

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

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

2011 Calendar Year Data

November 2012

**Contents**

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Executive Summary ..... 1-2

Data Verification Procedures ..... 3-4

Data Verification Findings and Results ..... 5-15

Conclusion..... 16

Thank You ..... 17



## 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 are affected by Amendment 80. In order to ensure 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 McGladrey LLP (McGladrey) to perform data verification procedures on variables selected by NMFS.

### Participant Roles

*National Marine Fisheries Service* - specification of verification protocols and selection of variables to be inspected by McGladrey LLP.

*Pacific States Marine Fisheries Commission* - collector and manager of data collected through EDRs.

*McGladrey LLP* - 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 EDRs.

## **Scope of Work**

For the 2011 year-end Amendment 80 EDRs, the following procedures will be performed:

1. NMFS performed a selection of 11 variables and provided classification criteria for verification findings, and McGladrey will perform data verification procedures for the selected variables.
2. McGladrey will request all EDR respondents to provide supporting documentation for each of the variables selected by NMFS.
3. McGladrey 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.

*McGladrey LLP*

# Data Verification Procedures

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## Variable Selection

NMFS selected 11 variables to perform data verification procedures. Since the fleet of Amendment 80 consists of only 24 vessels, individual vessels were required to submit supporting documentation for all variables selected for the respective vessel.

Variables selected by NMFS were as follows:

1. Table 2.2 - Vessel characteristics - fuel consumption: Steaming loaded - annual gallons
2. Table 2.5 - Vessel activity: Days fishing, other fisheries
3. Table 2.5 - Vessel activity: Days travel/offload
4. Table 4 - Capital expenditures: b. Processing gear
5. Table 5 - Expenses: 12. Lube
6. Table 5 - Expenses: 14. Cooperative costs
7. Table 5 - Expenses: 15. General administrative costs
8. Table 5 - Expenses: 16. Insurance
9. Table 6 - Labor: 1a. Fishing - number of employees
10. Table 6 - Labor: 1b. Processing - number of employees
11. Table 6 - Labor: 1c. Other employees - number of employees

## Description of Findings

McGladrey classified and summarized the results of the data verification procedures based on the following criteria. The value and supporting documentation for both the initial value (as identified in the EDR form) and the corrected value (as identified in the review process) are classified.

### Support Analysis Code

#### Supported by Documentation

1. Initial/corrected value supported by documentation and final reported value substantiated by complete records.
- 1T. Initial value blank or N/A when value should be zero; initial value corrected to zero.

#### Estimates Unsupported by Documentation

4. Initial/corrected value is based on an estimate and not derived from records—no method to assess reasonableness of final reported value.

#### Estimates Supported by Documentation

5. Initial/corrected value cannot be reported precisely as specified in the EDR and must be estimated. Estimate 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. Estimate based on original documentation but flawed assumptions and logic.

### **Initial Value Incorrect/Corrected Based on Documentation**

2. Initial value supported by documentation; however, respondent did not correctly calculate or state the value reported in the EDR and the initial value was corrected to match the documentation.
- 2T. Initial value supported by documentation; however, the value reported in the EDR is an observable typographic error on respondent's part. The initial value was corrected to match documentation.
3. Initial/corrected value supported by documentation; however, respondent did not interpret the question correctly and the initial value was corrected based on new supporting documentation.
7. Initial value reported correctly based on original documentation, but the value was corrected based on updated documentation.
8. The initial value is unsubstantiated and the initial value is corrected based on new documentation.

### **No Data Reported**

9. No data reported; however, data should be applicable to this vessel or the reported data and value are incorrect. No corrected value available for this variable.
10. No data reported or amount reported is zero, as this variable is not applicable to this vessel.

## Data Verification Findings and Results

### Variable

1. Table 2.2 – Vessel characteristics – fuel consumption: Steaming loaded – annual gallons

Support Analysis Code	Initial Reporting		Corrected Reporting	
	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
2T	1	4%	1	4%
5	1	4%	0	0%
8	16	67%	19	79%
9	2	8%	0	0%
10	4	17%	4	17%
<b>Total</b>	<b>24</b>	<b>100%</b>	<b>24</b>	<b>100%</b>

### Support analysis code in (#) below and description of support provided:

- (9) One vessel's initial value is blank when there should have been a number, as the vessel fished during the year. No amount was received from the vessel.
- (2T) One vessel provided support for the initial value; however, the value reported is an observable typographic error on the respondent's part. The corrected support analysis was updated to a (5). The corrected value cannot be reported precisely as specified in the EDR and must be estimated. The estimate is based on sound assumptions and logic. The estimated gallons per hour consumed are multiplied by 24 hours. The gallons per day consumed are then multiplied by the number of days performing the activity – steaming fully loaded.
- (5) Sixteen vessels' initial values cannot be reported precisely as specified in the EDR and must be estimated. The estimates are based on sound assumptions and logic. For four vessels, the total number of gallons consumed for the year was allocated to each activity (fishing/processing, steaming-empty, steaming-full) based on the number of days the vessel was engaged in each activity. For two vessels, the total number of gallons consumed for the year was allocated to each activity (fishing/processing, steaming-empty, steaming-full) based on the number of hours the vessel was engaged in each activity. For six vessels, the estimated gallons per hour consumed are multiplied by the number of hours spent performing the activity – steaming fully loaded. For one vessel, the estimated gallons per day consumed are multiplied by the number of days spent performing the activity – steaming fully loaded. For three vessels, the estimated gallons per hour consumed are multiplied by 24 hours. The gallons per day consumed are then multiplied by the number of days performing the activity – steaming fully loaded.
- (8) Two vessels' initial values are unsubstantiated and the initial values are corrected based on new documentation. The corrected support analysis was updated to a (5). The corrected values cannot be reported precisely as specified in the EDR and must be estimated. The estimates are based on sound assumptions and logic. The total number of gallons consumed for the year was allocated to each activity (fishing/processing, steaming) based on the number of days the vessel was engaged in each activity and the gallons per day consumed. The vessels cannot break out steaming by fully loaded and empty but combined the amounts together for reporting purposes.
- (10) Four vessels did not fish during the year; therefore, this variable was not applicable to these vessels.

**Variable**

2. Table 2.5 – Vessel activity: Days fishing, other fisheries

Initial Reporting			Corrected Reporting	
Support Analysis Code	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	10	42%	13	54%
2	3	12%	0	0%
4	4	17%	4	17%
10	7	29%	7	29%
<b>Total</b>	<b>24</b>	<b>100%</b>	<b>24</b>	<b>100%</b>

**Support analysis code in (#) below and description of support provided:**

- (1) Ten vessels provided support for the initial values, which were substantiated by complete records. Seven vessels provided an e-landings production report pulled from the NMFS Web site. Two vessels provided Vessel Production Reports submitted to NMFS on a daily basis. One vessel provided a summary log of activity.
- (2) Three vessels provided support for the initial values; however, the values are not correctly calculated in the EDR. The corrected support analysis was updated to a (1). All vessels provided Vessel Production Reports submitted to NMFS on a daily basis that substantiated the values recorded.
- (4) Four vessels' initial values are based on an estimate and not derived from records—no method to assess reasonableness of values. All values are determined by Operations personnel.
- (10) Four vessels did not fish during the year and three vessels only participated in the Amendment 80 fishery during the year; therefore, this variable was not applicable to these vessels.



**Variable**

3. Table 2.5 – Vessel activity: Days travel/offload

Initial Reporting			Corrected Reporting	
Support Analysis Code	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	15	62%	15	62%
2	4	17%	0	0%
4	1	4%	1	4%
5	0	0%	4	17%
10	4	17%	4	17%
<b>Total</b>	<b>24</b>	<b>100%</b>	<b>24</b>	<b>100%</b>

**Support analysis code in (#) below and description of support provided:**

- (1) Fifteen vessels provided support for the initial values, which were substantiated by complete records. Seven vessels provided a fishing time summary log. Six vessels provided a summary log of activity. Two vessels provided an e-landings production report pulled from the NMFS Web site.
- (2) Four vessels provided support for the initial values; however, the values are not correctly calculated in the EDR. The corrected support analysis was updated to a (5). The corrected values cannot be reported precisely as specified in the EDR and must be estimated. The estimates are based on sound assumptions and logic. All vessels provided a calendar mapping out the vessel activities based on reports sent by the vessels.
- (4) One vessel's initial value is based on an estimate and not derived from records—no method to assess reasonableness of values. All values are determined by Operations personnel.
- (10) Four vessels did not fish during the year; therefore, this variable was not applicable to these vessels.

**Variable**

4. Table 4 – Capital expenditures: b. Processing gear

Initial Reporting			Corrected Reporting	
Support Analysis Code	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	10	42%	11	46%
8	1	4%	0	0%
10	13	54%	13	54%
<b>Total</b>	<b>24</b>	<b>100%</b>	<b>24</b>	<b>100%</b>

**Support analysis code in (#) below and description of support provided:**

- (1) Ten vessels provided support for the initial values, which were substantiated by complete records. Five vessels provided a listing of capital expenditures. Two vessels provided the general ledger from accounting that shows all capital expenditures. Two vessels provided a net book value report. One vessel provided an asset maintenance form detailing the asset cost, depreciation method/lives and general ledger accounts to record the asset.
- (8) One vessel's initial value is unsubstantiated and the initial value is corrected based on new documentation. The corrected support analysis was updated to a (1). The vessel provided a listing of capital expenditures which substantiated the value recorded.
- (10) Thirteen vessels did not have any expenditures on processing gear during the year; therefore, this variable was not applicable to these vessels.

**Variable**

5. Table 5 – Expenses: 12. Lube

Initial Reporting			Corrected Reporting	
Support Analysis Code	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	17	71%	18	75%
2T	1	4%	0	0%
5	2	8%	2	8%
10	4	17%	4	17%
<b>Total</b>	<b>24</b>	<b>100%</b>	<b>24</b>	<b>100%</b>

**Support analysis code in (#) below and description of support provided:**

- (1) Seventeen vessels provided support for the initial values, which were substantiated by complete records. Eight vessels provided the income statement, exported from the accounting system, showing lube expenses. Five vessels provided the general ledger from accounting showing all lube expenses. Four vessels provided an Excel spreadsheet of all invoices received for lube expenses.
- (2T) One vessel provided support for the initial value; however, the value reported is an observable typographic error on the respondent's part. The corrected support analysis was updated to a (1). The vessel provided the general ledger from accounting showing all lube expenses to substantiate the value recorded.
- (5) Two vessels' initial values cannot be reported precisely as specified in the EDR and must be estimated. The estimates are based on sound assumptions and logic. All vessels provided a trial balance for fuel and lube, in which 10 percent is allocated to lube, based on prior experiences.
- (10) Four vessels did not have any expenses for lube during the year; therefore, this variable was not applicable to these vessels.

**Variable**

6. Table 5 – Expenses: 14. Cooperative costs

<b>Initial Reporting</b>		
<b>Support Analysis Code</b>	<b># of Vessels</b>	<b>% of Total</b>
1	18	75%
10	6	25%
<b>Total</b>	<b>24</b>	<b>100%</b>

**Support analysis code in (#) below and description of support provided:**

- (1) Eighteen vessels provided support for the initial values, which were substantiated by complete records. Nine vessels provided the income statement, exported from the accounting system, showing cooperative costs. Seven vessels provided the general ledger from accounting showing shows all cooperative costs. Two vessels provided a listing of all invoices received from cooperatives.
- (10) Six vessels did not have any expenses for cooperative costs during the year; therefore, this variable was not applicable to these vessels.

**Variable**

7. Table 5 – Expenses: 15. General administrative costs

<b>Initial Reporting</b>		
<b>Support Analysis Code</b>	<b># of Vessels</b>	<b>% of Total</b>
1	14	58%
5	4	17%
10	6	25%
<b>Total</b>	<b>24</b>	<b>100%</b>

**Support analysis code in (#) below and description of support provided:**

- (1) Fourteen vessels provided support for the initial values, which were substantiated by complete records. Six vessels provided the income statement, exported from the accounting system, showing general administrative costs. Five vessels provided the general ledger from accounting showing all general administrative costs. Two vessels provided the trial balance from accounting showing all general administrative costs. One vessel provided a listing of general administrative costs.
- (5) Four vessels' initial values cannot be reported precisely as specified in the EDR and must be estimated. The estimates are based on sound assumptions and logic. Total general administrative costs for the year (excluding those expenses unrelated to the vessels) are allocated evenly to all related vessels in the group fishing during the year.
- (10) Six vessels did not have any expenses for general administrative costs during the year; therefore, this variable was not applicable to these vessels.

## Variable

### 8. Table 5 – Expenses: 16. Insurance

Support Analysis Code	Initial Reporting		Corrected Reporting	
	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	21	88%	22	92%
2T	1	4%	0	0%
10	2	8%	2	8%
<b>Total</b>	<b>24</b>	<b>100%</b>	<b>24</b>	<b>100%</b>

#### Support analysis code in (#) below and description of support provided:

- (1) Twenty-one vessels provided support for the initial values, which were substantiated by complete records. Thirteen vessels provided the income statement, exported from the accounting system, showing insurance expenses. Seven vessels provided the general ledger from accounting showing all insurance expenses. One vessel provided the trial balance from accounting showing all insurance expenses.
- (2T) One vessel provided support for the initial value; however, the value reported is an observable typographic error on the respondent's part. The corrected support analysis was updated to a (1). The vessel provided the trial balance from accounting showing all insurance expenses to substantiate the value recorded.
- (10) Two vessels did not have any expenses for insurance during the year; therefore, this variable was not applicable to these vessels.

**Variable**

9. Table 6 – Labor: 1a. Fishing – number of employees

Support Analysis Code	Initial Reporting		Corrected Reporting	
	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	15	62%	16	66%
2	1	4%	0	0%
5	4	17%	4	17%
10	4	17%	4	17%
<b>Total</b>	<b>24</b>	<b>100%</b>	<b>24</b>	<b>100%</b>

**Support analysis code in (#) below and description of support provided:**

- (1) Fifteen vessels provided support for the initial values, which were substantiated by complete records. Twelve vessels provided a listing of employees. Three vessels provided a listing of wages per person.
- (2) One vessel provided support for the initial value; however, the value is not correctly stated in the EDR. The corrected support analysis was updated to a (1). The vessel provided a listing of employees to substantiate the value recorded.
- (5) Four vessels' initial values cannot be reported precisely as specified in the EDR and must be estimated. The estimates are based on sound assumptions and logic. The number of W-2s issued during the year (excluding administrative staff) is allocated evenly between all vessels that are fishing to obtain the estimated employees per vessel. A percentage based on the average number of positions on board between each type of employee (fishing, processing, others) is applied to the estimated employees per vessel to obtain total number of employees for each employee type.
- (10) Four vessels did not fish during the year; therefore, this variable was not applicable to these vessels.

**Variable**

10. Table 6 – Labor: 1b. Processing – number of employees

Support Analysis Code	Initial Reporting		Corrected Reporting	
	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	15	62%	16	66%
2	1	4%	0	0%
5	4	17%	4	17%
10	4	17%	4	17%
<b>Total</b>	<b>24</b>	<b>100%</b>	<b>24</b>	<b>100%</b>

**Support analysis code in (#) below and description of support provided:**

- (1) Fifteen vessels provided support for the initial values, which were substantiated by complete records. Twelve vessels provided a listing of employees. Three vessels provided a listing of wages per person.
- (2) One vessel provided support for the initial value; however, the value is not correctly stated in the EDR. The corrected support analysis was updated to a (1). The vessel provided a listing of employees to substantiate the value recorded.
- (5) Four vessels' initial values cannot be reported precisely as specified in the EDR and must be estimated. The estimates are based on sound assumptions and logic. The number of W-2s issued during the year (excluding administrative staff) is allocated evenly between all vessels that are fishing to obtain the estimated employees per vessel. A percentage based on the average number of positions on board between each type of employee (fishing, processing, others) is applied to the estimated employees per vessel to obtain total number of employees for each employee type.
- (10) Four vessels did not fish during the year; therefore, this variable was not applicable to these vessels.



**Variable**

11. Table 6 – Labor: 1c. Other employees – number of employees

<b>Support Analysis Code</b>	<b>Initial Reporting</b>		<b>Corrected Reporting</b>	
	<b># of Vessels</b>	<b>% of Total</b>	<b>As Corrected # of Vessels</b>	<b>As Corrected % of Total</b>
1	15	62%	16	66%
2	1	4%	0	0%
5	4	17%	4	17%
10	4	17%	4	17%
<b>Total</b>	<b>24</b>	<b>100%</b>	<b>24</b>	<b>100%</b>

**Support analysis code in (#) below and description of support provided:**

- (1) Fifteen vessels provided support for the initial values, which were substantiated by complete records. Twelve vessels provided a listing of employees. Three vessels provided a listing of wages per person.
- (2) One vessel provided support for the initial value; however, the value is not correctly stated in the EDR. The corrected support analysis was updated to a (1). The vessel provided a listing of employees to substantiate the value recorded.
- (5) Four vessels' initial values cannot be reported precisely as specified in the EDR and must be estimated. The estimates are based on sound assumptions and logic. The number of W-2s issued during the year (excluding administrative staff) is allocated evenly between all vessels that are fishing to obtain the estimated employees per vessel. A percentage based on the average number of positions on board between each type of employee (fishing, processing, others) is applied to the estimated employees per vessel to obtain total number of employees for each employee type.
- (10) Four vessels did not fish during the year; therefore, this variable was not applicable to these vessels.

## Conclusion

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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 information was supported mostly by original documentation or based on estimates of the original documentation and sound assumptions and logic. However, some of the vessels could only provide estimates from vessel personnel and were not able to provide original supporting documentation. Moreover, some of the variables selected were not applicable to all of the vessels in the fleet.

The results of the data verification procedures performed, detailed in the findings section, discuss the basis for the initial values and the support provided if the initial values were corrected based on updated documentation. Based on key objectives listed earlier in the report, several other observations noted through the data verification procedures performed are as follows:

1. The support provided was consistent with the types of support provided during the prior year EDR data verification project. The support was organized and complete for purposes of McGladrey's review.
2. EDR respondents were in compliance with the procedures, as support was provided in a timely fashion and follow-up questions were addressed as requested.
3. Errors in submitted information did not indicate a directional bias in the data. The corrected information was made as a result of new information received subsequent to the preparation of the original EDR or based on updated estimates or guidance on how to derive the variable.
4. Most respondents expressed difficulty in preparing the information for Table 2.2 – Vessel characteristics – fuel consumption: Steaming loaded – annual gallons. There was inconsistency in how respondents addressed this variable. It is recommended the EDR instructions include a more detailed explanation as to how this variable should be calculated.

## Thank You

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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	