

Office of Inspector General

**Semiannual Report to Congress
Covering the Period**

April 1, 2019 – September 30, 2019



FEDERAL MARITIME COMMISSION



FEDERAL MARITIME COMMISSION
Washington, DC 20573

October 31, 2019

Office of Inspector General

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

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 April 1, 2019 to September 30, 2019.

During this reporting period, the OIG completed one program assessment, and initiated three audits. Specifically, at the request of the agency, the OIG completed an assessment of the agency's *administrative control of funds* that is required to prevent Antideficiency Act violations. The OIG also initiated the annual financial statement audit and annual audit of the FMC's information technology security; and initiated the second of three audits of the DATA Act.

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: Pier Container Terminals, the Port of Los Angeles, San Pedro, California.



Picture source: The Port of Los Angeles.

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, 2019 through September 30, 2019. During this reporting period, the OIG completed one assessment; and initiated three audits. Specifically, the OIG completed an assessment of the FMC's *administrative control of funds*. The OIG also initiated the annual financial statement audit and the annual information technology security audit; and initiated the second of three audits of the DATA Act. Additional details on these assignments can be found in subsequent sections of this report.

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

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. Currently one of the Commissioner positions is vacant. The majority of FMC personnel are located in Washington, D.C., however, 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 congratulates Parker Skaats for passing all four parts of the Certified Public Accounting (CPA) examination. Mr. Skaats graduated from American University where he studied accounting, and he joined the OIG in the summer of 2018 as an auditor intern under the Pathways Internship Program. Mr. Skaats successfully completed the internship program requirements and was converted in early 2019 to a permanent full-time position. The Inspector General believes passing the CPA exam early in Mr. Skaats' professional career is a significant

step and paves the way for greater responsibilities and opportunities for Mr. Skaats.



Pictured: Parker Skaats, Auditor.

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 Inspector General (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.

OFFICE OF INSPECTOR GENERAL ACTIVITIES

Completed Assessment

Assessment Report on the Agency's Administrative Control of Funds, A20-02a. The OIG was requested by the agency in the summer of 2019 to perform this assessment and a report was issued on September 30, 2019. The OIG contracted with Dembo Jones, P.C., the agency's independent financial statement auditors, to perform this assessment. The agency's *administrative control of funds* encompasses internal controls to prevent Antideficiency Act (ADA) violations and ensure agency expenditures and obligations do not exceed the amounts appropriated by Congress.

The auditors determined the FMC has an internal control system in place for the administrative control of funds. As a result of the assessment, the auditors identified additional opportunities to further strengthen the agency's controls. FMC management concurred with the recommendations. Therefore, in the OIG's view, the combination of the current controls in place, and the additional controls once implemented by management, are expected to result in a sound and effective internal control environment for the agency's administrative control of funds.

Open Audits

DATA Act Audit, 2019, A20-1. USAspending.gov was launched in December 2007 to implement the Federal Funding Accountability and Transparency Act (FFATA) of 2006 by providing the public with free centralized access to information on Federal spending. The DATA Act expanded the reporting requirements pursuant to the FFATA. The DATA Act, in part, requires Federal agencies to report financial and award data in accordance with the established Government-wide financial data standards. In 2015, the Office of Management and Budget (OMB) and Department of the Treasury published 57 data definition standards and required Federal agencies to report financial data in accordance with these standards for DATA Act reporting, beginning May 2017.

The DATA Act also requires the 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 OIG commenced the audit in the summer of 2019 and plans to issue the final audit report by November 8, 2019; this is the second of three required audits of the DATA Act.

Independent Auditors' Report of FMC's FY 2019 Financial Statements, A20-02. The audit objectives are to opine on whether the FMC's FY 2019 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 Sheet as of September 30, 2019, and the related Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and Statement of Custodial Activity.

Audit of FMC's Compliance with the Federal Information Security Management Act (FISMA) FY 2019, A20-03. The objective of the independent audit of the FMC's information security program is to identify improvements for the agency's information technology security program. The audit will assess compliance with FISMA and related information security policies, procedures, standards, and guidelines. The scope of this audit 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 no hotline complaints. There were no new investigations or matters referred to prosecutorial authorities during this period. At the end of this reporting period, one hotline complaint was open and there were no investigations open.

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 Offices 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 OIG 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
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>	A-18-04	05/31/18	4	4 *	0
<p>*In a memorandum dated October 16, 2019, the Managing Director informed the IG that the agency has already corrected most of the recommendations. The Office of Information Technology (OIT) has replaced the manual computer equipment inventory spreadsheet with a new automated tracking system, and OIT expects to have all computer equipment barcoded with the new automated system by December 31, 2019. The OIG plans to follow-up on the agency's corrective actions during the upcoming semiannual period to 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>Assessment Report on the Agency's Administrative Control of Funds</i>	A20-02a	09/30/19	\$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 this 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.