

# Office of Inspector General

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**Semiannual Report to Congress  
Covering the Period**

**April 1, 2016 – September 30, 2016**



**FEDERAL MARITIME COMMISSION**

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**FEDERAL MARITIME COMMISSION**  
Washington, DC 20573

October 28, 2016

*Office of Inspector General*

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

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, 2016 to September 30, 2016.

During part of this reporting period, the OIG was pleased to welcome two full-time summer auditor interns. Mr. Michael Maykish, an Accounting student from Old Dominion University, and Mr. Andrew Snyder, an Accounting student from the University of Virginia, assisted the OIG complete several projects during the summer of 2016.

During the reporting period, the OIG completed a DATA Act Readiness Review, Cybersecurity Review, and an audit peer review of another Federal OIG, among other projects. In addition, two assignments were in progress during the reporting period: the annual independent audit of the FMC's financial statements, and the annual Federal Information Security Management Act (FISMA) evaluation. These assignments are discussed in more detail in the enclosed 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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**Pictured: PortMiami, Miami, Florida**



## **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 April 1, 2016 through September 30, 2016. The most significant activities of the OIG during the second 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 completed several reviews, including a DATA Act Readiness Review, a Cybersecurity Review, and an audit peer review of another federal OIG. In addition, the OIG had one audit and one evaluation in-progress during the period. Specifically, the annual financial statement audit (A17-01) and evaluation of the FMC's compliance with the Federal Information Security Management Act (A17-02) are expected to be completed in November 2016. All of these assignments are discussed in more detail later in this report.

During the period, the OIG received three new hotline complaints. The OIG performed preliminary inquiries on three complaints; however, the OIG found no evidence of misconduct and the complaints were closed. 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.

### **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. During this reporting period, the OIG's one auditor position was vacant. During this semiannual period, the OIG was pleased to welcome two full-time auditor interns in the summer of 2016: Mr. Michael Maykish (left in the picture), an Accounting student from Old Dominion University; and Mr. Andrew Snyder (right in the picture), an Accounting student from the University of Virginia.



Mr. Maykish is a third year Accounting and Criminal Justice student at Old Dominion University's Strome College of Business, and has an interest in studying white collar crime. During sophomore year, he was elected to, and ran Old Dominion's Undergraduate Association for Sociology and Criminal Justice. During the summer of 2016, Mr. Maykish was responsible for assisting the OIG: oversee the 2016 financial statement audit; conduct the DATA Act Readiness Review; and finalize the OIG's risk assessment of agency programs and activities; among other projects.

Mr. Snyder is a third year Accounting student at the University of Virginia's McIntire School of Commerce, who has a strong interest in tax, international accounting, and accounting for publically traded entities. He is the Treasurer of the McIntire School's Accounting Society, and served on the Sustainability Committee for UVA's Net Impact Organization. For his term, Mr. Snyder assisted the OIG: oversee the 2016 FISMA information technology evaluation; conduct the OIG's audit peer review of the Election Assistance Commission OIG; and redesign the OIG's website; among other projects.

In addition to their work assignments, Mr. Maykish and Mr. Snyder had the opportunity to visit the Federal Deposit Insurance Corporation (FDIC) and the Department of Health and Human Services (HHS) IG offices, along with the Special Inspector General for Afghanistan Reconstruction (SIGAR), where they learned about the important work of these organizations. Mr. Maykish and Mr. Snyder met with OIG professionals involved in government accounting, forensic auditing, and federal law enforcement.

## **OFFICE OF INSPECTOR GENERAL ACTIVITIES**

### **Completed Reviews**

In September 2016, the OIG completed a [\*\*DATA Act Readiness Review, assignment A16-03\*\*](#). The objective of this readiness review was to gain an understanding of the processes, systems and controls which the FMC has implemented, or plans to implement, to report federal agency expenditures and link federal spending information in accordance with the requirements of the DATA Act. This understanding is necessary for the OIG to develop an informed methodology for the future OIG reviews required by the DATA Act.

The Digital Accountability and Transparency Act of 2014 (DATA Act) was enacted May 9, 2014 and, among other things, requires that federal agencies report financial and payment data in accordance with data standards established by the Department of Treasury (Treasury) and the Office of Management and Budget (OMB). The data reported will be displayed on a website available to taxpayers and policy makers. In addition, the DATA Act requires that agency OIGs review statistical samples of the data submitted by the agency under the DATA Act and report on the completeness, timeliness, quality and accuracy of the data sampled and the use of the data standards by the agency.

The OIG's DATA Act Readiness Review focused on the first four steps of the agency 8-step plan based on OMB Memorandum M-15-12, *Increasing Transparency of Federal Spending by Making Federal Spending Data Accessible, Searchable, and Reliable*, May 8, 2015. Overall, the OIG's review found the FMC had not completed, or only partially completed, some of the first four steps of the agency 8-step plan. While the OIG recognizes the FMC is largely relying on the implementation efforts of the Bureau of the Fiscal Service (BFS), the OIG concluded the FMC should be more actively engaged in the overall implementation of the DATA Act requirements. The OIG's report contained four suggestions for improvement.

Prior to the release of the final report, the agency generally adopted all four of the OIG suggestions. The agency updated and improved their DATA Act implementation plan, better defined the FMC working group responsible for the DATA Act, and appointed a new DATA Act Senior Accountable Official with the ability to coordinate efforts across multiple offices.

In August 2016, the OIG completed a *Cybersecurity Review, A16-04*. The Consolidated Appropriations Act, 2016, signed into law on December 18, 2015, required this review on the agency's cybersecurity practices. Specifically, the Cybersecurity Act of 2015, required all IGs of agencies operating national security systems, or federal computer systems that provide access to personally identifiable information (PII), to report to Congress regarding their agencies' cybersecurity practices. The FMC does not operate a national security system; however, one of the three major FMC computer systems does provide access to PII.

In order to complete the review, the OIG inquired with the agency and relied on their representations, except as it related to a determination on whether the agency is following

appropriate logical access standards. The OIG relied on testing from the fiscal year (FY) 2016 Federal Information Security Management Act (FISMA) Evaluation to assess the logical access standards. The OIG reported the results of the review to the agency; and the appropriate committees of jurisdiction in the Senate and the House of Representatives. The OIG generally found the agency is following appropriate logical access standards. The OIG identified two issues requiring improvement and communicated these two issues to the agency. As a result of the OIG review, the agency implemented corrective action.

### **Open Audit and Evaluation**

*Independent Auditors' Report of FMC's FY 2016 Financial Statements.* The audit objectives are to opine on whether the FMC's FY 2016 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 financial related laws and regulations. The statements to be audited are the Balance Sheets as of September 30, 2016 and 2015, 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 (FISMA) FY 2016.* The objectives of the independent evaluation of the FMC's information security program are to evaluate its security posture by assessing compliance with FISMA and related information security policies, procedures, standards, and guidelines. The scope of this evaluation includes general controls of 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.

### **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 three new hotline complaints. The OIG performed preliminary inquiries on three complaints; however, the OIG found no evidence of misconduct and the complaints were closed. 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 [\*Evaluation of the Federal Maritime Commission Workplace, A15-04\*](#). The OIG reviewed the agency's actions taken to address the outstanding recommendations and determined the actions were adequate. As a result, all six of the recommendations from this 2015 evaluation have been implemented by the agency and are closed.

Follow-up for the [\*OIG's Review of FMC's User Fee Calculations, OR10-03\*](#), revealed the agency has implemented the outstanding recommendation related to user fees. Specifically, effective October 1, 2016, the agency amended its user fees for various transactions and services. There are no outstanding recommendations from this review.

### **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. 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. During this reporting period, the OIG conducted an audit peer review of the Election Assistance Commission OIG and issued a peer review report on July 20, 2016. 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 (FEC) 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.

## SUMMARY OF INSPECTOR GENERAL REPORTING REQUIREMENTS

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

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

Report Title	Report Number	Issue Date	Recommendations		
			Number	Open	Closed
<b>FY 2015 Implementation of FISMA</b>	A16-02	11/12/15	9	3	6

**TABLE II - Listing of Reports Issued**

Report Title	Assignment Number	Issue Date	Questioned Costs	Unsupported Costs	Funds Put to Better Use
<b>DATA Act Readiness Review</b>	A16-03	9/16/16	\$0	\$0	\$0
<b>Cybersecurity Review</b>	A16-04	8/12/16	\$0	\$0	\$0

**TABLE III - Reports with Questioned Costs**

	<b>Number of Reports</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>
<b>A.</b> For which no management decision has been made by the commencement of the reporting period.	0	\$0	\$0
<b>B.</b> Which were issued during the reporting period.	0	\$0	\$0
<b>Subtotal (A + B)</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>
<b>C.</b> For which a management decision was made during the reporting period.	0	\$0	\$0
<b>(i) dollar value of disallowed costs; and</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>
<b>(ii) dollar value of costs not disallowed.</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>
<b>D.</b> For which no management decision has been made by the end of the reporting period.	0	\$0	\$0
<b>E.</b> 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**

		<b>Number of Reports</b>	<b>Dollar Value</b>
<b>A.</b>	For which no management decision has been made by the commencement of the reporting period.	0	\$0
<b>B.</b>	Which were issued during the reporting period.	0	\$0
<b>Subtotal (A + B)</b>		<b>0</b>	<b>\$0</b>
<b>C.</b>	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
<b>D.</b>	For which no management decision has been made by the end of the reporting period.	0	\$0
<b>E.</b>	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 peer review of the FMC OIG audit office was completed on March 24, 2016, during a prior semiannual period, by the U.S. International Trade Commission OIG. A *pass* rating was issued and there were no recommendations contained in the peer review report.

During this reporting period, the OIG conducted an audit peer review of the Election Assistance Commission (EAC) OIG and issued a peer review report on July 20, 2016. The FMC OIG issued a modified peer review report to the EAC OIG, and the peer review report contained no recommendations.

## 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.