

Office of Inspector General

**Semiannual Report to Congress
Covering the Period**

October 1, 2019 – March 31, 2020



FEDERAL MARITIME COMMISSION



FEDERAL MARITIME COMMISSION
Washington, DC 20573

April 29, 2020

Office of Inspector General

Dear Chairman Khouri and Commissioners Dye, Maffei, Sola and Bentzel:

The following report is submitted in accordance with Section 5 of the Inspector General Act of 1978, as amended. This report summarizes the activities of the Federal Maritime Commission (FMC) Office of Inspector General (OIG) for the period October 1, 2019 to March 31, 2020.

During this reporting period, the OIG completed three audits. Specifically, the OIG completed an audit of the Digital Accountability and Transparency Act of 2014 (A20-01), the FY 2019 annual financial statement audit (A20-02), and audit of the FMC's compliance with the Federal Information Security Management Act (A20-03). All of these audits are discussed in more detail in this 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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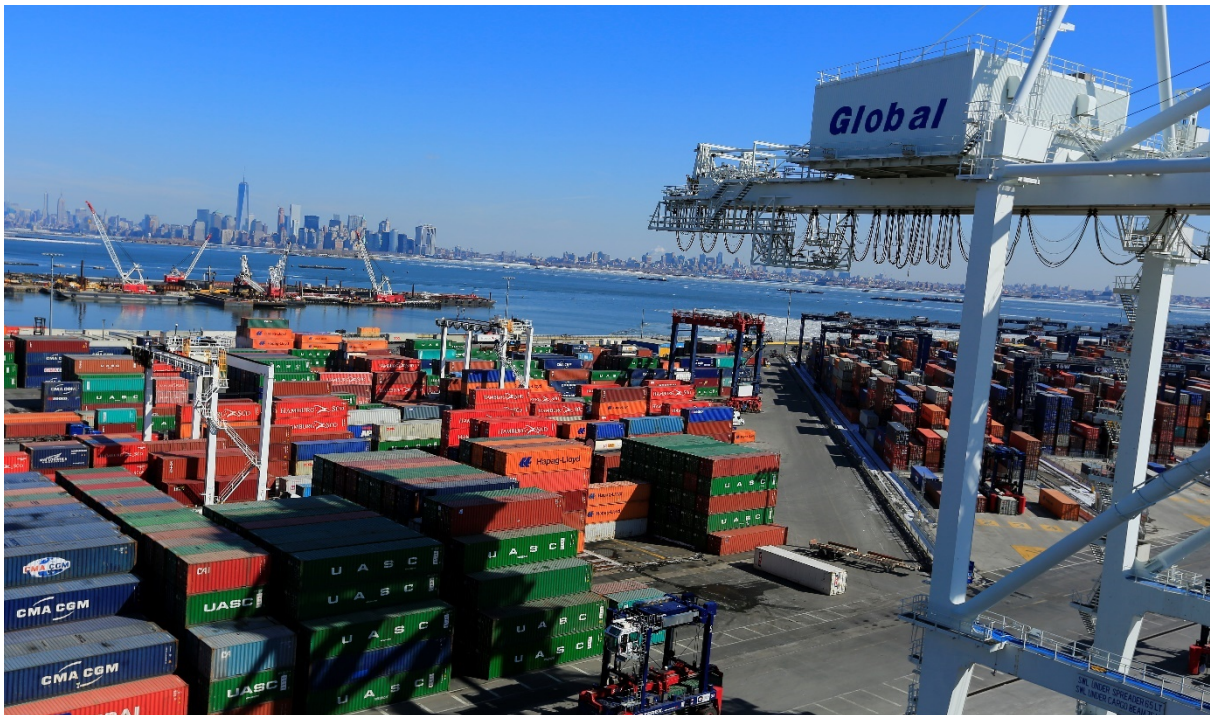
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Pictured: GCT New York Terminal, Staten Island, New York.



EXECUTIVE SUMMARY

This semiannual report summarizes the activities and accomplishments of the Federal Maritime Commission (FMC), Office of Inspector General (OIG) for the six-month reporting period October 1, 2019 through March 31, 2020. The most significant activities of the OIG during the first half of fiscal year (FY) 2020 are summarized below and additional details can be found in subsequent sections of this report.

During this reporting period, the OIG completed three audits. Specifically, the OIG completed an audit of the Digital Accountability and Transparency Act of 2014 (A20-01), the FY 2019 annual financial statement audit (A20-02), and audit of the FMC's compliance with the Federal Information Security Management Act (A20-03). All of these audits are discussed in more detail later in this report.

At the beginning of this period, there was one hotline complaint open. There were no new hotline complaints received during the period and the one hotline complaint remained open at the end of the reporting period. There were no new investigations or matters referred to prosecutorial authorities during this period and no investigations open at the end of the period.

FEDERAL MARITIME COMMISSION

The FMC is an independent federal agency responsible for ensuring a competitive and reliable ocean transportation supply system that supports the U.S. economy and protects the public from unfair and deceptive practices. 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. On December 9, 2019, Commissioner Carl Bentzel was sworn into office and filled a vacant Commission position. As a result of Commissioner Bentzel joining the Commission, all five of the Commissioner positions are filled.

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.

OFFICE OF INSPECTOR GENERAL

The OIG was established in 1989 by the Inspector General (IG) 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. 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 IG 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 this 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 Congressional appropriating and authorizing committees. This dual reporting requirement helps to ensure the independence of the OIG.

To aid the FMC in accomplishing its mission, the OIG is provided two full-time positions, the IG and an auditor. In addition, the OIG has a memorandum of understanding (MOU) with the Treasury Inspector General for Tax Administration for the FMC OIG to obtain legal advice services to carry out its responsibilities under the Inspector General Act.

OFFICE OF INSPECTOR GENERAL ACTIVITIES

Completed Audits

DATA Act Audit, 2019, A20-01. The OIG completed the audit and issued the final report on November 7, 2019. This was the second of three required DATA Act audits; the first audit was completed in November 2017. The Digital Accountability and Transparency Act of 2014 (DATA Act) was enacted May 9, 2014. In part, the DATA Act requires the Inspector General (IG) of each Federal agency to review a statistically valid sample of the spending data submitted by its Federal agency and to submit to Congress a publicly available report assessing the completeness, timeliness, quality, and accuracy of the data sampled and the implementation and use of the Government-wide financial data standards by the Federal agency.

The FMC's DATA Act reporting process involves multiple parties: Treasury's Bureau of the Fiscal Service, Administrative Resource Center (BFS ARC); the FMC's Senior Accountable Official (SAO) (Managing Director); the FMC's Office of Budget and Finance (OBF); and the FMC's Office of Management Services (OMS). The FMC uses two systems for its spending data: Oracle Financials as its source system for all financial data, and the Procurement Request Information System Management (PRISM) as its source system for contract data. The FMC also uses the Federal Procurement Data System-Next Generation (FPDS-NG) for collecting and reporting data on agency procurements.

The OIG tested 15 unique procurement transactions (records) to be reported on USAspending.gov for the first quarter of fiscal year 2019. These transactions were tested for completeness, accuracy, and timeliness. The OIG's audit determined that the FMC's error rate for completeness was 6.33%; the error rate for accuracy was 7.12%; and the error rate for timeliness was 24.21%. The majority of these errors were determined to be not attributable to the FMC, and the result of two different third-party system issues. The audit report contained three recommendations for improvement and FMC management agreed with the recommendations. In addition, the OIG concluded FMC management had effectively implemented the one audit recommendation from the 2017 DATA Act audit.

Independent Auditors' Report of the FMC's FY 2019 Financial Statements, A20-02.

The audit report was issued on November 19, 2019. The OIG contracted with Dembo Jones, P.C. to perform the audit and the OIG actively monitored and reviewed the work and results of the contractor. The audit objectives were to opine on whether the FMC's FY 2019 financial statements followed U.S. Generally Accepted Accounting Principles (GAAP) and presented fairly the financial position of the agency. The auditors also reviewed internal controls over financial reporting and agency compliance with laws and regulations. The statements audited were the balance sheet as of September 30, 2019, and the related statements of net cost, changes in net position, budgetary resources and custodial activity for the year then ended.

The independent auditor opined that the FMC's financial statements were fairly presented, in all material respects, in conformity with GAAP; there were no material weaknesses in internal control over financial reporting (including safeguarding assets); and no reportable noncompliance with laws and regulations tested. Therefore, there were no findings or recommendations in the audit report.

Audit of FMC's Compliance with the Federal Information Security Management Act (FISMA) FY 2019, A20-03. The audit report was issued on October 25, 2019. The OIG contracted with Dembo Jones, P.C. to perform the audit and the OIG actively monitored and reviewed the work and results of the contractor. The objectives of this independent audit of the FMC's information security program were to evaluate its security posture by assessing compliance with the FISMA and related information security policies, procedures, standards, and guidelines.

The scope of the testing focused on the FMC General Support Systems (GSS) and major applications. Audit testing included inquiry of FMC personnel, observation of activities, inspection of relevant documentation, and the performance of technical security testing. More specifically, testing covered a sample of controls as listed in National Institute of Standards and Technology's (NIST) 800-53, Recommended Security Controls for Federal Information Systems and Organizations, Revision 4. The evaluation report contained three recommendations to address three findings. FMC management agreed with the three recommendations and one of the recommendations was implemented prior to report issuance. In addition, the OIG concluded the FMC had effectively implemented all six of the prior year FISMA recommendations.

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.

At the beginning of this period, there was one hotline complaint open. There were no new hotline complaints received during the period and the one hotline complaint remained open at the end of the reporting period. There were no new investigations or matters referred to prosecutorial authorities during this period and no investigations open at the end of the period.

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 the Inspectors General on Integrity and Efficiency (CIGIE) on a reimbursable basis. The OIG has a memorandum of understanding (MOU) with the Treasury Inspector General for Tax Administration for the FMC OIG to obtain legal advice services to carry out its responsibilities under the Inspector General Act.

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 the 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.

During this reporting period, the IG served on the CIGIE's Audit Committee. 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 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.

SUMMARY OF INSPECTOR GENERAL REPORTING REQUIREMENTS

IG Act Reference	Reporting Requirement	Pages
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	None
Section 5(a)(4)	Matters referred to prosecutorial authorities and results	None
Section 5(a)(5)	Summary of instances where information was refused	None
Section 5(a)(6)	List of audit, inspection, and evaluation reports by subject matter, and where applicable, the value of questioned costs, unsupported costs, and funds put to better use	8
Section 5(a)(7)	Summary of each report	3-4
Section 5(a)(8)	Audit, inspection, and evaluation reports with questioned and unsupported costs	None
Section 5(a)(9)	Audit, inspection, and evaluation report recommendations that funds be put to better use	None
Section 5(a)(10)	Summary of each audit, inspection, and evaluation report issued before the commencement of this reporting period for which no management decision was made by the end of the reporting period; for which comments were not returned within 60 days of report issuance; and for which there are any outstanding unimplemented recommendations	None
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 804(b) of the Federal Financial Management Improvement Act (FFMIA) of 1996	None
Section 5(a)(14)(15)	Peer review activity on FMC OIG	11, App. A
Section 5(a)(16)	Peer review activity by FMC OIG on another OIG	11, App. A
Section 5(a)(17)	Statistical tables on investigative activities	None
Section 5(a)(18)	Description of metrics used for developing the data for the statistical table under Section 5(a)(17)	None
Section 5(a)(19)	Report on each investigation involving a senior Government employee where allegations of misconduct were substantiated	None
Section 5(a)(20)	Description of whistleblower retaliation	None
Section 5(a)(21)	Description of any attempt by the establishment to interfere with the independence of the OIG	None
Section 5(a)(22)	Description of particular circumstances of each inspection, evaluation, and audit conducted that is closed and was not disclosed to the public; and investigation conducted by the OIG involving a senior Government employee that is closed and was not disclosed to the public	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
<i>Evaluation of the FMC's Information Technology Inventory</i>	A18-04	05/31/18	4	4 *	0
<p>*In a memorandum dated April 9, 2020, the Managing Director informed the IG that the agency has corrected all recommendations. The OIG plans to follow-up on the audit recommendations to verify the actions taken by management have addressed the issues identified during the evaluation. The follow-up review will enable the OIG to close the recommendations.</p>					
<i>Administrative Control of Funds, Management Letter</i>	A20-02	09/30/19	6	6 *	0
<p>*In a memorandum dated April 9, 2020, the Managing Director informed the IG that the agency has already corrected several of the recommendations and is actively working to implement the other recommendations. The OIG plans to follow-up on the recommendations to verify the actions taken by management have addressed the issues identified during the audit. The follow-up review will enable the OIG to close the recommendations.</p>					

TABLE II - Listing of Reports Issued

Report Title	Assignment Number	Issue Date	Questioned Costs	Unsupported Costs	Funds Put to Better Use
<i>DATA Act Audit, 2019</i>	A20-01	11/7/19	\$0	\$0	\$0
<i>Independent Auditors' Report of the FMC's FY 2019 Financial Statements</i>	A20-02	11/19/19	\$0	\$0	\$0
<i>Audit of FMC's Compliance with the Federal Information Security Management Act (FISMA) FY 2019</i>	A20-03	10/25/19	\$0	\$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.	0	\$0	\$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.

An external audit peer review of the FMC OIG audit office was completed on May 23, 2019 by the U.S. Equal Employment Opportunity Commission OIG. A *pass* rating was issued and there were no recommendations contained in the system review report.

In addition, the OIG completed an audit peer review of the U.S. Commodity Futures Trading Commission (CFTC) OIG during a prior reporting period and issued a peer review report on August 13, 2019. The FMC OIG issued a *pass* rating and there were no recommendations contained 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.