

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

Report Prepared for
Pacific States Marine Fisheries Commission

2014 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 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 RSM US LLP (RSM) 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 RSM US LLP.

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

RSM US 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 2014 year-end Amendment 80 EDRs, the following procedures will be performed:

1. NMFS performed a selection of 7 variables for general validation across 20 reporting vessel entities, an additional 7 individual data values across 6 variables and 4 vessels selected by NMFS as potentially misreported for verification, and provided classification criteria for verification findings. 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 US LLP

Data Verification Procedures

Variable Selection

NMFS selected 7 variables on which to perform general data verification procedures. Since the fleet of Amendment 80 consists of only 20 vessels, all individual vessels were required to submit supporting documentation for each of these variables (except if the vessel was inactive during the year). In addition, 7 individual data entries were selected for verification (across 6 variables and 4 vessels) as outliers/anomalies, indicating potential misreporting. *Please note, under Data Verification Findings and Results section, the total number of vessels will not always equal 20. This is due to the fact that certain vessels were not selected to be verified for certain variables during the year.*

Variables selected by NMFS for general validation were as follows:

1. Table 3 – Revenue: Total fishery product sales volume (in mT)
2. Table 3 – Revenue: Total fishery product sales revenue (in \$US)
3. Table 4 – Capital Expenditures: Expenditures on vessel and onboard equipment (other than fishing, processing, or storage equipment) (in \$US)
4. Table 5 – Expenses: Labor expenses for all other employees (officers, engineers, cook, etc.) (in \$US)
5. Table 5 – Expenses: Food and provisions (not paid by crew) (in \$US)
6. Table 5 – Expenses: Recruitment, travel, benefits and other employee related costs (in \$US)
7. Table 6 – Labor: On average, how many hours did the typical processing line employee work?

Variables selected by NMFS for outlier/anomaly verification were as follows:

8. Table 2.5 – Days Fishing: All other fisheries (1 record)
9. Table 2.5 – Days Fishing: Amend. 80 fishery (1 record)
10. Table 4 – Capital Expenditures: Other capital expenditures related to vessel operations (2 records)
11. Table 4 – Capital Expenditures: Expenditures on processing equipment, including freezine and cold storage (1 record)
12. Table 5 – Expenses: Lease expenses for vessel and all onboard equipment (1 record)
13. Table 5 – Expenses: Freight and storage costs other than for products (1 record)

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 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 cannot be reported precisely as specified in the EDR and must be estimated. Estimate based on original documentation, but flawed assumptions and logic.

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.

Reported Value Unsupported by Documentation

7. Reported value is "best guess," not derived from records, no valid value is available.

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.
6. 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

Data Verification Findings and Results for General Validation

Variable 1: Table 3 – Revenue: Total fishery product sales volume (in mT)

Support Analysis Code	Initial Reporting		Corrected Reporting	
	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	17	94%	18	100%
2T	1	6%	0	0%
Total	18	100%	18	100%

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

- (1) Seventeen vessels provided support for the initial values, which were substantiated by the 2014 sales summary reports or detailed sales listings.
- (2T) One vessel provided support for the initial value, which was substantiated by the 2014 sales summary report; however, the values reported are an observable typographic error on the respondent's part. The corrected support analysis was updated to a (1). This vessel provided sales summary report.

Variable 2: Table 3 – Revenue: Total fishery product sales revenue (in \$US)

Support Analysis Code	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	14	78%	18	100%
2T	4	22%	0	0%
Total	18	100%	18	100%

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

- (1) Fourteen vessels provided support for the initial values, which were substantiated by the income statement exported from the accounting system or detailed sales listings.
- (2T) Four vessels provided support for the initial values; however, the values reported are an observable typographic error on the respondent's part. The corrected support analysis was updated to a (1). These vessels provided an income statement.

Variable 3: Table 4 – Capital Expenditures: Expenditures on vessel and onboard equipment (other than fishing, processing, or storage equipment) (in \$US)

Initial Reporting			Corrected Reporting	
Support Analysis Code	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	14	78%	14	78%
10	4	22%	4	22%
Total	18	100%	18	100%

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

- (1) Fourteen vessels provided support for the initial values, which were substantiated by 2014 capital expenditure reports. Four vessels provided the 2014 depreciation schedule, which shows all capital expenditures; and ten vessels provided the general ledger transaction listing of capital expenditures exported from the accounting system.
- (10) Four vessels did not have any capital expenditures in 2014. These vessels provided the general ledger transaction listing of capital expenditures.

Variable 4: Table 5 – Expenses: Labor expenses for all other employees (officers, engineers, cook, etc.) (in \$US)

Initial Reporting			Corrected Reporting	
Support Analysis Code	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	18	100%	18	100%
Total	18	100%	18	100%

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

- (1) Eighteen vessels provided support for the initial values, which were substantiated by 2014 payroll total reports. Nine vessels provided total crew/wage report summaries by vessel, nine vessels provided a detail listing of all wage expenses by vessel.

Variable 5: Table 5 – Expenses: Food and provisions (not paid by crew) (in \$US)

Initial Reporting			Corrected Reporting	
Support Analysis Code	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	15	83%	15	83%
10	3	17%	3	17%
Total	18	100%	18	100%

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

- (1) Fifteen vessels provided support for the initial values, which were substantiated by 2014 food and provision expense reports. Twelve vessels provided the income statements exported from the accounting system to substantiate the food and provisions expenses. Three of the vessels provided the detailed general ledger listing from the accounting system.
- (10) Three vessels did not have any food and provisions expenses not paid by crew. Two of the vessels provided income statements that indicated all food and provisions were paid by the crew. One of the vessels verbally communicated that all food and provisions are paid by the crew.

Variable 6: Table 5 – Expenses: Recruitment, travel, benefits and other employee related costs (in \$US)

Initial Reporting			Corrected Reporting	
Support Analysis Code	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	17	85%	18	90%
2T	1	5%	0	0%
10	2	10%	2	10%
Total	20	100%	20	100%

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

- (1) Ten vessels provided income statements exported from the accounting system to substantiate the recruitment, travel, benefits and other employee related costs. Seven vessels provided the general ledger detail or trial balance from the accounting system.
- (2T) One vessel provided support for the initial values; 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 an income statement exported from the accounting system to substantiate the recruitment, travel, benefits and other employee related costs.
- (10) Two vessels did not participate in the AM80 Fishery during 2014; thus, this variable was not applicable.

Variable 7: Table 6 – Labor: On average, how many hours did the typical processing line employee work?

Initial Reporting			Corrected Reporting	
Support Analysis Code	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	16	89%	18	100%
2T	2	11%	0	0%
Total	18	100%	18	100%

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

- (1) Four vessels provided support for the initial values, which were substantiated by a personnel handbook or job posting. Twelve vessels verbally communicated the average number of hours worked by a typical processing line employee, as timecards are not kept on the vessels (industry norm).
- (2T) Two vessels had an initial value that was unsubstantiated, which was corrected based on verbal communication with the vessel accounting departments. The corrected support analysis was updated to a (1).

Variable 8: Table 2.5 – Days Fishing: All other fisheries (1 record)

Initial Reporting			Corrected Reporting	
Support Analysis Code	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	0	0%	1	100%
2T	1	100%	0	0%
Total	1	100%	1	100%

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

- (2T) One vessel provided support for the initial values; 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 a summary listing of the days fished and days processed by trip for the vessel in 2014.

Variable 9: Days Fishing: Amend. 80 fishery (1 record)

Initial Reporting			Corrected Reporting	
Support Analysis Code	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	0	0%	1	100%
2T	1	100%	0	0%
Total	1	100%	1	100%

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

- (2T) One vessel provided support for the initial values; 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 a summary listing of the days fished and days processed by trip for the vessel in 2014.

Variable 10: Table 4 – Capital Expenditures: Other capital expenditures related to vessel operations (2 records)

Initial Reporting			Corrected Reporting	
Support Analysis Code	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	2	100%	2	100%
Total	2	100%	2	100%

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

- (1) Two vessels provided support for the initial number, substantiated with the general ledger detail exported from the accounting system for all other capital expenditures related to vessel operations.

Variable 11: Table 4 – Capital Expenditures: Expenditures on processing equipment, including freezine and cold storage (1 record)

Initial Reporting			Corrected Reporting	
Support Analysis Code	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	1	100%	1	100%
Total	1	100%	1	100%

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

- (1) One vessel provided support for the initial number, substantiated with the general ledger detail exported from the accounting system for capital expenditures on processing equipment, including freezine and cold storage.

Data Verification Findings and Results for Outlier/Anomaly Verification

Variable 12: Table 5 – Expenses: Lease expenses for vessel and all onboard equipment (1 record)

Initial Reporting			Corrected Reporting	
Support Analysis Code	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	1	100%	1	100%
Total	1	100%	1	100%

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

- (1) One vessel provided support for the initial number, substantiated with the income statement generated from the accounting system showing lease expenses for all vessel and all onboard equipment.

Variable 13: Table 5 – Expenses: Freight and storage costs other than for products (1 record)

Initial Reporting			Corrected Reporting	
Support Analysis Code	# of Vessels	% of Total	As Corrected # of Vessels	As Corrected % of Total
1	1	100%	1	100%
Total	1	100%	1	100%

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

- (1) One vessel provided support for the initial number, substantiated with the general ledger detail exported from the accounting system for freight and storage costs other than for products.

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 information was supported mostly by original documentation or based on estimates of the original documentation and sound assumptions and logic. It was also noted that 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 majority of 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 RSM's review. RSM noted for Table 6 – Average number of hours worked by a processor, timecards are not kept on the vessels and the support provided was mostly verbal.
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 appear to 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.

Thank You

This project was made possible only through the collaborative efforts 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:

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