

WESTERN PACIFIC REGIONAL FISHERY MANAGEMENT COUNCIL

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2016

SECTION I – SUMMARY OF AUDIT RESULTS

*FINANCIAL STATEMENTS:*

|  |                      |
|--|----------------------|
| Type of auditor's report issued:                         | <u>Unmodified</u>    |
| Internal control over financial reporting:               |                      |
| 1. Material weakness identified?                         | <u>Yes</u>           |
| 2. Significant deficiencies identified                   | <u>None reported</u> |
| 3. Noncompliance material to financial statements noted? | <u>No</u>            |

*FEDERAL AWARDS*

|   |                      |
|---|----------------------|
| Internal control over major program:  |                      |
| 1. Material weakness identified?  | <u>No</u>            |
| 2. Significant deficiencies identified that is not considered to be material weakness?                | <u>Yes</u>           |
| 3. Type of auditor's report issued on compliance for major program:                                   | <u>Unmodified</u>    |
| 4. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | <u>None reported</u> |
| 5. Identification of major program:   |                      |
| a. CFDA No. 11.441: Regional Fishery Management Councils  |                      |
| b. Dollar threshold used to distinguish between type A and type B programs:                           | <u>\$750,000</u>     |
| c. Auditee qualified as low-risk auditee?   | <u>No</u>            |

**WESTERN PACIFIC REGIONAL FISHERY MANAGEMENT COUNCIL**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (Continued)**

**For the Year Ended December 31, 2016**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

Finding 2016-001: Accrual Basis of Accounting

*Criteria* – To provide reasonable assurance that the financial statements are complete, the Council’s financial statements should be prepared using the accrual basis of accounting to properly recognize revenue earned and expenses incurred for an accounting period.

*Condition* – For the year ended December 31, 2016, an audit adjusting entry was proposed to recognize approximately \$772,000 of accounts receivable and related revenue.

*Effect or Potential Effect* – Failure to properly recognize revenue and related accounts receivable may lead to unauthorized spending and other issues related to cash management such as prematurely requesting and receiving cash from the related grant.

*Cause* – The accounting records are maintained throughout the year on the cash basis of accounting. Journal entries are generally made at the end of the year to recognized accounts receivable and related revenue. However, as of December 31, 2016, no journal entries were recorded to recognize unpaid revenue earned and related accounts receivable.

*Recommendation* – To provide reasonable assurance that the recognition of revenue and related receivables are complete, the Council should maintain its accounting records on the accrual basis of accounting, which can be achieved through monthly recurring journal entries to recognize earned but outstanding revenue and related receivables, and reversing such entries in the following month. These procedures should be repeated each month.

*Responsible Official's Response and Corrective Action Planned* – The Fiscal Officer will maintain accounting records on the accrual basis of accounting. Monthly reports detailing journal entries recognizing revenue earned in relation to receivables will be produced and made available for review by the 15th of the following month.

Finding 2016-002: Regular and Timely Reconciliations of Bank Statements

*Criteria* – To provide reasonable assurance that cash is properly stated and to ascertain whether accounting adjustments are required, the general ledger cash account should be reconciled with the related bank statement on a regular and timely basis.

*Condition* – During our audit of the year ended December 31, 2016, we noted that general ledger bank account balances for the months of January through December 2016 were not reconciled in a timely manner. A journal entry to reclassify a bank overdraft of approximately \$285,000 from the cash account to bank overdraft liability was proposed during the audit.

*Effect or Potential Effect* – The failure to perform regular and timely reconciliations of the general ledger cash account to the related bank statement resulted in the identification of errors in the reconciliations and the need for additional audit work to investigate unusual reconciling items.

**WESTERN PACIFIC REGIONAL FISHERY MANAGEMENT COUNCIL**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (Continued)**

**For the Year Ended December 31, 2016**

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

Finding 2016-002: Regular and Timely Reconciliations of Bank Statements

*Cause* – Regular and timely reconciliation of the general ledger cash account to the related bank statement was not performed.

*Recommendation* – To provide reasonable assurance that cash is properly stated at the end of each month, reconciliation of the general ledger cash account to the related bank statement should be performed each month immediately upon the receipt of the bank statement. All reconciling items should be completely investigated, resolved, and any required adjusting journal entry should be generated, approved, and posted to the general ledger.

*Responsible Official's Response and Corrective Action Planned* – At the end of each month, reconciliation of the general ledger cash account against the related bank statement will be performed within 10 days upon receipt of the bank statement. The financial assistant will reconcile the bank statement, who will then have the fiscal officer verify the reconciliation for program officer review and approval. All unreconciled items will be completely examined, resolved, and any required adjustment to journal entry will be generated, approved, and posted to the general ledger.

Finding 2016-003: Outstanding Checks

*Criteria* – Outstanding checks should be monitored and reviewed to provide reasonable assurance that all cash disbursed is accurately accounted for, in the proper accounting period, and on a timely basis.

*Condition* – During our audit of the year ended December 31, 2016, we noted that there were outstanding stale-dated checks and several outstanding journal entries.

*Effect or Potential Effect* – The failure to perform regular and timely reconciliations of the general ledger cash account to the related bank statement, including a review of the outstanding checks for stale dated items resulted in several journal entries totaling approximately \$34,000.

*Cause* – Regular and timely reconciliation of the general ledger cash account to the related bank statement was not performed. The process of reconciling the general ledger cash account to the related bank statement should include a review for stale dated outstanding checks.

*Recommendation* – To provide reasonable assurance of properly stating the general ledger cash account and of complying with unclaimed property laws, an accurate detail of outstanding checks should be maintained by clearing journal entries on a timely basis, as well as the timely processing stale dated items in compliance with the State of Hawaii unclaimed property laws.

*Responsible Official's Response and Corrective Action Planned* – At the end of each month, the financial officer will review and generate an accurate detailed report of outstanding checks or stale dated items. These items will be reviewed and processed in a timely manner in compliance with State of Hawaii unclaimed property laws.

**WESTERN PACIFIC REGIONAL FISHERY MANAGEMENT COUNCIL**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (Continued)**

**For the Year Ended December 31, 2016**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS**

Finding #2016-004: Allowable Costs and Cost Principles

*Federal Agency* – U.S. Department of Commerce

*Federal Programs* – CFDA 11.441 – Regional Fishery Management Councils

*Criteria* – 2 CFR 200.405 requires that the amount of costs allocable to a federal award or other cost objective must be in accordance with relative benefits received for such goods or services.

*Condition* – During our audit for the year ended December 31, 2016, documentation received in support of travel expenditures consisted of email messages showing detailed travel itinerary, along with airfare costs with rounded dollar amounts, from the travel agent used by the Council. Additional documentation consisted of credit card statements of the referenced travel.

*Questioned Costs* – Unknown.

*Context* – Of the \$5,496,039 expenditures for the Regional Fishery Management Councils (CFDA No. 11.441) from the U.S Department of Commerce, \$731,278 was for travel related expenditures. The majority of the expenditures consisted of airfare travel purchased through one vendor. Of the 40 sample selections tested, 14 pertained to airfare travel, totaling \$41,300. Prior to any approved trip, employees are advanced 75% of their per diem. Upon their return, if a travel report is submitted with copies of invoices incurred during the trip, the remaining 25% is paid to the employee.

*Effect or Potential Effect* – Travel related expenditures, if properly identified, may be inappropriate travel charges, which would be unallowable.

*Cause* – The Council has not been requesting documentation to support travel related expenditures other than the email messages sent by the travel agent.

*Recommendation* – To provide reasonable assurance of properly determining allowable travel related costs, request and obtain documentation to support amounts billed on the travel agent’s email messages. As an alternative, the Council can randomly select up to 25 travelers per year to perform a price comparison of ticket costs to document competitive and appropriate pricing.

*Responsible Official's Response and Corrective Action Planned* – The Council will continue to use multiple vendors to procure travel services and reconcile travel invoices against bank statements. In addition, staff will perform a price comparison audit of up to 25 travel invoices randomly sampled throughout the fiscal year. Random sampling of up to nine travel orders will begin in October 2017 to cover the last trimester of the year. The results of the random audit sampling will be recorded and made available upon request.

**PART V**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**WESTERN PACIFIC REGIONAL FISHERY MANAGEMENT COUNCIL**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

**For the Year Ended December 31, 2016**

**STATUS OF PRIOR YEAR COMMENTS**

*FINANCIAL STATEMENT FINDINGS*

No matters were reported

*FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*

No matters were reported.

**PART VI**  
**CORRECTIVE ACTION PLAN**



**Western  
Pacific  
Regional  
Fishery  
Management  
Council**

September 27, 2017

Carleton L. Williams  
CW Associates CPAs  
700 Bishop Street, Suite 1040  
Honolulu, Hawaii 96813

**Subject: Corrective Action Plan For the Year Ended December 31, 2016**

Dear Mr. Williams,

The Western Pacific Regional Fishery Management Council (Council) respectfully submits the following corrective action plan for the year ended December 31, 2016.

Name and address of independent public accounting firm:

CW Associates CPAs  
700 Bishop Street, Suite 1040  
Honolulu, Hawaii 96813

Audit Period: January 1, 2016 – December 31, 2016

The findings from the December 31, 2016 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FINDINGS-FEDERAL AWARD PROGRAMS AUDITS**

Financial Reporting

Regional Fishery Management Councils

CFDA No. 11.441

*Reference Number – Item #2016-001*

*Action Taken Regarding Accrual Basis of Accounting:* The Fiscal Officer will maintain accounting records on the accrual basis of accounting. Monthly reports detailing journal entries recognizing revenue earned in relation to receivables will be produced and made available for review by the 15<sup>th</sup> of the following month.

Regional Fishery Management Councils

CFDA No. 11.441

*Reference Number – Item #2016-002*

*Action Taken Regarding Regular and Timely Reconciliations of Bank Statements:* At the end of each month, reconciliation of the general ledger cash account against the related bank statement will be performed within 10 days upon receipt of the bank statement. The financial assistant will reconcile the bank statement, who will then have the fiscal officer verify the reconciliation for program officer review and approval. All unreconciled



items will be completely examined, resolved and any required adjustment to journal entry will be generated, approved, and posted to the general ledger.

**FINDINGS-FEDERAL AWARD PROGRAMS AUDITS (Continued)**

Financial Reporting (continued)

Regional Fishery Management Councils

CFDA No. 11.441

*Reference Number – Item #2016-003*

*Action Taken Regarding Outstanding Checks:* At the end of each month, the financial officer will review and generate an accurate detailed report of outstanding checks or stale dated items. These items will be reviewed and processed in a timely manner in compliance with State of Hawaii unclaimed property laws.

Compliance

Regional Fishery Management Councils

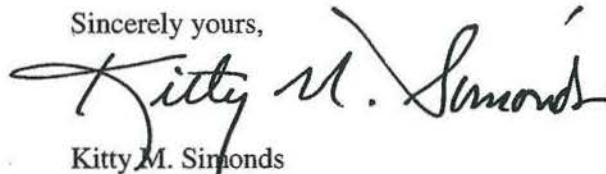
CFDA No. 11.441

*Reference Number – Item #2016-004*

*Action Taken Regarding Allowable Costs and Cost Principles:* The Council will continue to use multiple vendors to procure travel services and reconcile travel invoices against bank statements. In addition, staff will perform a price comparison audit of up to 25 travel invoices randomly sampled throughout the fiscal year. Random sampling of up to nine travel orders will begin in October 2017 to cover the last trimester of the year. The results of the random audit sampling will be recorded and made available upon request.

Should the Department of Commerce have questions regarding this plan, please call Rose B. Simmonds, Executive Director or Randy Holmen, Fiscal Officer at (808) 522-8220.

Sincerely yours,



Kitty M. Simmonds  
Executive Director