

Office of Inspector General

**Semiannual Report to Congress
Covering the Period**

April 1, 2015 – September 30, 2015



FEDERAL MARITIME COMMISSION



FEDERAL MARITIME COMMISSION
Washington, DC 20573

November 24, 2015

Office of Inspector General

Dear Chairman Cordero and Commissioners:

The following report is submitted in accordance with Section 5 of the Inspector General Act of 1978, as amended. The report summarizes the activities of the Office of Inspector General (OIG) for the period April 1, 2015 to September 30, 2015.

During this reporting period, the OIG was pleased to welcome two new, temporary staff. Ms. Cynthia Poteat, a Senior Auditor on detail from the Environmental Protection Agency OIG, who joined the FMC OIG in late May 2015 for a six-month reimbursable detail. In addition, Mr. Trey Levy, a law student from American University, worked as a summer legal intern for the OIG. The contributions of Ms. Poteat and Mr. Levy were particularly important during the period when one of the office's two positions remained vacant.

The OIG completed an *Audit of Expenditures for Furnishing or Redecorating Commissioners' Offices*, and had a financial audit and information security evaluation in progress at the end of the reporting period. These assignments are all discussed in more detail in the attached report. The OIG continues to appreciate the cooperation and courtesies provided by the FMC's leadership and staff.

Respectfully submitted,

Jon Hatfield
Inspector General

Enclosure

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EXECUTIVE SUMMARY

This semiannual report summarizes the activities and accomplishments of the Federal Maritime Commission (FMC or Commission), Office of Inspector General (OIG) for the six month reporting period April 1, 2015 through September 30, 2015. The most significant activities of the OIG during the second half of fiscal year (FY) 2015 are summarized below and additional details can be found in subsequent sections of this report.

During part of this reporting period, the OIG's one auditor position was vacant, this position represents one-half of the OIG's staff size. However, the OIG entered into a six-month agreement with the Environmental Protection Agency (EPA) OIG to have a Senior Auditor detailed to this office. In addition, the OIG also started a new OIG intern program and had one legal intern work for the OIG during the summer of 2015.

During this reporting period, the OIG completed an [*Audit of Expenditures for Furnishing or Redecorating Commissioners' Offices*](#). In addition, the OIG had two audits and one evaluation open during the period. Specifically, the annual financial statement audit (A16-01) and evaluation of the FMC's compliance with the Federal Information Security Management Act (A16-02) are expected to be completed in November 2015, and an audit of the FMC's physical security operations is on-hold pending the staffing of the OIG's vacant auditor position.

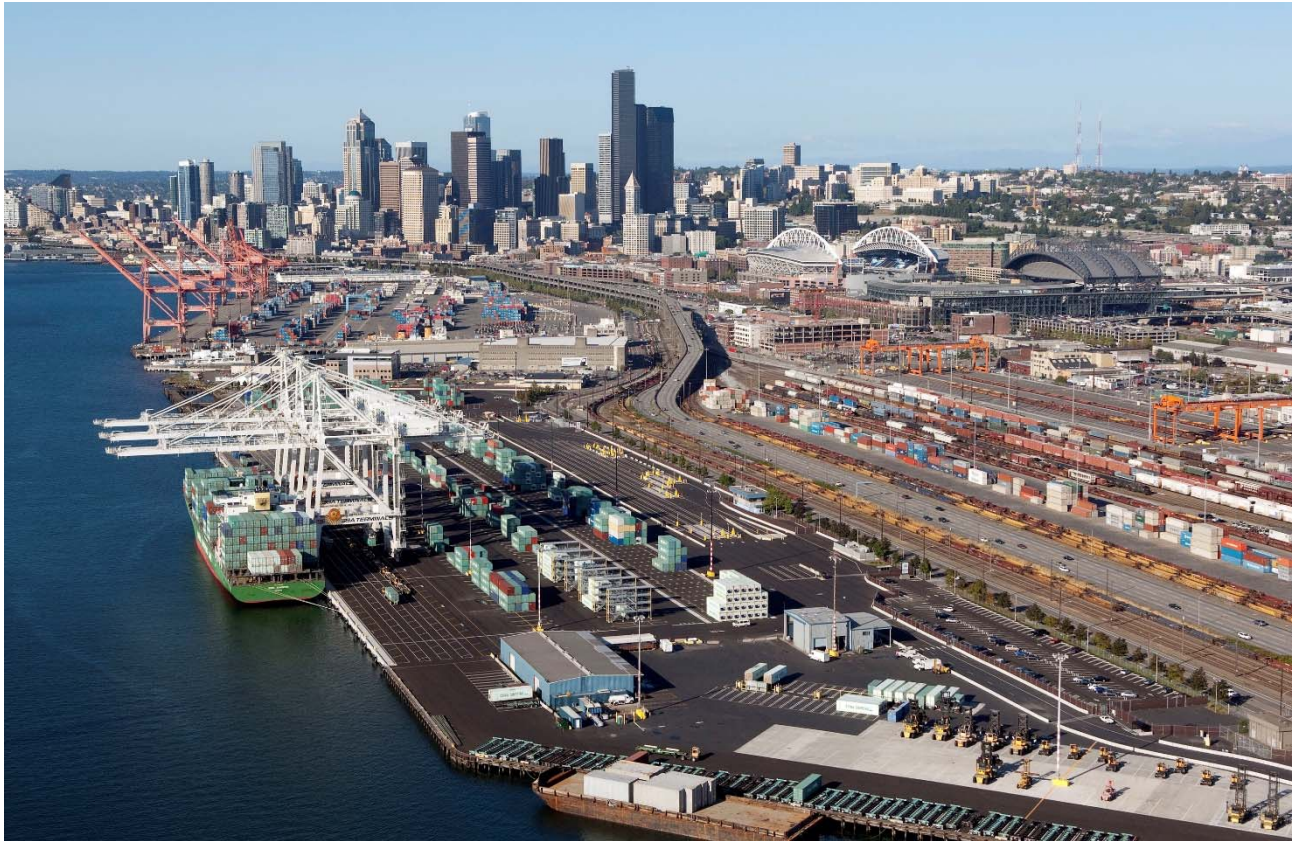
During the period, the OIG received two new hotline complaints and closed seven hotline complaints. The OIG also closed one administrative investigation. There were no new investigations or matters referred to prosecutorial authorities during this period. At the end of this reporting period, five hotline complaints were pending and there were no investigations open.

FEDERAL MARITIME COMMISSION

The FMC is an independent Federal agency responsible for the regulation of ocean borne transportation in the foreign commerce of the United States. The principal statutes or statutory provisions administered by the Commission are: the Shipping Act of 1984, as amended by the Ocean Shipping Reform Act of 1998; the Foreign Shipping Practices Act of 1988; and Section 19 of the Merchant Marine Act of 1920.

The FMC is headed by five Commissioners nominated by the President and confirmed by the U.S. Senate, each serving five-year terms. Although the majority of FMC personnel are located in Washington, D.C., the FMC also maintains a presence in Los Angeles, Seattle, New York, New Orleans, Houston, and South Florida through Area Representatives. These Area Representatives serve the major ports and transportation centers within their respective geographic areas, and provide information, liaison and investigatory services on behalf of the FMC.

Pictured: Port of Seattle, Washington.



Port of Seattle by Don Wilson.

OFFICE OF INSPECTOR GENERAL

The OIG was established in 1989 by the Inspector General Act of 1978, as amended (5 U.S.C. app.). The OIG is an independent audit and investigative unit headed by an IG who reports to the FMC Commissioners and Congress. To aid the FMC in accomplishing its mission, the OIG is provided two full-time positions, the Inspector General and an auditor. The OIG has a memorandum of understanding (MOU) in place with the Federal Election Commission (FEC) OIG under which the FEC IG's Counsel also serves as the FMC IG's Counsel on a reimbursable basis.

During this semiannual period, the OIG was pleased to welcome two new, temporary staff. Ms. Cynthia Poteat, a Senior Auditor on detail from the Environmental Protection Agency OIG, joined the FMC OIG in late May 2015 for a six-month reimbursable detail. In addition, Mr. Trey Levy, a law student from American University, worked as a summer legal intern for the OIG.

Ms. Poteat has over 30 years of Federal government experience and is currently a Senior Auditor with the Environmental Protection Agency, OIG Financial Audit Staff. Last November 2014, Ms. Poteat helped complete the audit of the EPA's 2014 financial statements. Ms. Poteat is a mentor and a coach to the EPA OIG's junior audit staff and has also completed EPA audits in the areas of property accountability, unliquidated obligations and pesticide re-registration.



Photo by FMC's David W. Story.

Mr. Levy is a second-year law (2L) student at American University's Washington College of Law with an interest in environmental issues concerning the ocean. Last year he served on the Student Bar Association's Student Senate and was re-elected to continue as a member of the Senate for his 2L year. Mr. Levy received his Bachelor of Arts in Political Science and History from Oberlin College in 2014, where he also served as class president. During the summer 2015, Mr. Levy was responsible for assisting the OIG on hotline complaints and investigative work.

The OIG is responsible for conducting audits and investigations relating to the programs and operations of the FMC. Audits are conducted for the purpose of finding and preventing fraud, waste and abuse, and promoting economy, efficiency and effectiveness within the agency. The OIG investigations seek out facts related to allegations of wrongdoing on the part of FMC employees and individuals, or entities contracting with, or obtaining benefits from, the agency. The Inspector General Act provides that the OIG shall have access to all agency records and may subpoena records from entities outside of the agency in connection with an audit or investigation.

The IG is required by law to prepare a report summarizing OIG audits and investigations during the immediately preceding six-month period. The report is sent to the FMC Commissioners, the President of the Senate, the Speaker of the House and FMC's appropriating and authorizing committees. This dual reporting requirement helps to ensure the independence of the OIG.

OFFICE OF INSPECTOR GENERAL ACTIVITIES

Completed Audit

[Audit of Expenditures for Furnishing or Redecorating Commissioners' Offices.](#) The OIG completed an audit of expenditures for furnishing, redecorating or making improvements to the Commissioners' offices of the FMC. The OIG decided to perform this audit, after the FMC OIG received a request on May 9, 2012, from the U.S. House of Representatives Committee on Oversight and Government Reform to provide a complete account for all purchases made for the then-Chairman. The OIG commenced this audit on April 25, 2013, but due to the separation of the OIG's auditor-in-charge in December 2013, the audit was put on hold until June 2015, after a new auditor joined the OIG. To ensure Presidential-appointees do not expend taxpayers' dollars for lavish office suites, laws have been in place to limit amounts to be spent on office redecorating and improvements to a maximum of \$5,000, per Commissioner and office suite.

The OIG's audit determined that the \$5,000 statutory limit to furnish or redecorate, or to purchase furniture or make improvements to a Presidential-appointee's offices was exceeded for the former Chairman; this former Chairman served as FMC Chairman from September 2009 to March 2013. Specifically, the OIG found that for fiscal years 2009 – 2011, \$12,084 was spent for furnishings and redecorating of this former Chairman's office suite.

The OIG concluded the agency lacks a policy to ensure the \$5,000 limit is not exceeded for each Commissioner. Specifically, there is no agency policy to provide the Commissioners and the responsible agency officials with guidance on the type of expenditures that are applied to the \$5,000 limit, and to stipulate that the limit applies to the suite of offices assigned or under the control of the Commissioners. Further, the OIG found the agency has not maintained adequate documentation on Commissioners' expenditures for furnishing, redecorating and making improvements to Commissioners' offices.

The OIG's audit report contained five recommendations, and the agency concurred with all of the OIG's recommendations. The agency recognizes the need for improvements to the Commission's recordkeeping processes and implementation of written policy guidance on the Commissioners' office suite expenditures. The OIG believes the agency's planned corrective actions demonstrate a commitment to address the weaknesses identified during this audit.

Open Audits and Evaluation

Independent Auditors' Report of FMC's FY 2015 Financial Statements. The audit objectives are to opine on whether the FMC's FY 2015 financial statements follow U.S. Generally Accepted Accounting Principles and present fairly the financial position of the agency. The audit will also review internal controls over financial reporting and agency compliance with laws and regulations. The statements to be audited are the Balance Sheets as of September 30, 2015 and 2014, and the related Statements of Net Cost, Statements of Changes in Net Position, Statements of Budgetary Resources and Statements of Custodial Activity.

Evaluation of FMC's Compliance with the Federal Information Security Management Act FY 2015. The objectives of the independent evaluation of the FMC's information security program are to evaluate its security posture by assessing compliance with the Federal Information Security Management Act (FISMA) and related information security policies, procedures, standards, and guidelines. The scope of this evaluation includes the FMC network and applications housing service contracts, tariff location filings, and FMC license applications. The OIG will evaluate potential system vulnerabilities and assess management actions to implement prior-year recommendations.

Audit of FMC's Physical Security – Datawatch. The objective of the audit is to determine the effectiveness of the Datawatch security system, assess the cost efficiency of the program and review the internal controls regarding the security information generated from the system. Due to higher priority assignments and an OIG staff vacancy, this assignment was put on-hold during a previous reporting period. The audit is expected to be continued after the OIG has filled the vacant auditor position.

Hotline and Investigations

The Inspector General Act of 1978, as amended, provides that the IG may receive and investigate complaints or information concerning possible allegations of fraud, waste and abuse occurring within FMC programs and operations by employees or contractors. Matters of possible wrongdoing are referred to the OIG in the form of allegations or complaints from a variety of sources, including FMC employees, other government agencies and the general public.

During the period, the OIG received two new hotline complaints and closed seven hotline complaints. The OIG also closed one administrative investigation. There were no new investigations or matters referred to prosecutorial authorities during this period. At the end of this reporting period, five hotline complaints were pending and there were no investigations open.

OTHER ACTIVITIES

Peer Review

Federal OIGs are required by the IG Act to have an audit peer review performed once every three years. These reviews are to be performed only by Federal auditors. A committee of the Council of Inspectors General on Integrity and Efficiency (CIGIE) schedules the review to ensure that resources are available to perform the review and that OIGs do not conduct reciprocal reviews. The objectives of a peer review are to determine, for the audit function, whether an effective quality control system has been established in the office and if policies, procedures and applicable government auditing standards are being followed.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (P.L. 111-203), requires Federal OIGs to include in their semiannual reports to Congress an appendix containing

the results of any peer review conducted by another OIG during the reporting period, or, if no peer review was conducted within that reporting period, a statement identifying the date of the last peer review conducted by another OIG. Please see appendix A for additional information.

Memorandum of Understanding

In accordance with Section 6 of the Inspector General Reform Act of 2008, each Inspector General shall have his or her own legal counsel, or obtain the services of a counsel appointed by and directly reporting to another Inspector General or the Council of Inspectors General on Integrity and Efficiency (CIGIE) on a reimbursable basis. The OIG signed a memorandum of understanding (MOU) with the Federal Election Commission OIG under which the FEC IG's Counsel also serves as the FMC IG's Counsel on a reimbursable basis.

Review of Legislation

As required by the Inspector General Act of 1978, as amended, the OIG routinely reviews proposed legislation and regulations. The purpose of these reviews is to assess whether the proposed legislation or regulation: (1) impacts the economy and efficiency of FMC programs and operations; and (2) contains adequate internal controls to prevent and detect fraud, waste, and abuse.

Council of Inspectors General on Integrity and Efficiency (CIGIE) Activities

The CIGIE was established by law as an independent entity by the Inspector General Reform Act of 2008 (P.L. 110-409) to:

- address integrity, economy and effectiveness issues that transcend individual government agencies; and
- increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled workforce in the Office of Inspectors General.

The CIGIE is comprised of all inspectors general that are Presidentially-appointed / Senate confirmed and those that are appointed by agency heads. The FMC OIG remains active in CIGIE

operations. Specifically, the Inspector General (IG) is a member of CIGIE, participates in the monthly CIGIE meetings and periodically assists CIGIE on special projects.

During this reporting period, the IG became a member of the CIGIE's Audit Committee and Investigations Committees. The Audit Committee is responsible for coordinating government-wide activities that promote economy and efficiency in Federal programs and operations, and to address areas of weakness and vulnerability with respect to fraud, waste, abuse, and mismanagement. The Audit Committee serves as a resource for the Federal audit community, maintains professional audit standards, and develops auditor training requirements. The mission of the Investigations Committee is to advise the IG community on issues involving investigations, investigative personnel, and establishing investigative guidelines. Both the Audit and Investigations Committees generally meet on a bi-monthly basis, or more frequently as necessary.

SUMMARY OF INSPECTOR GENERAL REPORTING REQUIREMENTS

IG Act Reference	Reporting Requirement	Pages
Section 4(a)(2)	Review of legislation and regulations	7
Section 5(a)(1)	Significant problems, abuses and deficiencies	None
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, or deficiencies	None
Section 5(a)(3)	Prior significant recommendations on which corrective actions have not been completed	10
Section 5(a)(4)	Matters referred to prosecutive authorities	None
Section 5(a)(5)	Summary of instances where information was refused	None
Section 5(a)(6)	List of reports by subject matter	10
Section 5(a)(7)	Summary of each report	4
Section 5(a)(8)	Reports with questioned costs	10
Section 5(a)(9)	Recommendations that funds be put to better use	None
Section 5(a)(10)	Summary of each report issued before this reporting period for which no management decision was made by the end of the reporting period	11
Section 5(a)(11)	Description and explanation of significant revised management decisions	None
Section 5(a)(12)	Significant management decisions with which the inspector general disagrees	None
Section 5(a)(13)	Information under Section 5(b) of the Federal Management Improvement Act (FFMIA) of 1996	None
Section 5(a)(14)(15)	Peer review activity on FMC OIG	13, App. A
Section 5(a)(16)	Peer review activity by FMC OIG on another OIG	None

TABLE I - Summary of Reports with Corrective Actions Outstanding for More than 6 Months

Report Title	Report Number	Issue Date	Recommendations		
			Number	Open	Closed
Workplace Evaluation Report	A15-04	03/10/15	6	3	3
FY 2014 Implementation of FISMA	A15-02	11/14/14	8	3	5
Review of FMC's User Fee Calculations	OR10-03	5/27/10	1	1	0

TABLE II - Listing of Reports Issued

Report Title	Report Number	Issue Date	Questioned Costs	Unsupported Costs	Funds Put to Better Use
Audit of Expenditures for Furnishing or Redecorating Commissioners' Offices	A15-05	09/29/15	\$7,084	\$0	\$0

TABLE III - Reports with Questioned Costs

	Number of Reports	Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period.	0	\$0	\$0
B. Which were issued during the reporting period.	0	\$0	\$0
Subtotal (A + B)	0	\$0	\$0
C. For which a management decision was made during the reporting period.	0	\$0	\$0
(i) dollar value of disallowed costs; and	0	\$0	\$0
(ii) dollar value of costs not disallowed.	0	\$0	\$0
D. For which no management decision has been made by the end of the reporting period.	1	\$7,084	\$0
E. Reports for which no management decision was made within six months of issuance.	0	\$0	\$0

TABLE IV - Recommendations that Funds be Put to Better Use

	Number of Reports	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period.	0	\$0
B. Which were issued during the reporting period.	0	\$0
Subtotal (A + B)	0	\$0
C. For which a management decision was made during the reporting period.	0	\$0
(i) dollar value of recommendations that were agreed to by management; and	0	\$0
(ii) dollar value of recommendations that were not agreed to by management.	0	\$0
D. For which no management decision has been made by the end of the reporting period.	0	\$0
E. Reports for which no management decision was made within six months of issuance.	0	\$0

Appendix A - Peer Review Activity

In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Section 989C of P.L. 111-203), which amended Section 5 of the Inspector General Act of 1978, OIGs are required to include in their semiannual reports (SAR) to Congress the results of peer reviews of their offices, as well as outstanding and not fully implemented recommendations from peer reviews the OIG received from another OIG, and outstanding and not fully implemented recommendations the OIG made in any peer review it performed for another OIG.

The Postal Regulatory Commission (PRC) OIG conducted an audit peer review of the FMC OIG in a prior reporting period. A final system review report was issued to the FMC OIG on March 28, 2013; this office received a *pass* rating. There were no weaknesses or recommendations identified in the system review report.

HOTLINE COMPLAINTS

The success of the OIG mission to prevent fraud, waste and abuse depends on the cooperation of FMC employees and the public.

Employees and the public are encouraged to contact the OIG regarding any incidents of possible waste, fraud or abuse occurring within FMC programs and operations.

A COMPLAINT CAN BE REPORTED BY CALLING OUR 24-HR DIRECT LINE:

(202) 523-5865

ONLINE COMPLAINT FORM:

<https://www2.fmc.gov/oigcomplaints/>

TO PLACE A COMPLAINT IN WRITING PLEASE MAIL TO:

Federal Maritime Commission
Office of Inspector General
Suite 1054
800 North Capitol Street, NW
Washington, DC 20573
To Be Opened By the IG Only

THE INFORMATION YOU PROVIDE IS CONFIDENTIAL. YOU CAN CHOOSE TO REMAIN ANONYMOUS; HOWEVER, INDIVIDUALS ARE ENCOURAGED TO ASSIST THE INSPECTOR GENERAL BY SUPPLYING INFORMATION AS TO HOW THEY MAY BE CONTACTED FOR ADDITIONAL INFORMATION.