided by (Used In) Operating Activities**

	<u>2014</u>	<u>2013</u>
Change in Net Assets	\$ 367,566	\$ 165,537
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	159,076	159,423
(Gain) Loss on equipment disposition	---	4,274
Unrealized and realized (gain) loss on investments	620	809
Obligation under interest rate swap	( 24,049)	( 22,301)
(Increase) decrease in assets:		
Grants receivable	129,914	( 384,402)
Accounts receivable	( 15,538)	232
Prepaid expenses	3,370	12,289
Increase (decrease) in liabilities:		
Accounts payable	( 673,494)	730,887
Accrued salaries and vacation	31,079	( 27,159)
Deferred revenue	( 2,582)	114,463
Contract advances	( 7,657)	( 53,159)
Net cash provided by (used in) operating activities	<u>\$ ( 31,695)</u>	<u>\$ 700,893</u>

**Note 10. Risks and Uncertainties**

The Commission invests in various investment securities, which are exposed to risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could have a material effect on the amounts reported in the financial statements.

**Note 11. Subsequent Events**

Management has evaluated subsequent events through October 10, 2014 and has concluded no significant subsequent events meet the criteria of professional accounting standards to be recognized or not recognized, but disclosed, in the financial statements.

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ATLANTIC STATES MARINE FISHERIES COMMISSION  
 SCHEDULE OF CONTRIBUTIONS REQUESTED AND RECEIVED  
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Requested</u> <u>2013-2014</u>	<u>Received</u> <u>7/1/13 -</u> <u>6/30/14</u>
Member States:		
Connecticut	\$ 28,980	\$ 28,980
Delaware	25,299	25,299
Florida	63,598	63,598
Georgia	25,898	25,898
Maine	60,576	60,576
Maryland	40,287	40,287
Massachusetts	77,911	77,911
New Hampshire	24,125	24,125
New Jersey	60,300	60,300
New York	43,917	43,917
North Carolina	49,421	49,421
Pennsylvania	21,138	7,046
Rhode Island	32,463	32,463
South Carolina	30,693	30,693
Virginia	<u>48,973</u>	<u>48,973</u>
Totals	<u>\$ 633,579</u>	<u>\$ 619,487</u>

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**ATLANTIC STATES MARINE FISHERIES COMMISSION**  
**SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

<u>Federal Grantor/ Program Description</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	
		<u>2014</u>	<u>2013</u>
Department of Commerce:			
Interjurisdictional Fisheries Act	11.407	\$ 275,216	\$ 168,394
Atlantic Coastal Act (ACFCMA)	11.474	1,939,604	1,923,618
Atlantic Coastal Act (ACCSP)	11.474	1,822,275	1,680,674
Atlantic Coastal Act (Fisheries Support)	11.474	900,891	1,116,125
Southeast Area Monitoring and Assessment Program	11.435	<u>63,630</u>	<u>61,871</u>
Total Department of Commerce		<u>\$ 5,001,616</u>	<u>\$ 4,950,682</u>
Department of the Interior:			
Atlantic Coastal Fish Habitat Partnership	15.628	\$ 249,087	\$ 246,294
Federal Aid in Sport Fish Restoration Act	15.605	<u>200,821</u>	<u>188,032</u>
Total Department of the Interior		<u>\$ 449,908</u>	<u>\$ 434,326</u>
Total Expenditures of Federal Awards		<u>\$ 5,451,524</u>	<u>\$ 5,385,008</u>

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Independent Auditors' Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on  
an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

Executive Committee  
Atlantic States Marine Fisheries Commission  
Arlington, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Atlantic States Marine Fisheries Commission (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Atlantic States Marine Fisheries Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Atlantic States Marine Fisheries Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Atlantic States Marine Fisheries Commissions's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

October 10, 2014

**DRAFT**

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Executive Committee  
Atlantic States Marine Fisheries Commission  
Arlington, Virginia

Report on Compliance for Each Major Federal Program

We have audited Atlantic States Marine Fisheries Commission's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Atlantic States Marine Fisheries Commission's major federal programs for the year ended June 30, 2014. Atlantic States Marine Fisheries Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Atlantic States Marine Fisheries Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Atlantic States Marine Fisheries Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Atlantic States Marine Fisheries Commission's compliance.

Opinion on Each Major Federal Program

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In our opinion, Atlantic States Marine Fisheries Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.



## Internal Control Over Compliance

Management of Atlantic States Marine Fisheries Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Atlantic States Marine Fisheries Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Atlantic States Marine Fisheries Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Atlantic States Marine Fisheries Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Atlantic States Marine Fisheries Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**DRAFT**

October 10, 2014

**ATLANTIC STATES MARINE FISHERIES COMMISSION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Summary of Auditors' Results**

1. The auditors' report expresses an unmodified opinion on the financial statements of Atlantic States Marine Fisheries Commission.
2. No significant deficiencies relating to the audit of the financial statements of Atlantic States Marine Fisheries Commission are reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards.
3. No instances of noncompliance material to the financial statements of Atlantic States Marine Fisheries Commission, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the report on compliance with requirements applicable to each major program and on compliance in accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major Federal award programs for Atlantic States Marine Fisheries Commission expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. Major programs tested included:
  - Department of Commerce:
    - Atlantic Coastal Act 11.474 (ACFCMA)
    - Atlantic Coastal Act 11.474 (ACCSP)
    - Atlantic Coastal Act 11.474 (Fisheries Support)
  - Department of the Interior:
    - Atlantic Coastal Fish Habitat Partnership 15.628
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Atlantic States Marine Fisheries Commission was not determined to be a low-risk auditee.

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**ATLANTIC STATES MARINE FISHERIES COMMISSION**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE YEAR ENDED JUNE 30, 2014**

Finding 2013-1 Unauthorized Disbursements

Condition: The banking software used by Atlantic States Marine Fisheries Commission had a control feature that could be disabled without authorization. Once this feature was disabled, EFT's could be modified without the knowledge or approval of responsible officials. This led to the processing of fraudulent disbursements of approximately \$60,000.00

Recommendation: Controls be implemented to prevent banking software features from being disabled without proper authorization.

Current Status: The recommendation was adopted and no similar findings were noted in the June 30, 2014 audit.

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