

**Amendment 80 Non-AFA Trawl Gear
Catcher/Processor**

Data Verification

**Report Prepared for Pacific States Marine
Fisheries Commission**

2008 Calendar Year Data

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Table of Contents

Executive Summary	1-2
Data Verification Procedures	3-4
Data Verification Findings and Results	5-14
Conclusion	15

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Executive Summary

Background

The Bering Sea and Aleutian Islands (BSAI) Amendment 80 program was developed to create a quota system that grants exclusive harvesting and processing rights to non-pollock trawl groundfish species among trawl fishery sectors, and facilitate the formation of harvesting cooperatives in the non-American Fisheries Act trawl catcher/processor sector. The groundfish species in the BSAI directly affected by Amendment 80 include:

- Atka mackerel
- Aleutian Islands Pacific ocean perch
- Flathead sole
- Pacific cod
- Rock sole
- Yellowfin sole

The Amendment 80 program was finalized in the fall of 2007, with quota allocated based on the catch history of each individual vessel. Because of the expected impact on the industry, an economic data collection program was developed to better understand the economic impacts on the industry.

Economic data reports (EDRs) were developed to aid the North Pacific Fishery Management Council (Council) and National Marine Fisheries Service (NMFS) in assessing the success of the program and developing amendments necessary to mitigate any unintended consequences. The EDRs are aimed to gather information to help monitor how costs and economic returns of various stakeholders in BSAI non-pollock trawl groundfish species affected by Amendment 80. In order to ensure that the data submitted by respondents in the EDRs is accurate, Congress and the Council specified that EDR data be subject to mandatory data verification procedures. NMFS has outsourced the data collection related to the EDRs to Pacific States Marine Fisheries Commission (PSMFC). PSMFC has contracted RSM McGladrey (RSM) to perform data verification procedures on variables selected by NMFS.

Roles of Participants

National Marine Fisheries Service (NMFS) - selection of variables to be subject to data verification procedures performed by RSM.

Pacific States Marine Fisheries Commission (PSMFC) - collector and manager of data collected through the EDRs.

RSM McGladrey (RSM) - perform data verification procedures for a selection of variables.

Participants in the Amendment 80 program - provide support for values of the variables submitted with their EDR.

Scope of Work

For all 2008 year-end Amendment 80 EDRs, the following procedures will be performed:

1. NMFS performed a selection of 10 variables for RSM to perform data verification procedures on.
2. RSM will request all EDR respondents to provide supporting documentation for each of the variables selected by NMFS.
3. RSM will review the supporting documentation provided (if any) and report on the support provided compared to the initial value of the variable selected.

The findings and results of the data verification procedures performed will be included later in this report.

Key Objectives

- To validate a selection of variables
- Identify problems with the data or EDR instructions and make suggestions for future reporting
- Identify appropriate changes to data when it is missing or inaccurate
- Characterize and quantify the level of accuracy associated with particular data elements
- Report on the type of support provided by the respondents based on the data verification procedures performed

Each of these objectives will be discussed in the findings and results and conclusion sections of this report.

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Data Verification Procedures

Variable Selection

NMFS selected 10 variables to perform data verification procedures. Since the fleet of Amendment 80 consists of only 22 vessels, individual vessels were required to submit supporting documentation for all 10 variables selected. Variables selected by NMFS were as follows:

1. Table 2.2 - Vessel Characteristics: Fuel consumption - annual and average fuel consumption per hour during calendar year 2008
2. Table 2.3 - Vessel Characteristics: Freezer space - product storage capacity measured in pounds of product
3. Table 2.3 - Vessel Characteristics: Freezer space - maximum freezing capacity of the vessel in pounds per hour
4. Table 2.5 - Vessel Characteristics: Vessel activity - number of days the vessel was engaged in fishing, processing and shipyard for both Amendment 80 fisheries as well as non-Amendment 80 fisheries
5. Table 3 - 2008 Revenues - Quantity and royalty revenue from quota shares leased to other vessels
6. Table 4, b. - Expenditures on processing equipment, including freezing and cold storage
7. Table 5, #1, Fishing (deck crew) labor expenses (including bonuses and payroll taxes, but excluding benefits and insurance)
8. Table 5, #2, Fishing (processing crew) labor expenses (including bonuses and payroll taxes, but excluding benefits and insurance)
9. Table 5, #12, Fuel and lubrication expense
10. Table 5, Quantity and royalty costs paid for quota shares leased from other vessels

Description of Findings

RSM classified and summarized the results of the data verification procedures based on the following criteria:

Support Analysis Code

Data Supported

1. Initial/Corrected value is supported by documentation and the reported value is substantiated by complete records.

Estimates Unsupported by Data

4. Initial/Corrected value is based on an estimate and not derived from records. No method to assess the reasonableness of the reported value.

Estimates Supported by Data

5. Initial/Corrected value cannot be reported precisely as specified in the EDR and must be estimated. The estimate is based on original documentation and sound assumptions and logic and is considered validated.
6. Initial/Corrected value cannot be reported precisely as specified in the EDR and must be estimated. The estimate is based on original documentation, but flawed assumptions and logic.

Initial Value is Incorrect/Corrected

2. Initial value is supported by documentation; however, the respondent did not correctly calculate the value reported on the EDR and the initial value was corrected to match the documentation.
3. Initial/Corrected value is supported by documentation; however, the respondent did not interpret the question correctly and the initial value was corrected based on new supporting documentation.
7. Initial value is reported correctly based on original documentation, but corrected based on updated documentation.
8. Initial value is unsubstantiated; correction based on new documentation.

No Data Reported

9. No data is reported for this variable or it is not applicable for this vessel.

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Data Verification Findings and Results

Variable

1. Table 2.2, Fuel consumption - annual and average fuel consumption per hour during calendar year 2008.

Table 2.2, Fuel Consumption, Average Fuel Consumption per Hour and Annual Fuel Consumption for Fishing/Processing, Steaming - Fully Loaded, Steaming - Empty				
Vessel Database for Bering Sea and Aleutian Island Fisheries Management Plan Amendment 80				
For the Year Ended December 31, 2008				
Initial Reporting			Corrected Reporting	
Support Analysis Code	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	0	0%	3	14%
4	5	23%	6	27%
5	6	27%	12	55%
7	5	23%	N/A	0%
8	5	23%	N/A	0%
9	1	5%	1	5%
Total	22	100%	22	100%

Initial Reporting

Support Analysis Code in ():

- Five vessels provided support for the initial value which was correct based on preliminary estimates (7); however, based on updated documentation the values included in the initial EDR were corrected. Three of the five vessels provided complete supporting documentation for the corrected amount (1). One provided a new estimate from the chief engineer (4). One vessel was corrected based on a new estimate that was supported by original documentation and sound assumptions and logic (5).
- Five vessels originally provided no support for the initial value for the Annual Steaming usage when fully loaded and empty (8). These were corrected based on an estimate that was supported by documentation, sound assumptions and logic (5).

Description of Support Provided:

- Three vessels provided a calculation of fuel usage that was based on the actual hours spent performing each activity (fishing vs. steaming full vs. steaming empty) which was generated on board the vessel. These were classified as a 1 for support analysis.
- Six vessels provided an estimate from either the port or chief engineer which was not supported by original documentation. These were classified as a 4 for support analysis.
- Twelve of the vessels provided estimates that were based on support that was calculated by taking the total number of gallons of fuel used for the year multiplied by the percentage of days (from Table 2.5) for each category to the total. These were classified as a 5 for support analysis.

- One vessel did not provide estimates or original documentation to support annual number of gallons or average gallons per hour for steaming fully loaded or empty and marked it as N/A on the original EDR. Since there was no data provided for these categories it was classified as a 9 for support analysis.

Variable

2. Table 2.3, Freezer Space, #1

Table 2.3, #1		
Vessel Database for Bering Sea and Aleutian Island Fisheries Management Plan Amendment 80		
For the Year Ended December 31, 2008		
Initial Reporting		
Support Analysis Code	# of Vessels	% of Total
1	1	5%
4	14	64%
5	7	32%
Total	22	100%

Description of Support Provided:

- One vessel provided a vessel survey to support the value recorded. This was classified as a 1 for support analysis.
- Fourteen vessels provided an estimate from either the port or chief engineer which was not supported by original documentation. These were classified as a 4 for support analysis.
- Seven vessels provided an estimate of the total freezer space based on the highest trip production during the year which was supported by production reports for the vessel. These were classified as a 5 for support analysis.

Variable

3. Table 2.3, Freezer Space, #2

Table 2.3, #2 Maximum Freezer Capacity			
Vessel Database for Bering Sea and Aleutian Island Fisheries Management Plan Amendment 80			
For the Year Ended December 31, 2008			
Initial Reporting			
Support Analysis Code	# of Vessels	% of Total	
4	13	59%	
5	9	41%	
Total	22	100%	

Description of Support Provided:

- Thirteen vessels provided an estimate from either the port or chief engineer which was not supported by original documentation. These were classified as a 4 for support analysis.
- Nine vessels provided an estimate of the maximum freezer capacity that was based on the highest production trip for the year, which was supported by production reports for the vessel, divided by the total number of days for the trip divided by 24 hours to get the maximum freezer capacity per hour. These were classified as a 5 for support analysis.

Variable

4. Table 2.5, Vessel Activity, Days Fishing in Amendment 80 Fishery, Days Processing in Amendment 80 Fishery, Days Fishing in all other Fisheries, Days Processing in all other Fisheries, Days Traveling, Days Inactive in Shipyard

Table 2.5, Vessel Activity, Days Fishing in Amendment 80 Fishery, Days Processing in Amendment 80 Fishery, Days Fishing in all other Fisheries, Days Processing in all other Fisheries, Days Traveling, Days Inactive in Shipyard				
Vessel Database for Bering Sea and Aleutian Island Fisheries Management Plan Amendment 80				
For the Year Ended December 31, 2008				
Initial Reporting			Corrected Reporting	
Support Analysis Code	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	16	73%	21	95%
2	5	23%	N/A	0%
4	1	5%	1	5%
Total	22	100%	22	100%

Initial Reporting

Support Analysis Code in ():

- Five vessels provided support for the initial value which was based on original documentation; however, the values included in the initial reporting were calculated incorrectly (2). For each of the five vessels, the values were corrected based on original supporting documentation for the corrected value (1).

Description of Support Provided:

- Twenty-one vessels provided internal spreadsheets tracking the amount of days for each activity for the vessel as support. The internal spreadsheets also had trip dates for the year as well as the total production for each trip. This was classified as a 1 for support analysis.
- One vessel provided an estimate of the number of days for each activity from the owner of the company. This was classified as a 4 for support analysis.

Variable

5. Table 3, Quantity and Royalty Revenue from QS Shares leased by other vessels, any listed

Table 3, Quantity and Royalty Revenue from QS Shares leased by other vessels, any listed		
Vessel Database for Bering Sea and Aleutian Island Fisheries Management Plan Amendment 80		
For the Year Ended December 31, 2008		
Initial Reporting		
Support Analysis Code	# of Vessels	% of Total
1	6	27%
9	16	73%
Total	22	100%

Description of Support Provided:

- Six vessels provided third-party invoices to support the value recorded. These were classified as a (1) for support analysis.
- Sixteen vessels did not have any royalty revenue received from leasing to other vessels and, therefore, this variable was classified as a (9) for support analysis.

Variable

6. Table 4, b. Expenditures on processing equipment and cold storage

Table 4, b. Expenditures on processing equipment and cold storage		
Vessel Database for Bering Sea and Aleutian Island Fisheries Management Plan Amendment 80		
For the Year Ended December 31, 2008		
Initial Reporting		
Support Analysis Code	# of Vessels	% of Total
1	11	50%
9	11	50%
Total	22	100%

Description of Support Provided:

- Eleven vessels provided either third-party invoices, internal fixed asset schedules showing additions for the period by category which matched the capital expenditure amount or general ledger detail history to support the initial value recorded. These were classified as a (1) for support analysis.
- Eleven vessels did not have any capital expenditures on processing equipment and cold storage; therefore, this variable was N/A and classified as a (9) for support analysis.

Variable

7. Table 5, #1, Fishing (deck crew) labor expenses (including bonuses and payroll taxes, but excluding benefits and insurance)

Table 5, #1, Fishing (deck crew) labor expenses (including bonuses and payroll taxes, but excluding benefits and insurance)				
Vessel Database for Bering Sea and Aleutian Island Fisheries Management Plan Amendment 80				
For the Year Ended December 31, 2008				
Initial Reporting			Corrected Reporting	
Support Analysis Code	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	6	27%	7	32%
2	6	27%	N/A	0%
5	9	41%	15	68%
8	1	5%	N/A	0%
Total	22	100%	22	100%

Initial Reporting

Support Analysis Code in ():

- Six vessels provided support for the initial value which was based on original documentation; however, the values included in the initial reporting were calculated incorrectly (2). Five of those vessels provided estimates for the corrected value that was based on sound logic and assumptions (5). One vessel provided corrected original documentation which included actual payroll reports showing the deck crew wages for the year (1).
- One vessel provided support for the initial value which was based on unsubstantiated documentation (8). The initial reporting amount was corrected based on a new estimate that was supported by original documentation and sound assumptions (5).

Description of Support Provided:

- Seven vessels provided payroll registers, including the entire year's total crew. The wages for the deck crew is totaled to support the total amount of the deck crew wages. These were classified as a (1) for support analysis.
- Fifteen vessels provided an estimate of the total amount of deck crew wages which are based on the average amount of deck crew members per trip compared to the average total amount of crew members. The calculation was supported by payroll reports and the total crew wages for the year was supported by the company's general ledger balance or payroll reports. These were classified as a (5) for support analysis.

Variable

8. Table 5, #2, Processing labor expenses (including bonuses and payroll taxes but excluding benefits and insurance)

Table 5, #2, Processing labor expenses (including bonuses and payroll taxes but excluding benefits and insurance)				
Vessel Database for Bering Sea and Aleutian Island Fisheries Management Plan Amendment 80				
For the Year Ended December 31, 2008				
Initial Reporting			Corrected Reporting	
Support Analysis Code	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	6	27%	7	32%
2	2	9%	N/A	0%
5	9	41%	15	68%
8	5	23%	N/A	0%
Total	22	100%	22	100%

Initial Reporting

Support Analysis Code in ():

- Five vessels did not provide support for the initial value (8). The vessels then estimated the amount of processing labor based on additional estimates based on an allocation of the average total processing crew on an average trip compared to the average total crew for an average trip (5).
- Two vessels provided support for the initial value which was correct based on preliminary data; however, it was calculated incorrectly (2). One vessel provided complete supporting documentation (1). One vessel provided an allocation based on the average total processing crew on an average trip compared to the average total crew for an average trip that was based on sound assumptions and logic (5).

Description of Support Provided:

- Seven vessels provided payroll registers, including the entire year's total crew. The wages for the processing crew is totaled to support the total amount of the processing crew wages.
- Fifteen vessels provided an estimate of the total amount of processing crew wages which are based on the average amount of processing crew members per trip compared to the average total amount of crew members. The calculation was supported by payroll reports and the total crew wages for the year was supported by the company's general ledger balance or payroll reports.

Variable

9. Table 5, #12, Fuel and Lubrication Expense

Table 5, #12, Fuel and Lubrication Expense				
Vessel Database for Bering Sea and Aleutian Island Fisheries Management Plan Amendment 80				
For the Year Ended December 31, 2008				
Initial Reporting			Corrected Reporting	
Support Analysis Code	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	12	55%	14	64%
2	2	9%	N/A	0%
5	1	5%	6	27%
6	7	32%	2	9%
Total	22	100%	22	100%

Initial Reporting

Support Analysis Code in ():

- Five vessels did not provide a value for fuel expense since the fuel expense amount was included in the lube expense line item. This was an assumption based on flawed logic (6). All five of those vessels provided an updated calculation to allocate total fuel and lube expense between fuel and lube expense, individually based on the average percentage that is allocated to fuel and lube for a selection of invoices for the year (5).
- Two vessels provided support for the initial value which was based on original documentation; however, the values included in the initial reporting were calculated incorrectly (2). The value was updated based on corrected calculation (1).

Description of Final Support Provided:

- Fourteen vessels provided general ledger history, original fuel invoices or a spreadsheet calculation of the fuel and lube expense for the year. These were classified as a (1) for support analysis.
- Six vessels provided an allocation between fuel and lube expense based on the percentage of fuel and lube from an average of several fuel invoices. Original support was provided showing the calculation of the average. These were classified as a (5) for support analysis.
- Two vessels provided a calculation to support their allocation between fuel and lube expense which was based on an estimate; however, the logic and assumptions that the calculation was based on were flawed. There was no support provided for the allocation percentages that were used. These were classified as a (6) for support analysis.

Variable

10. Table 5, Quantity and royalty costs paid for QS shares leased from other vessels, any listed

Table 5, Quantity and royalty costs paid for QS shares leased from other vessels, any listed		
Vessel Database for Bering Sea and Aleutian Island Fisheries Management Plan Amendment 80		
For the Year Ended December 31, 2008		
Initial Reporting		
Support Analysis Code	# of Vessels	% of Total
1	2	9%
9	20	91%
Total	22	100%

Description of Support Provided:

- Two vessels provided invoices to support the initial value recorded. These were classified as a (1) for support analysis.
- Twenty vessels did not have any royalty costs paid for QS shares received from leasing from other vessels and, therefore, this variable was N/A for those vessels and classified as a (9) for support analysis.

Conclusion

The quality of the information submitted in the EDRs is important as the information will be used to analyze the impact of the Amendment 80 rationalization program. Overall, the data verification procedures found that the information was mostly supported by original documentation or were based on estimates that were based on original documentation and sound assumptions and logic. Some of the variables listed in the EDR were difficult to provide specific supporting documentation for as the vessel entities do not track information in that manner. Therefore, some of the vessels could only provide estimates from their engineers for the vessels and were not able to provide original supporting documentation.

The results of the data verification procedures performed discussed in the findings section discuss the specific support that was provided for the initial value and the support provided if the initial value was corrected based on updated documentation. Based on the key objectives listed earlier in the report, here are several other observations that were noted through the data verification procedures that were performed:

1. Some of the respondents took longer than initially expected to provide support for the original data included in the Amendment 80 EDR.
2. Errors in submitted information did not indicate a directional bias in the data. The corrected information was made as a result of new information that was received subsequent to the preparation of the original EDR or based on updated estimates.
3. The support requested for the initial value on the EDR is considered extremely sensitive data for the industry. Many of the vessels were very protective of the support submitted and wanted to ensure the confidential nature of the information submitted for the audit.
4. For the majority of the respondents, information supporting values on the EDR was obtained through site visits to the respondents' office locations. This made the data collection and discussions of any corrections identified much easier. However, for the few vessels that are not based in the Seattle area it was much more difficult to obtain data.

Thank You

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