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INDEPENDENT STATE AUDITOR'S REPORT ON
CERTAIN ACTIVITIES OF THE
SCHOONER ERNESTINA COMMISSION
JULY 1, 2006 TO JUNE 30, 2007

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INTRODUCTION**1**

The Schooner Ernestina Commission (SEC), a component of the Department of Conservation and Recreation (DCR), was established under Chapter 6, Sections 182A through C, of the Massachusetts General Laws for the preservation and operation of the Schooner Ernestina, a gift from the people of Cape Verde. The schooner has been designated the official vessel of the Commonwealth, and is docked at the New Bedford State Pier.

Our audit, which covered the period July 1, 2006 to June 30, 2007, was conducted to review and analyze the SEC's internal controls over administrative costs and expenditures and to review the business and spending plan established by the SEC. Based on our review, we have concluded that, except for the issue noted in the Audit Results section of this report, the SEC maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS**3**

REQUIRED BUSINESS AND SPENDING PLAN NOT ESTABLISHED**3**

During the course of our review, we determined that contrary to Chapter 6, Section 182B, of the General Laws, the SEC had not established a business and spending plan detailing revenues and expenses to ensure the continued operation, preservation, and maintenance of the Schooner Ernestina. However, on February 29, 2008, the Department of Conservation and Recreation (DCR), the SEC's oversight agency, and the Ernestina Commission provided us with a detailed business plan which also describes a lengthy restoration plan that will eventually enable the Schooner Ernestina to obtain Coast Guard Certification as being seaworthy.

INTRODUCTION

Background

The Schooner Ernestina Commission (SEC), a component of the Department of Conservation and Recreation (DCR), was established under Chapter 6, Sections 182A through C, of the Massachusetts General Laws for the preservation and operation of the Schooner Ernestina, a gift from the Republic of Cape Verde to the people of the United States as a symbol of the close ties between the two countries. The Schooner Ernestina, which has been designated the official vessel of the Commonwealth and was made a National Historic Landmark by the U.S. Department of Interior, has been docked at the New Bedford State Pier since 2004.

Chapter 6, Section 182B, of the General Laws requires the SEC to develop a business and spending plan and to file this plan annually with various oversight entities by stating, in part:

The commission is hereby further authorized and directed to establish a business and spending plan detailing revenues of and expenditures by said commission which plan shall ensure the continued operation, preservation and maintenance of the Schooner Ernestina. Said plan shall be filed annually on or before March first, to the state auditor, the secretary of administration and finance, the department of environmental management and the house and senate committees on ways and means.

Audit Scope, Objectives, and Methodology

Our review, which covered the period July 1, 2006 to June 30, 2007, was conducted in accordance with applicable generally accepted government auditing standards for performance audits as issued by the Comptroller General of the United States, and included audit procedures and tests that we considered necessary to meet those standards. The objectives of this audit were to:

- Review and analyze the SEC's internal controls over receipts and expenditures to determine their adequacy, and to determine whether the SEC has proper oversight of Schooner Ernestina funds and that these funds are expended efficiently, effectively, and in accordance with an established business and spending plan,
- Determine whether the SEC's books and accounts are complete, accurate, and up-to-date, and
- Determine whether the SEC is operating in compliance with its enabling legislation.

To achieve our objectives, we reviewed the SEC's (1) administrative and accounting procedures and internal controls; (2) budget, spending plans, and financial reports that it prepared and filed

with DCR; (3) operations for compliance with applicable laws, rules, and regulations; and (4) transactions pertaining to revenue collection, procurement disbursements, and payroll.

Based on our audit, we have determined that, except for the issue noted in the Audit Results section of this report, the SEC maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

REQUIRED BUSINESS AND SPENDING PLAN NOT ESTABLISHED

During the course of our review, we determined that, contrary to Chapter 6, Section 182 B, of the Massachusetts General Laws, the Schooner Ernestina Commission (SEC) had not established a business and spending plan detailing revenues and expenses to ensure the continued operation, preservation, and maintenance of the Schooner Ernestina. DCR staff indicated that the Schooner Ernestina, which has been docked at the New Bedford State Pier since 2004, is currently in a state of disrepair, and must obtain a Certificate of Inspection from the U.S. Coast Guard before it can be deemed seaworthy.

Recommendation

The SEC should continue to seek grants and donations to supplement its appropriations to ensure the continued operation, preservation, and maintenance of the Schooner Ernestina, and should annually file this plan with the appropriate oversight agencies in accordance with Chapter 6, Section 182 B, of the General Laws.

Auditee's Response

On February 29, 2008, DCR and the Ernestina Commission provided us with a detailed business plan. The business plan describes several grants and gifts that will be used to supplement the agency's appropriations. It also describes a lengthy restoration plan that will eventually enable the Schooner Ernestina to obtain Coast Guard Certification as being seaworthy. The business plan establishes targets to ensure the continued operation, preservation, and maintenance of the Schooner Ernestina.