



# The Commonwealth of Massachusetts

## AUDITOR OF THE COMMONWEALTH

ONE ASHBURTON PLACE, ROOM 1819  
BOSTON, MASSACHUSETTS 02108

A. JOSEPH DeNUCCI  
AUDITOR

TEL. (617) 727-6200

NO. 2008-0282-16F

**INDEPENDENT STATE AUDITOR'S REPORT  
ON THE U.S. DEPARTMENT OF COMMERCE  
NATIONAL OCEANIC AND ATMOSPHERIC  
ADMINISTRATION'S RED TIDE TECHNICAL  
ASSISTANCE AND DISASTER RELIEF GRANT  
TO THE COMMONWEALTH OF  
MASSACHUSETTS  
DIVISION OF MARINE FISHERIES  
OCTOBER 1, 2006 THROUGH SEPTEMBER 24, 2007**

**OFFICIAL AUDIT  
REPORT  
NOVEMBER 5, 2007**

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**INTRODUCTION****1**

During the spring of 2005, the Massachusetts fishing industry was gravely affected by a bloom of *Alexandrium fundyense* (red tide) that resulted in the closing of 1,351,265 acres, or 77.4%, of the Commonwealth's marine waters in 42 coastal communities to shellfishing. In addition to closing these state waters, the Division of Marine Fisheries (DMF) ordered a prohibition on landings of shell-stock sea scallops and surf clams coming from federal waters in the Stellwagen Bank area.

On June 9, 2005, the Governor of the Commonwealth of Massachusetts declared a state of emergency, which allowed the state to seek federal disaster aid for its shellfish industry. On June 16, 2005, the U.S. Department of Commerce declared New England's red tide outbreak a commercial fishery failure eligible for assistance under Section 312(a) of the Magnuson-Stevens Fishery Conservation and Management Act, resulting in the allocation of \$5 million for economic assistance to the New England shellfishing communities affected by closures. The U.S. Department of Commerce National Oceanic and Atmospheric Administration (NOAA) awarded \$2 million of this \$5 million allocation to fund a Lost Income Subsidies (LIS) Program providing subsidies to shellfishermen for lost income because of reduced fishing days and for costs associated with administering the program.

We examined the distribution of funds and administrative costs associated with the \$2 million NOAA Red Tide Disaster Relief Grant "Lost Income Subsidy" to DMF for the period October 1, 2006 to September 24, 2007. The grant assigned responsibility for the distribution of funds and administrative costs to DMF management.

Our review of the policies and procedures established by DMF to administer the NOAA Red Tide Disaster Relief Grant indicated that DMF properly administered the grant, and that DMF's internal control procedures were adequate for NOAA purposes. Moreover, we noted that administrative costs were reasonable, and that there were no questioned costs related to the NOAA grant during our audit engagement. Our examination also indicated that DMF properly filed the required semi-annual Interim Progress Reports on grant activity (the Final Financial Status Report is not due until March 31, 2008).

## INTRODUCTION

### ***Background***

During the spring of 2005, the Massachusetts fishing industry was gravely affected by a bloom of *Alexandrium fundyense* (red tide) that resulted in the closing of 1,351,265 acres, or 77.4%, of the Commonwealth's marine waters in 42 coastal communities to shellfishing. In addition to closing these state waters, the Division of Marine Fisheries (DMF) ordered a prohibition on landings of shell-stock sea scallops and surf clams coming from federal waters in the Stellwagen Bank area.

On June 9, 2005, the Governor of the Commonwealth of Massachusetts declared a state of emergency, which allowed the state to seek federal disaster aid for its shellfish industry. On June 16, 2005, the U.S. Department of Commerce declared New England's red tide outbreak a commercial fishery failure eligible for assistance under Section 312(a) of the Magnuson-Stevens Fishery Conservation and Management Act, which resulted in the allocation of \$5 million for economic assistance to the New England shellfishing communities affected by closures. The U.S. Department of Commerce National Oceanic and Atmospheric Administration (NOAA) awarded \$2 million of this \$5 million allocation to fund a Lost Income Subsidies (LIS) Program that provided subsidies to shellfishermen for lost income because of reduced fishing days and for costs associated with administering the program. NOAA grant No. NA06NMF4520318, titled "Massachusetts Red Tide Technical Assistance and Disaster Relief Fund," commenced on October 1, 2006 and will end on December 31, 2007.

Responsibility for the administration of the grant was assigned to DMF, which distributed approximately \$1.9 million in federal aid for economic assistance to 382 shellfishermen. There were 3,995 shellfish permit holders in Massachusetts in 2005, of which approximately 45%, or 1,797 filed catch reports indicating that they were commercially active in the sale of shellfish. Of these 1,797 active shellfish permit holders, 430 did not qualify for economic assistance because they worked in unaffected fisheries (e.g., sea scallops and bay scallops), or fished in areas not closed due to the red tide (e.g., Boston Harbor, New Bedford, Buzzards Bay). DMF mailed the remaining 1,367 shellfish permit holders a notice of their eligibility for the subsidy program.

DMF held three public meetings in Sandwich, Chatham, and Gloucester, and local shellfish constables were given applications and information packets for permit holders in their jurisdiction.

In addition, notices were posted in coastal community newspapers, and a portion of the DMF website was devoted to red tide subsidy information. Moreover, a second direct mailing was sent out to permit holders 10 days prior to the April 20, 2007 application closing date.

Of the 1,367 shellfish permit holders in Massachusetts who received a notice of their eligibility, only 395 applied for a Lost Income Subsidy under the Red Tide Disaster Relief Grant. To qualify for a grant, applicants had to:

- Hold a license/permit as a commercial shellfisherman or a commercial shellfish aquaculturist in 2005,
- Have fished or farmed shellfish commercially during 2005,
- Have a permit issued to fish areas that were closed by red tide,
- Not have had any prior conviction for fishing violations, and
- File a completed application with DMF by April 20, 2007.

Of the 395 applications received by DMF, only 13 were rejected for failure to meet the criteria listed above. Thus, 382 permit holders were eligible for the program, and they each received a one-time payment ranging from \$1,742 to \$27,308, with the median award amount totaling approximately \$3,500. The awards for each fisherman were computed by considering the number of days that each applicant's community or fishery was closed to fishing in 2005 and the total value of each applicant's landings (catch value) in 2004 and 2005 in relation to the total landing value of all eligible applicants in 2004 and 2005.

### ***Audit Scope, Objectives, and Methodology***

We examined the distribution of funds and administrative costs associated with the \$2 million NOAA Red Tide Disaster Relief Grant "Lost Income Subsidy" to DMF for the period October 1, 2006 to September 24, 2007. The grant assigned responsibility for the distribution of funds and administrative costs to DMF management.

Our examination was made in accordance with Government Auditing Standards issued by the Comptroller General of the United States as they apply to financial and compliance examinations and, accordingly, included such tests of DMF's recipient eligibility records, accounting records, and other data and other procedures as we considered necessary.

NOAA grant fund disbursements as of September 24, 2007 were as follows:

	<u>Disbursement of Funds</u>
Lost Income Subsidy Payments	\$1,895,506
Administrative Expenses:	
Salary	31,285
Fringe Benefits	5,862
Non-Salary Expenses (Printing, Postage, Travel, etc.)	<u>5,786</u>
Total Disbursements	\$1,938,439
Unspent Funds (Unaudited)	<u>61,561*</u>
Total	<u>\$2,000,000</u>

*\*As of September 24, 2007, \$61,561 of the budgeted funds had not been disbursed. DMF's Controller and Federal Grants Coordinator noted that the remaining balance will be disbursed to cover salary and other expenses pertinent to the program.*

We reviewed and evaluated the internal controls over grant activity that relate primarily to accounting and are designed to provide reasonable assurance that:

- Grant funds were distributed to eligible commercial shellfishermen or commercial shellfish aqua-culturists.
- Grant fund distributions were accurately calculated.
- Transactions were recorded promptly in the proper accounts and in the correct amount.

We also examined DMF's compliance with certain federal laws and regulations pertaining to the NOAA grant. Specifically, concurrent with our tests performed in connection with financial transactions, we performed audit procedures to determine whether DMF complied with the NOAA requirement to file semi-annual Interim Progress Reports on grant activity.

### ***Conclusion***

Our review of the policies and procedures established by DMF to administer the NOAA Red Tide Disaster Relief Grant indicated that DMF properly administered the grant and that DMF's internal control procedures were adequate for NOAA purposes. Moreover, we noted that administrative costs were reasonable and that there were no questioned costs related to the NOAA grant during our audit engagement. Our examination also indicated that DMF properly filed the required semi-annual Interim Progress Reports on grant activity (the Final Financial Status Report is not due until March 31, 2008).