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National Security and
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The Honorable Benjamin A. Gilman
Chairman, Committee on International Relations
House of Representatives

The Honorable Harold Rogers
Chairman, Subcommittee on Commerce, Justice,
State, the Judiciary, and Related Agencies
Committee on Appropriations
House of Representatives

Subject: Financial and Management Practices of the Inter-American Tropical Tuna Commission

You expressed concern about the level of visibility and transparency of the operations of a number of international commissions, including the Inter-American Tropical Tuna Commission (IATTC), which is the subject of this report. IATTC was created in 1949 by Convention¹ between the United States and Costa Rica to coordinate international research on tuna populations in the Eastern Pacific Ocean.² Since then, other countries have become members. Under the Convention, IATTC is responsible for the management of tuna resources and reducing dolphin mortalities in the Eastern Pacific Ocean. Costs for funding tuna resource management and programs for monitoring dolphin mortalities are shared by the United States and other countries that are members of the IATTC.³

¹The Convention for the Establishment of an Inter-American Tropical Tuna Commission between the United States and Costa Rica was signed in May 1949. It was ratified by the United States in September 1949 and by Costa Rica in December 1949. It entered into force on March 3, 1950.

²The Eastern Pacific Ocean is the area between the mainlands of North, Central, and South America and 150 degrees longitude west.

³IATTC member countries are Costa Rica, Ecuador, El Salvador, France, Japan, Nicaragua, Panama, the United States, Vanuatu, and Venezuela.

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This report provides information about IATTC's activities during fiscal years 1995-97. Specifically, we identify (1) IATTC's sources and uses of funds and (2) the level of financial and managerial oversight over IATTC's activities.

In completing our review, we examined the Convention that established IATTC and its programs. We also reviewed financial reports by its external auditors. In addition, we discussed our observations regarding IATTC with the State Department and with IATTC officials in La Jolla, California.

BACKGROUND

As of March 1998, 10 countries were members of IATTC. IATTC's budget is supported by funds from its members. To achieve its mission, IATTC conducts a wide variety of investigations at sea, in ports where tuna are brought ashore, and in its laboratories. The investigations are carried out by a permanent, internationally recruited research and support staff.

IATTC's Organization

The Inter-American Tropical Tuna Commission is composed of national sections. Each member country can appoint up to four commissioners, who serve in a nonsalaried capacity. Currently, there are 21 commissioners, who provide overall policy guidance and make recommendations to their respective governments concerning IATTC's budget and activities. The United States has four commissioners at the present time. The commissioners designate a Director of Investigations to administer day-to-day operations.

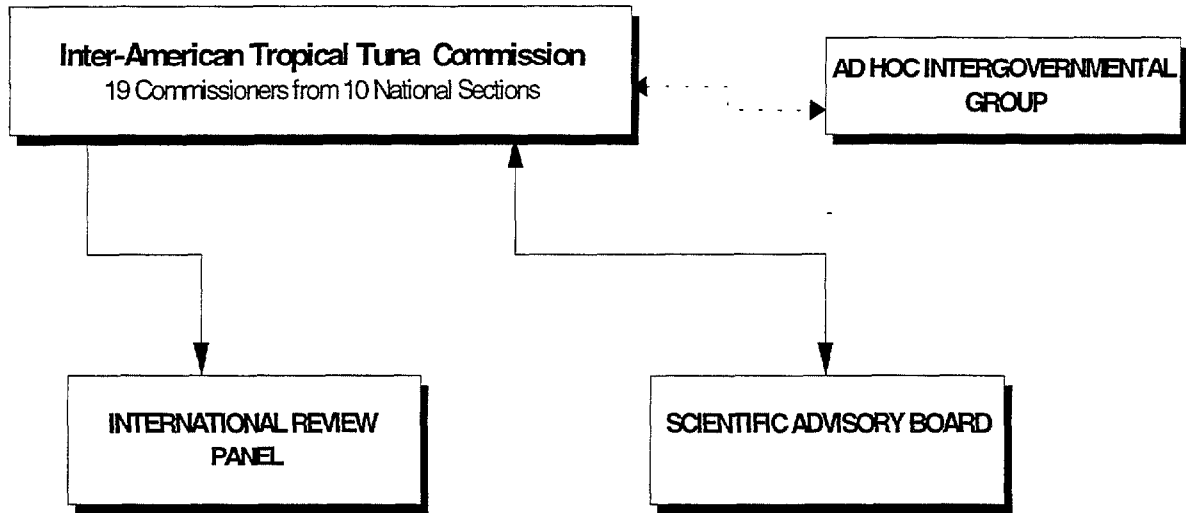
Two permanent bodies, the International Review Panel and the Scientific Advisory Board, have been set up to provide assistance to IATTC in developing policy and monitoring programs. The International Review Panel reviews information on dolphin mortality⁴ in the Eastern Pacific Ocean and identifies infractions by tuna fishing vessels. The Scientific Advisory Board assists in identifying fishing methods that could lead to fewer dolphin deaths and seeks alternative means of capturing large yellowfin tuna so as not to catch dolphin.

IATTC also works with a separate body, the Ad Hoc Intergovernmental Group, which assembles in conjunction with the IATTC's commissioners' annual meeting. The ad hoc group makes recommendations that are considered for adoption by the commissioners. According to the Director, the ad hoc group

⁴Dolphin can be caught in the same nets as those used for tuna. Saving the dolphin from this predicament is one of the U.S.' concerns.

provides an opportunity for nonmember countries⁵ to be heard regarding IATTC decisions (see fig.1).

Figure 1: IATTC's Committee Structure



Source: IATTC.

IATTC's Budget and Staffing

IATTC had total revenues of \$13.2 million for fiscal years (FY) 1995-97 to carry out its programs and operations. U.S. funding of IATTC is provided through the Department of State's appropriation. As of June 1998, IATTC had 39 employees working at its headquarters in La Jolla, California. Additionally, IATTC has 14 nonpermanent contract employees distributed among its six field offices in Manta, Ecuador; Ensenada and Mazatlan, Mexico;⁶ Panama City, Panama; Mayaguez, Puerto Rico; and Cumana, Venezuela. IATTC also contracts with up to 50 observers who are at sea at any one time. The observers' job is to record

⁵Colombia and Mexico—which harvest 35 percent of the fish caught in the Eastern Pacific Ocean—are nonmember countries that participate in the intergovernmental meetings. Nonmembers have agreed, as a condition of participation, to voluntarily comply with IATTC's policies. To become an IATTC member, each country must be accepted for membership by the other IATTC members and sign an instrument of adherence to the Convention.

⁶Although Mexico is not presently an IATTC member (Mexico dropped out of the agreement in 1987), IATTC offices were located in that country and were permitted to remain.

information on the fishing activities and dolphin mortalities of the tuna fishing vessels to which they are assigned.

RESULTS IN BRIEF

Funds from the United States and other member countries constituted the largest source of financing for IATTC. Other sources of funds during fiscal years 1995-97 included fees assessed on tuna vessel owners and income from sales of publications, rents, and interest on its bank funds. Individual tuna vessel owners pay a fee to support an IATTC observer program. The IATTC observers, among other duties, provide vessel owners with a certification of participation in the program, which enables them to sell tuna in the United States. IATTC documents show that about 53 percent of IATTC's funding was allocated to salaries and benefits and the remaining funds to tuna field research and general operations and maintenance.

IATTC's internal financial regulations provide for a significant amount of flexibility in managing its financial resources. For specified reasons, IATTC can carry over funds from year to year.

IATTC's funding formula calls for member countries to give funds based on the amount of tuna consumed by member countries as compared to total U.S. consumption. That is, all other countries' assessed funds are pegged to the U.S.' funding. This formula, in practice, does not, however, govern actual funding. Members are often not billed for their formula funding and sometimes do not make their full payments. During 1995-97, the United States provided about 87 percent of member funding.

Oversight of IATTC's financial operations is substantial. IATTC has established formal approval processes for its activities and programs. Any IATTC decision or activity requires the unanimous approval of all members. In addition, IATTC has adopted financial regulations that require an annual external audit of its finance and accounting practices. These audits were conducted for fiscal years 1995 through 1997. With regard to managerial, or program, oversight, the member countries' commissioners meet annually to review IATTC's programs and approve the proposed budget.

SOURCES AND USES OF IATTC FUNDING

The major sources of IATTC's funding come from the United States and other member countries and fees assessed against tuna vessel owners. These fees are assessed to pay for on-board observers from IATTC, who monitor fishing activities and estimate how many, if any, dolphins have died during the fishing

process. Other sources of funds include income from sales of publications, rents, and interest income.

Funding and Assessed Fees

In addition to member funds, IATTC receives fees from tuna vessel owners to pay observers to monitor their fishing activities for dolphin mortalities. If no dolphins are killed, the observers give boat owners a certificate verifying this fact. With the certificate, vessel owners can sell their tuna in the U.S. market.⁷

IATTC's revenues from funds and assessed fees⁸ totaled \$13.2 million for fiscal years 1995 to 1997. Table 1 shows total member funding and assessed fees for this 3-year period.

Table 1: IATTC Funding, Fiscal Years 1995-97

Fiscal year	Member funding	Vessel assessments	Total
1995	\$3,227,025	\$1,013,959	\$4,240,984
1996	3,226,925	973,476	4,200,401
1997	3,477,142	1,268,980	\$4,746,122
Total	\$9,931,092	\$3,256,415	\$13,187,507

Source: GAO analysis based on data provided by IATTC.

Other Sources

Between fiscal years 1995 and 1997, IATTC received \$197,700 in additional income. About \$36,300 was derived from the sale of publications, and

⁷In 1990, the United States placed an embargo on importation of yellowfin tuna from the eastern Pacific Ocean that did not carry certification that no dolphins had died during the fishing process.

⁸IATTC assessed fees are currently \$12 per ton of carrying capacity on large tuna vessels. For example, if a tuna vessel has the capability to carry 500 tons of tuna, the owner pays an annual assessment of \$6,000.

miscellaneous and rental income from a building owned by IATTC. Income from funds held in interest-bearing accounts amounted to \$61,400.⁹

IATTC's Funding Formula

IATTC's funding formula calls for member country funds sent to IATTC to be based on the percent of tuna consumed by each member country as compared to the total amount of tuna that the United States consumes.¹⁰ The U.S.' funding is based on U.S. policies and concerns regarding tuna and dolphin. There is no specific formula for determining the U.S.' funding. Essentially, the State Department tells IATTC what the U.S. will contribute. The other countries' funding is then calculated, using the formula, based on the U.S.' funding. To determine a member country's funding, the formula requires that, first, the member country's consumption of tuna be compared with the U.S.' consumption of tuna. Second, member's tuna consumption, as a percentage of total U.S. consumption, is then multiplied by the amount of the U.S.' funding.¹¹ Table 2 shows the amount of funds each member country paid in fiscal year 1997 and the amount each country should have paid based on the formula.

⁹As required by its regulations, IATTC uses interest-bearing accounts to hold funds. IATTC transfers funds from these accounts to its checking account when the balance (of the checking account) falls below \$200,000.

¹⁰The original formula determining the amount of member funding was set in the 1949 Convention. It called for a member's proportion of the funding to be related to the total proportion of tuna consumed by all member countries. The current formula has been in place since 1980.

¹¹For example, in fiscal year 1997, France utilized 5,266,087 pounds of tuna, and the United States used 113,029,157 pounds. Thus, France's utilization was 4.7 percent of the amount of tuna the United States used. The United States gave about \$3.2 million to IATTC's funding, so France's funding, per the funding formula, would have been 4.7 percent of the U.S.' funding, or about \$149,250.

Table 2: Comparison of Actual Member Funds to Assessed Funds Based on IATTC's Funding Formula, Fiscal Year 1997

Member country	Tuna utilization in pounds	Percent of U.S. total	Assessed funds per formula	Funds paid in 1997	Difference
United States	113,029,157	100	\$3,175,542	\$3,175,542	0
Costa Rica	29,221,515	25.9	822,465	0	\$822,465
France	5,266,087	4.7	149,250	22,600	126,650
Japan	12,348,510	10.9	346,134	278,000	68,134
Panama	0	0	500	500 ^a	0
Vanuatu	0	0	500	500 ^a	0
Venezuela	64,949,542	57.5	1,825,937	659,734	1,266,203
Total	224,814,811		\$6,320,328	\$4,036,876	\$2,283,452

Note: No utilization figures were provided for Nicaragua, and neither Ecuador nor El Salvador was a member of IATTC at this time.

^aIATTC requires a \$500 minimum payment.

Source: GAO's analysis based on data provided by IATTC.

IATTC has not been using its formula to calculate members' assessed funds, however. Moreover, some countries have not paid the amounts they were actually assessed. The differences between the formula share and what other countries were actually assessed and paid have been made up by the United States because of its interest in conserving dolphins and maintaining tuna resources in the Eastern Pacific Ocean. The Director also stated that IATTC does not ask every member country to give the amount of funds established by the formula because many of the member countries are very poor and have severe financial and social problems that override concerns for financing IATTC. He added that there are no penalties or adverse conditions for late or nonpayments.

Use of Funds

In fiscal years 1995 through 1997, IATTC allocated about 53 percent of its funding to salaries and benefits. The remaining funds were allocated to tuna field research and

field research and general operations and maintenance of IATTC's headquarters and field locations.¹² IATTC's regulations provide for a significant amount of flexibility in managing its financial resources. For example, IATTC's regulations authorize the Director to carry forward 12.5 percent of the total budget for the next fiscal year to meet contingencies. When unobligated funds exceed 12.5 percent, the regulations authorize the Director to consult with the commissioners to decide whether the excess funds should be used to fund special research projects or to credit the member country funds in proportion to the amounts they are billed in that fiscal year. Moreover, funds can be carried forward pending receipt of member country funds.

During fiscal years 1995-97, IATTC carried forward about \$1.9 million dollars. Table 3 shows IATTC's actual amounts carried forward for fiscal years 1995-97.

Table 3: IATTC's Funds Carried Forward, Fiscal Years 1995-97

Fiscal year	Funds	Carried forward to next fiscal year	Percent of funds
1995	\$4,271,309	\$545,646	12.8
1996	4,225,355	532,685	12.6
1997	4,798,944	775,160	16.2
Total	\$13,295,608	\$1,853,491	13.9

Source: GAO analysis based on data provided by IATTC.

The Director told us that he reserves enough funds to pay salaries in the event that member funding is delayed beyond the beginning of the new fiscal year and to cover severance pay should IATTC be dissolved. He added that funds were also carried forward to pay tuna vessel observer costs to the end of the calendar year.

EXTENSIVE FINANCIAL AND MANAGERIAL OVERSIGHT EXISTS

IATTC has substantial oversight of its financial operations. The State Department reviews the IATTC's budget submission. In addition, IATTC has firmly established approval processes for its activities and programs that require the unanimous consent of the commissioners for all decisions or activities. In

¹²We did not attempt to independently verify actual spending for each category.

addition, IATTC has in place structures to obtain comment from experts and nongovernmental groups. Moreover, annual external audits of IATTC's financial and accounting practices must be performed, according to IATTC's internal financial regulations.

Approval Process and Outside Review

IATTC's regulations require that decisions regarding programs, research, and budgets be approved unanimously by IATTC's commissioners. No programs, research, or budget allocations can be implemented if any member country, including the United States, withholds its approval. This effectively gives veto authority to any member. In addition, IATTC's regulations require annual meetings at which member countries, advisory committees, and interested nongovernmental groups review IATTC programs and research. The Director told us that IATTC commissioners meet with the Director and staff annually to discuss IATTC's tuna and dolphin research programs and to review and approve the draft budget. Concurrently, an Ad Hoc Intergovernmental Group meets to provide assistance to IATTC in developing policy.

Financial Audits Are Regularly Conducted

IATTC's financial regulations require that an annual financial audit be performed by an independent accounting firm. IATTC has had these audits conducted as directed over the past 3 fiscal years. Our review of the financial audit reports for fiscal years 1995 through 1997 showed the auditors reported that IATTC maintained its financial records in accordance with a comprehensive cash basis form of accounting.

AGENCY COMMENTS

In oral comments on a draft of this letter, the Department of State generally agreed with the information and provided technical comments which we incorporated as appropriate.

SCOPE AND METHODOLOGY

We performed our work at the State Department in Washington, D.C., and visited IATTC's headquarters in La Jolla, CA, and an IATTC field office in Ensenada, Baja California, Mexico.

To identify IATTC's sources and uses of funds, we examined IATTC's appropriations from the State Department and the member country funds for fiscal years 1995 through 1997. In addition, we reviewed IATTC budget documents for fiscal years 1995 through 1997. We examined financial

information on IATTC's banking and investment accounts, IATTC's financial regulations that govern the use and administration of funds, and the amount of accumulated unused fund balances by year-end source for fiscal years 1995 through 1997. We discussed our observations with IATTC's management.

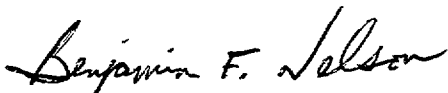
To provide information on IATTC's flexibility in using its funds, we reviewed IATTC's Convention and its internal financial regulations. We discussed IATTC's policies and financial management practices with the State Department's Office of Marine Conservation and with IATTC's Director of Investigations.

To assess the extent of financial and managerial oversight over IATTC's activities, we examined the Tuna Conventions Act of 1950, as amended (16 U.S.C. 951-961), and reviewed Office of Management and Budget and GAO documents related to internal controls and performance management for criteria. We reviewed minutes of the meetings of IATTC, the International Review Panel of IATTC, and the Ad Hoc Intergovernmental Group for fiscal years 1995 through 1997. We interviewed IATTC and State Department personnel and identified all existing reports regarding oversight of IATTC for fiscal years 1995 through 1997, including the annual financial audits by independent auditors for the period. We did not, however, evaluate or test the independent auditors' reports, nor did we assess or test IATTC's system of internal and managerial controls.

We performed our work between May and July 1998 in accordance with generally accepted government auditing standards.

We are sending copies of this letter to the Secretary of State, the U.S. Commissioners to IATTC, and other interested parties. We will make copies available to others upon request.

Major contributors to this letter were Elliott C. Smith, David R. Martin, Patricia Sari-Spear, Jimmy Palmer, Jr., Mark Speight, and Rona Mendelsohn. If you have any questions concerning this letter, please call me on (202) 512-4128.



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