

Office of Inspector General

**Semiannual Report to Congress
Covering the Period**

October 1, 2015 – March 31, 2016



FEDERAL MARITIME COMMISSION



FEDERAL MARITIME COMMISSION
Washington, DC 20573

April 28, 2016

Office of Inspector General

Dear Chairman Cordero and Commissioners Dye, Lidinsky, Khouri, and Doyle:

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 October 1, 2015 to March 31, 2016.

During part of this reporting period, the OIG was pleased to welcome auditor intern Mr. Dan Aylestock, an accounting student from George Mason University. Mr. Aylestock assisted the OIG prepare a risk-based audit plan, a project that involved interviews of agency officials, research, and the development of an electronic data collection tool. The OIG expects the project to be completed in the summer of 2016.

During the reporting period, one audit, an evaluation, and an audit peer review of the office were completed. On November 10, 2015, the OIG issued the *Independent Auditors' Report of the FMC's Fiscal Year 2015 Financial Statements*. In addition, on November 12, 2015, the OIG completed the *Evaluation of the FMC's Compliance with the Federal Information Security Management Act (FISMA) Fiscal Year 2015*. Lastly, the U.S. International Trade Commission OIG completed an audit peer review of the FMC OIG and issued a report with a *pass* rating. 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 October 1, 2015 through March 31, 2016. The most significant activities of the OIG during the first half of fiscal year (FY) 2016 are summarized below and additional details can be found in subsequent sections of this report.

During this reporting period, the OIG issued the [*Independent Auditors' Report of the FMC's FY 2015 Financial Statements \(A16-01\)*](#) and the report on the [*Evaluation of the FMC's Compliance with the Federal Information Security Management Act FY 2015 \(A16-02\)*](#). The OIG also completed a risk assessment of the FMC's purchase card program. In addition, an external peer review of the audit office was completed during the period by the U.S. International Trade Commission OIG and a [*pass rating was issued*](#).

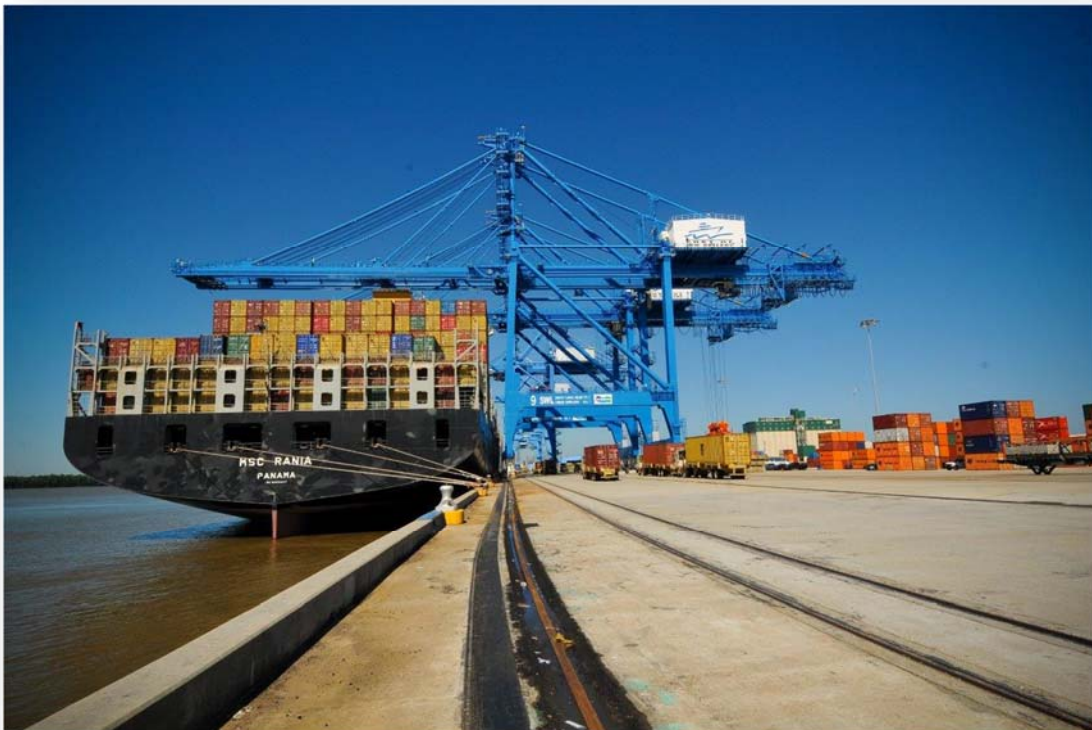
During the period, the OIG received one new hotline complaint and closed two hotline complaints. There were no new investigations or matters referred to prosecutorial authorities during this period. At the end of this reporting period, four hotline complaints were pending and there were no investigations 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 New Orleans, New Orleans, Louisiana



Credit: Port of New Orleans.

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. During this reporting period, the OIG's one auditor position was vacant. However, in 2015, the OIG entered into a six-month agreement with the Environmental Protection Agency (EPA) OIG to have a Senior Auditor detailed to this office; this auditor detail ended in early December 2015. The OIG had one part-time auditor intern during the spring of 2016, and is expecting two full-time auditor interns in the summer 2016.

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.

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 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.

OFFICE OF INSPECTOR GENERAL ACTIVITIES

Completed Audit and Evaluation

Independent Auditors' Report of the FMC's FY 2015 Financial Statements, [A16-01](#). This audit report was issued on November 10, 2015. The OIG contracted with Regis & Associates, PC 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 2015 financial statements follow U.S. Generally Accepted Accounting Principles (GAAP) and present 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 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.

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 compliance with laws and regulations; and no reportable noncompliance with laws and regulations tested. Therefore, there were no findings or recommendations in the audit report.

Evaluation of FMC's Compliance with the Federal Information Security Management Act (FISMA) FY 2015, [A16-02](#). This evaluation report was issued on November 12, 2015. The OIG contracted with Your Internal Controls, LLC to perform the evaluation and the OIG actively monitored and reviewed the work and results of the contractor. The objectives of this independent evaluation 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. Evaluation 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 FY 2015 report included six new recommendations to address five findings.

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 one new hotline complaint and closed two hotline complaints. There were no new investigations or matters referred to prosecutorial authorities during this period. At the end of this reporting period, four hotline complaints were pending and there were no investigations open.

OTHER ACTIVITIES

OIG Follow-Up

The OIG's follow-up on prior OIG recommendations resulted in the closure of three recommendations from the *Audit of Expenditures for Furnishing or Redecorating Commissioners' Offices*, [A15-05](#). Specifically, the agency strengthened internal controls to include improved record keeping, policies, and reporting to the Commissioners on their respective expenditures for furnishing or redecorating their offices. As a result, all five of the recommendations from this audit have been implemented by the agency and are closed.

Follow-up for the *OIG's Evaluation of the FMC's Compliance with the Federal Information Security Management Act (FISMA) FY 2015*, [A16-02](#) revealed the agency continues to make progress addressing open FISMA recommendations. Specifically, the OIG follow-up resulted in the closure of five OIG recommendations. The agency addressed deficiencies in the backup of computer data, encryption of mobile computers, contingency planning, among others.

Purchase Card Risk Assessment

In accordance with the *Government Charge Card Abuse Prevention Act of 2012* (Charge Card Act), the OIG completed the annual risk assessment of the FMC's purchase card program. The objective was to assess the risk of illegal, improper, and erroneous use of the purchase card program to determine the scope, frequency, and number of future audits and reviews to be conducted by the OIG. To conduct the risk assessment, the OIG reviewed purchase card data; program documentation; policies and procedures; and interviewed program officials for the purchase card program. The OIG assessed the risk of illegal, improper, or erroneous use in the FMC's purchase

card program is “**low**,” based on a scale from very low, to very high. In addition, several administrative suggestions were made to FMC management for improvement of the program.

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 the 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. An external peer review of the audit office was completed during the period by the U.S. International Trade Commission OIG and a *pass* rating was issued. 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 the Inspectors General on Integrity and Efficiency (CIGIE) on a reimbursable basis. The OIG has 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 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.

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 served on 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	3-4
Section 5(a)(8)	Reports with questioned costs	None
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	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 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 2015 Implementation of FISMA	A16-02	11/12/15	12	3	9
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
Independent Auditors' Report of FMC's FY 2015 Financial Statements	A16-01	11/10/15	\$0	\$0	\$0
Evaluation of FMC's Compliance with the Federal Information Security Management Act (FISMA) FY 2015	A16-02	11/12/15	\$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.

The U.S. International Trade Commission (USITC) OIG conducted an audit peer review of the FMC OIG in the current reporting period. The USITC OIG concluded the system of quality control for the FMC OIG's audit organization was suitably designed and complied with to provide FMC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards. [A final system review report was issued](#) to the FMC OIG on March 24, 2016; 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.