

Office of Inspector General

**Semiannual Report to Congress
Covering the Period**

April 1, 2021 – September 30, 2021



FEDERAL MARITIME COMMISSION



FEDERAL MARITIME COMMISSION
Washington, DC 20573

October 29, 2021

Office of Inspector General

Dear Chairman Maffei and Commissioners Dye, Khouri, 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 April 1, 2021 to September 30, 2021.

During this reporting period, the OIG continued one audit, initiated two annual audits, and completed an audit peer review for another Federal OIG. The OIG also completed a follow-up review on the status of outstanding recommendations contained in the OIG's 2018 *Evaluation of the FMC's Information Technology Inventory*. Additional details on these assignments can be found in the enclosed report.

The OIG continues to appreciate the cooperation and commitment to integrity and ethical values demonstrated by FMC's leadership and staff.

Respectfully submitted,

Jon Hatfield
Inspector General

Enclosure

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Pictured: Port of Seattle



Picture source: Courtesy of the Port of Seattle.

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, 2021 through September 30, 2021. During this reporting period, the OIG continued one audit, initiated two annual audits, and completed an audit peer review for another Federal OIG. The OIG also completed a follow-up review on the status of outstanding recommendations contained in the OIG's 2018 *Evaluation of the FMC's Information Technology Inventory*. Additional details on these assignments can be found in subsequent sections of this report.

One hotline complaint was closed during the reporting period and four hotline complaints remained open at the end of this reporting period. There were no new hotline complaints received during this period and no open investigations or matters referred to prosecutorial authorities during this 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 agency regulates the international ocean transportation supply system (vessel liner carriers, ocean transportation intermediaries, and marine terminal operators).

The FMC is composed of five Commissioners nominated by the President and confirmed by the Senate, each serving a staggered five-year term. The Commission is a bipartisan body; no more than three members of the Commission may be of the same political party. One Commissioner, designated by the President, serves as the Chairman, Chief Executive, and Chief Administrative Officer of the Commission. The Inspector General reports to all five Commissioners.

Although most FMC personnel are 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 detecting 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 Assignments

Evaluation Follow-Up. The OIG completed a follow-up of the OIG's *Evaluation of the FMC's Information Technology Inventory* (A18-04) to determine whether the OIG's recommendations have been implemented. The results of the OIG's follow-up review determined that the Office of Information Technology (OIT) implemented three of the four OIG recommendations. Specifically, OIT has replaced the manual computer equipment inventory spreadsheet with a new and improved automated tracking system, and the agency's computer

equipment has been barcoded with the new automated system. In addition, policies and procedures were updated to ensure the accountability of the agency's information technology equipment. One recommendation remains open related to the development of a new computer inventory policy and agency management anticipates approval of the new policy by the 1st quarter of fiscal year 2022.

Audit Peer Review. The OIG completed an audit peer review of the Architect of the Capitol (AOC) OIG during this reporting period and issued a peer review report on September 1, 2021. The objectives of the audit peer review were to determine whether an effective quality control system has been established in the AOC OIG and if policies, procedures, and applicable government auditing standards are followed. The FMC OIG issued a *pass* rating and there were no recommendations contained in the system review report.

Open Audits

DATA Act Audit, 2021, A22-01. The OIG commenced the audit in early 2021 and plans to issue the final audit report by November 8, 2021; this is the third of three required audits of the DATA Act. 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 Digital Accountability and Transparency Act of 2014 (DATA Act) was enacted May 9, 2014, to expand 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.

The DATA Act also 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, accuracy, and quality of the data sampled and the implementation and use of the Government-wide financial data standards by the Federal agency.

Independent Auditors' Report of FMC's FY 2021 Financial Statements, A22-03. The audit objectives are to opine on whether the FMC's FY 2021 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, 2021, and the related Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and Statement of Custodial Activity. The final audit report will be issued by November 15, 2021.

Audit of FMC's Compliance with the Federal Information Security Modernization Act (FISMA) FY 2021, A22-02. 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, and practices. 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. The final audit report will be issued by October 29, 2021.

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 public.

One hotline complaint was closed during the reporting period and four hotline complaints remained open at the end of this reporting period. There were no new hotline complaints received during this period and no open investigations or matters referred to prosecutorial authorities during this 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 Offices 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 OIG is a member of CIGIE, participates in the monthly CIGIE meetings, and periodically assists CIGIE on special projects.

The IG continues to serve in the position of Chair of the CIGIE Audit Peer Review Subcommittee. To help auditors fulfill their oversight roles and comply with statutory requirements, professional standards, and established policies and procedures, a peer review of an OIG audit organization is required by generally accepted government auditing standards (GAGAS) and the CIGIE. The subcommittee is responsible for maintaining the CIGIE audit peer review schedule, managing requests for extensions and substitutions, coordinating amongst dispute

resolution panels, as well as answering questions about conducting audit peer reviews. The subcommittee is composed of dedicated volunteers from the CIGIE oversight community. Parker Skaats, the OIG's Auditor, is one of these dedicated volunteers and he serves on the subcommittee's frequently asked questions workgroup.

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 recommendations on which corrective actions have not been completed	8
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	None
Section 5(a)(7)	Summary of each report	2-3
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>	A18-04	5/31/18	4	1 *	3
* In September 2021, the OIG completed a follow-up review to determine whether FMC management implemented the OIG's recommendations from the 2018 evaluation. The results of the OIG's follow-up review determined that the Office of Information Technology (OIT) implemented three of the four OIG recommendations. One recommendation remains open related to the development of a new computer inventory policy and agency management anticipates approval of the new policy by the 1 st quarter of fiscal year 2022.					
<i>DATA Act Audit, 2019</i>	A20-01	11/7/19	3	3 *	0
* In a memorandum dated October 20, 2021, the Managing Director informed the IG that the agency considers the recommendations closed and awaits the results of the OIG's 2021 DATA Act audit. The OIG anticipates completion of the DATA Act audit in early November 2021.					
<i>Audit of the FMC's Compliance with the Federal Information Security Modernization Act (FISMA)</i>	A21-02	10/30/20	2	1 *	1
* Results from the OIG's Fiscal Year 2021 Audit of the FMC's Compliance with the Federal Information Security Modernization Act (FISMA) determined the FMC resolved one of the two prior year audit recommendations and made progress towards implementing the other audit recommendation.					

TABLE II - Listing of Reports Issued

Report Title	Assignment Number	Issue Date	Questioned Costs	Unsupported Costs	Funds Put to Better Use
N/A	N/A	N/A	\$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 Architect of the Capitol OIG during this reporting period and issued the peer review report on September 1, 2021. 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.