

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

**Data Verification**

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

**2009 Calendar Year Data**

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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. An economic data collection program was implemented as part of Amendment 80 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 performance of the program and developing amendments necessary to mitigate any unintended consequences. The EDRs are intended 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, the Council specified that EDR data be subject to mandatory data verification procedures. NMFS has contracted with Pacific States Marine Fisheries Commission (PSMFC) for administration of the data collection. PSMFC has contracted RSM McGladrey (RSM) to perform data verification procedures on variables selected by NMFS.

### Roles of Participants

*National Marine Fisheries Service (NMFS)* - specification of verification protocols and selection of variables to be inspected 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 2009 year-end Amendment 80 EDRs, the following procedures will be performed:

1. NMFS performed a selection of 8 variables and provided classification criteria for verification findings, and RSM will perform data verification procedures for the selected variables.
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), compare the values obtained from the documentation provided to the initial value included in the EDR, correct the initial value (if necessary) and report on the type of support provided by the vessels according to classification criteria.

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

## **Key Objectives**

- To obtain and analyze documentation to support the variables selected by NMFS
- Identify and update any changes to the initial value based on the supporting documentation provided
- Classify and 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.

*RSM McGladrey, Inc.*

# Data Verification Procedures

## Variable Selection

NMFS selected 8 variables to perform data verification procedures. Since the fleet of Amendment 80 consists of only 23 vessels, individual vessels were required to submit supporting documentation for all 8 variables selected. Variables selected by NMFS were as follows:

1. Table 4, a - Capital Expenditures and Materials Usage: Fishing gear (e.g., net electronics)
2. Table 2.2 - Vessel Characteristics: Fuel consumption - Fishing/Processing Annual Fuel Consumption (gallons).
3. Table 2.4 - Vessel Characteristics: Processing
4. Table 5, #1 - Expenses: Fishing (deck crew) labor expenses (including bonuses and payroll taxes, but excluding benefits and insurance)
5. Table 5, #9 - Expenses: Freight, Storage and other sales costs for non-FOB sales.
6. Table 5, #12 - Expenses: Fuel expense
7. Table 5, #13 - Expenses: Observer fees and other fishery monitoring and reporting costs
8. Table 5, #8 - Expenses: Repairs and maintenance expenses for vessel and processing equipment (including shipyard accrual and all purchases of parts and equipment that were expensed in calendar year 2009)

## Description of Findings

RSM classified and summarized the results of the data verification procedures based on the following criteria. The value and supporting documentation for both the original value (as identified in the EDR form) and the final value (as identified in the audit process) are classified.

### Support Analysis Code

#### Supported by Documentation

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

#### Estimates Unsupported by Documentation

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

#### Estimates Supported by Documentation

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.
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 Based on Documentation**

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 the value is corrected based on updated documentation.
8. Initial value is unsubstantiated; the initial value is corrected based on new documentation.

**No Data Reported**

9. No data is reported, however, data should be applicable to this vessel or the reported data is incorrect and the value is not correct. There is no corrected value available for this variable.
10. No data is reported as this variable is not applicable to this vessel.

## Data Verification Findings and Results

**Variable**

1. Table 4, a - Capital Expenditures and Materials Usage: Fishing gear (e.g., net electronics)

<b>Table 4, a. Expenditures on fishing gear (e.g. nets and electronics)</b>		
Vessel Database for Bering Sea and Aleutian Island Fisheries Management Plan Amendment 80		
For the Year Ended December 31, 2009		
<b>Initial Reporting</b>		
<b>Support Analysis Code</b>	<b># of Vessels</b>	<b>% of Total</b>
1	8	35%
10	15	65%
<b>Total</b>	<b>23</b>	<b>100%</b>

**Support Analysis Code in () and Description of Support Provided:**

- (1) Eight vessels provided support for the initial value which was substantiated by complete records. All eight vessels provided general ledger detail exported from the companies' accounting system which substantiated the value recorded.
- (10) Fifteen vessels did not have expenditures on fishing gear during the year. Therefore, this variable was not applicable to these vessels.

**Variable**

2. Table 2.2 - Vessel Characteristics: Fuel consumption - Fishing/Processing Annual Fuel Consumption (gallons).

<b>Table 2.2 - Vessel Characteristics: Fuel consumption – Fishing/Processing Annual Fuel Consumption (gallons)</b>				
Vessel Database for Bering Sea and Aleutian Island Fisheries Management Plan Amendment 80				
For the Year Ended December 31, 2009				
<b>Initial Reporting</b>			<b>Corrected Reporting</b>	
<b>Support Analysis Code</b>	<b># of Vessels</b>	<b>% of Total</b>	<b>As Corrected # of Vessels</b>	<b>As Corrected % of Total</b>
4	2	9%	2	9%
5	16	70%	19	83%
8	3	13%	0	0%
9	1	4%	1	4%
10	1	4%	1	4%
<b>Total</b>	<b>23</b>	<b>100%</b>	<b>23</b>	<b>100%</b>

**Support Analysis Code in ( ) and Description of Support Provided:**

- (4) Three vessels provided an estimated number of gallons consumed for fishing/processing. Two of the vessels obtained the estimate from the chief engineer. One vessel provided documentation that supported the total gallons of fuel consumed by the vessels during the year; however, the total gallons during the year were not allocated to each activity (fishing/processing, steaming-empty, steaming-full). Information was not available to allocate the gallons between each activity. None of these estimates were supported by additional documentation.
- (5) Sixteen vessels provided documentation to support the total gallons of fuel consumed by the vessels during the year. For each of the vessels, the total number of gallons consumed was then allocated to each activity (fishing/processing, steaming-empty, steaming-full) based on the number of days that the vessel was engaged in each activity, taking into consideration the average number of gallons consumed performing each activity.
- (8) Three vessels provided documentation that did not support the initial value recorded. All three of those vessels provided documentation to support the total gallons of fuel consumed by the vessels during the year and allocated the total number of gallons to each activity (fishing/processing, steaming-empty, steaming-full) based on the number of days that the vessel was engaged in each activity. The initial values were corrected based on the documentation provided and the corrected support analysis was updated to a (5).
- (9) One vessel provided documentation that supported the total gallons of fuel consumed by the vessels during the year; however, the total gallons during the year were not allocated to each activity (fishing/processing, steaming-empty, steaming-full). Information was not available to allocate the gallons between each activity.
- (10) One vessel did not fish during the year and, therefore, did not consume any fuel. Therefore, this variable was not applicable to this vessel.



**Variable**

3. Table 2.4 - Vessel Characteristics: Processing

<b>Table 2.4 - Vessel Characteristics: Processing</b>				
Vessel Database for Bering Sea and Aleutian Island Fisheries Management Plan Amendment 80				
For the Year Ended December 31, 2009				
<b>Initial Reporting</b>			<b>Corrected Reporting</b>	
<b>Support Analysis Code</b>	<b># of Vessels</b>	<b>% of Total</b>	<b>As Corrected # of Vessels</b>	<b>As Corrected % of Total</b>
4	6	26%	7	30%
5	12	52%	15	65%
8	3	13%	0	0%
9	1	4%	0	0%
10	1	4%	1	4%
<b>Total</b>	<b>23</b>	<b>100%</b>	<b>23</b>	<b>100%</b>

**Support Analysis Code in () and Description of Support Provided:**

- (4) Six vessels provided estimated maximum throughput per hour from vessel personnel. The estimate was not supported by additional documentation.
- (5) Twelve vessels provided support for the maximum throughput per hour based on total pounds of product that is processed on a daily basis. For each of the 12 vessels, the daily total pounds of product processed were based on the highest level of production during the most recent fishing season. The daily production was then divided by 24 hours to calculate the maximum throughput per hour.
- (8) Three vessels provided documentation that did not support the initial value recorded. The documentation provided supported the maximum throughput per hour based on total pounds of product processed on a daily basis. The total pounds of product processed were based on the highest level of production during the most recent fishing season. The daily production was then divided by 24 hours to calculate the maximum throughput per hour. The initial values were corrected based on the documentation provided and the corrected support analysis code was updated to a (5).
- (9) One vessel included an amount listed on the maximum throughput per hour table; however, did not specify the types of products that were applicable to that processing. The product species codes were added to the corrected support analysis and the corrected support code was updated to be a (5). The corrected support was obtained from an estimate from vessel personnel. The estimate was not supported by additional documentation.
- (10) One vessel did not fish during the year and, therefore, did not process any product. Therefore, this variable was not applicable to this vessel for the most recent year.

**Variable**

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

<b>Table 5, #1 - Expenses: Fishing (deck crew) labor expenses (including bonuses and payroll taxes, but excluding benefits and insurance)</b>				
Vessel Database for Bering Sea and Aleutian Island Fisheries Management Plan Amendment 80				
For the Year Ended December 31, 2009				
<b>Initial Reporting</b>			<b>Corrected Reporting</b>	
<b>Support Analysis Code</b>	<b># of Vessels</b>	<b>% of Total</b>	<b>As Corrected # of Vessels</b>	<b>As Corrected % of Total</b>
1	4	17%	4	17%
5	16	70%	17	74%
7	1	4%	0	0%
10	2	9%	2	9%
<b>Total</b>	<b>23</b>	<b>100%</b>	<b>23</b>	<b>100%</b>

**Support Analysis Code in () and Description of Support Provided:**

- (1) Four vessels provided payroll reports, general ledger detail or financial statements detailing the amount of deck crew labor expenses to support the initial value.
- (5) Sixteen of the vessels provided support for the entire vessel payroll amounts and included an allocation the amount allocated to deck crew labor expenses. For each of the vessels, the amount allocated to deck crew labor expenses was based on the typical percentage of deck crew personnel compared to the total amount of vessel personnel for each trip.
- (7) One vessel provided support for the deck crew labor expense based on an allocation based on the typical percentage of deck crew personnel compared to the total amount of vessel personnel. The allocation included payroll taxes based on an estimate; however, the actual amount of payroll taxes was lower. The calculation was then corrected based on the actual amount of payroll taxes. The initial values were corrected based on the documentation provided and the corrected support analysis was updated to a (5).
- (10) Two vessels did not fish during the year and, therefore, did not process any product. Therefore, this variable was not applicable to these vessels for the most recent year.

**Variable**

5. Table 5, #9 - Expenses: Freight, Storage and other sales costs for non-FOB sales.

<b>5. Table 5, #9 - Expenses: Freight, Storage and other sales costs for non-FOB sales.</b>			
Vessel Database for Bering Sea and Aleutian Island Fisheries Management Plan Amendment 80			
For the Year Ended December 31, 2009			
<b>Initial Reporting</b>			
<b>Support Analysis Code</b>	<b># of Vessels</b>	<b>% of Total</b>	
1	10	43%	
10	13	57%	
<b>Total</b>	<b>23</b>	<b>100%</b>	

**Support Analysis Code in () and Description of Support Provided:**

- (1) Ten vessels provided general ledger detail or financial statements detailing the amount of freight storage and other sales costs to support the initial value.
- (10) Thirteen vessels did not incur any freight, storage or other sales costs as all of their sales are FOB. Therefore, this variable was not applicable for these vessels for the most recent year.

**Variable**

6. Table 5, #12 - Expenses: Fuel expense

<b>Initial Reporting</b>			<b>Corrected Reporting</b>	
<i>Support Analysis Code</i>	<i># of Vessels</i>	<i>% of Total</i>	<i>As Corrected # of Vessels</i>	<i>As Corrected % of Total</i>
1	18	78%	21	91%
8	3	13%	0	0%
10	2	9%	2	9%
<b>Total</b>	<b>23</b>	<b>100%</b>	<b>23</b>	<b>100%</b>

**Support Analysis Code in () and Description of Support Provided:**

- (1) Eighteen vessels provided third-party invoices, general ledger detail or financial statements detailing the amount of fuel expense for the year to support the initial value.
- (8) Three vessels provided documentation that did not support the initial value recorded. These vessels provided general ledger detail or financial statements that supported an amount that was different than the initial recorded value. The initial values were corrected based on the documentation provided and the corrected support analysis code was updated to a (1).
- (10) Two vessels did not fish during the year and, therefore, did not incur any fuel expense. Therefore, this variable was not applicable to these vessels for the most recent year.

**Variable**

7. Table 5, #13 - Expenses: Observer fees and other fishery monitoring and reporting costs

<b>Table 5, #13 - Expenses: Observer fees and other fishery monitoring and reporting costs</b>				
Vessel Database for Bering Sea and Aleutian Island Fisheries Management Plan Amendment 80				
For the Year Ended December 31, 2009				
<b>Initial Reporting</b>			<b>Corrected Reporting</b>	
<b>Support Analysis Code</b>	<b># of Vessels</b>	<b>% of Total</b>	<b>As Corrected # of Vessels</b>	<b>As Corrected % of Total</b>
1	16	70%	22	96%
8	6	26%	0	0%
10	1	4%	1	4%
<b>Total</b>	<b>23</b>	<b>100%</b>	<b>23</b>	<b>100%</b>

**Support Analysis Code in () and Description of Support Provided:**

- (1) Sixteen vessels provided third-party invoices, general ledger detail or financial statements detailing the amount of observer fees and other fishery monitoring costs for the year to support the initial value.
- (8) Six vessels provided documentation that did not support the initial value recorded. These vessels provided general ledger detail or financial statements that supported an amount that was different than the initial recorded value. The initial values were corrected based on the documentation provided and the corrected support analysis code was updated to a (1).
- (10) One vessel did not incur any observer fees and other fishery monitoring costs. Therefore, this variable was not applicable to this vessel for the most recent year.

**Variable**

8. Table 5, #8 - Expenses: Repairs and maintenance expenses for vessel and processing equipment (including shipyard accrual and all purchases of parts and equipment that were expensed in calendar year 2009)

<b>Table 5, #8 - Expenses: Repairs and maintenance expenses for vessel and processing equipment (including shipyard accrual and all purchases of parts and equipment that were expensed in calendar year 2009)</b>				
Vessel Database for Bering Sea and Aleutian Island Fisheries Management Plan Amendment 80				
For the Year Ended December 31, 2009				
<b>Initial Reporting</b>			<b>Corrected Reporting</b>	
<b>Support Analysis Code</b>	<b># of Vessels</b>	<b>% of Total</b>	<b>As Corrected # of Vessels</b>	<b>As Corrected % of Total</b>
1	18	78%	22	96%
8	4	17%	0	0%
10	1	4%	1	4%
<b>Total</b>	<b>23</b>	<b>100%</b>	<b>23</b>	<b>100%</b>

**Support Analysis Code in () and Description of Support Provided:**

- (1) Eighteen vessels provided third-party invoices, general ledger detail or financial statements detailing the amount of observer fees and other fishery monitoring costs for the year to support the initial value.
- (8) Four vessels provided documentation that did not support the initial value recorded. These vessels provided general ledger detail or financial statements that supported an amount that was different than the initial recorded value. The initial values were corrected based on the documentation provided and the corrected support analysis code was updated to a (1).
- (10) One vessel did not incur any repairs and maintenance expenses. Therefore, this variable was not applicable to this vessel for the most recent year.

## 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 the vessel personnel 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. 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.
2. 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.
3. The respondents provided data more timely than the prior year. The support provided was consistent with the types of support provided during the prior year EDR data verification project.

## Thank You

This project was made possible only through the collaborative effort of PSMFC, NMFS and the owners and management companies of the vessels. We would like to extend our gratitude to the following who helped make this project a success:

<b>Name</b>	<b>Organization</b>
Dave Colpo	Pacific States Marine Fisheries Commission
Geana Tyler	Pacific States Marine Fisheries Commission
Brian Garber-Yonts	National Marine Fisheries Service
Vessel Owners	