

Office of Inspector General

**Audit of Expenditures for Furnishing
or Redecorating Commissioners'
Offices**

A15-05



September 2015

FEDERAL MARITIME COMMISSION



Federal Maritime Commission

Office of Inspector General

Report Highlights

The FMC Lacks an Effective Process to Account for Commissioners' Furniture and Related Expenditures

(Audit A15-05, September 2015)

Why We Did This Audit

The Office of Inspector General received a request on May 9, 2012¹, from the U.S. House of Representatives Committee on Oversight and Government Reform, for a complete account for all purchases made for the then-Chairman.

Background

To ensure Presidential-appointees do not expend taxpayers' dollars for lavish office suites, laws have been in place to limit amounts to be spent on office redecorating and improvements to a maximum of \$5,000. Specifically, the law states the following:

During the period in which the head of any department or agency, or any other officer or civilian employee of the Federal Government appointed by the President of the United States, holds office, no funds may be obligated or expended in excess of \$5,000 to furnish or redecorate the office of such department head, agency head, officer, or employee, or to purchase furniture or make improvements for any such office, unless advance notice of such furnishing or redecoration is transmitted to the Committees on Appropriations of the House of Representatives and the Senate.

For the purposes of this section, the term "office" shall include the entire suite of offices assigned to the individual, as well as any other space used primarily by the individual or the use of which is directly controlled by the individual.

What We Found

The OIG's audit determined that the \$5,000 statutory limit to furnish or redecorate, or to purchase furniture or make improvements to a Presidential-appointee's offices was exceeded for the former Chairman; this former Chairman served as FMC Chairman from September 2009 to March 2013. Specifically, the OIG found that for fiscal years 2009 – 2011, \$12,084 was spent for furnishings and redecorating of this former Chairman's office suite.

The agency lacks a policy to ensure the \$5,000 limit is not exceeded for each Commissioner. Specifically, there is no agency policy to provide the Commissioners and the responsible agency officials with guidance on the type of expenditures that are applied to the \$5,000 limit, and to stipulate that the limit applies to the suite of offices assigned or under the control of the Commissioners.

Further, the Office of Management Services (OMS) has not maintained adequate documentation on Commissioners' expenditures for furnishing, redecorating and making improvements to Commissioners' offices. The OIG found the Office of Budget and Finance (OBF) addressed the recommendation made in a prior OIG report of recording purchases for the Commissioners; however, the controls in place are inadequate and did not include a log of all expenses.

Recommendations

1. The Office of Management Services should be the primary office to maintain an expense log for each Commissioner, which should include a record of all purchases made, especially items to be applied against the \$5,000 statutory-limit.
2. The Offices of the Commissioners should ensure that requests for goods and services are documented via email or some written form to the Office of Management Services.
3. The Office of Management Services should provide annually the Commissioners their expense log of all purchases that are allocated to the \$5,000 statutory limitation.
4. The Commission should update Commission Order 108, *Personal Property Management*, to address the \$5,000 limit to furnish, redecorate or make improvements for the suite of offices of Presidential-appointees.
5. The Commission should make a report as required by the Antideficiency Act on the apparent violation as a result of exceeding the \$5,000 limit and failing to provide advance notice to Congress, or contact GAO and request an opinion.

FMC Management agreed with all five of the OIG's recommendations.

¹ The OIG commenced this audit on April 25, 2013, but due to the separation of the OIG's auditor-in-charge in December 2013, the audit was put on hold until June 2015, after a new auditor joined the OIG.]

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Audit of Expenditures for Furnishing or Redecorating Commissioners' Offices

EXECUTIVE SUMMARY

The Federal Maritime Commission (FMC) Office of Inspector General (OIG) completed an audit of expenditures for furnishing, redecorating or making improvements to the Commissioners' offices of the FMC. The OIG decided to perform this audit, after the FMC OIG received a request on May 9, 2012, from the U.S. House of Representatives Committee on Oversight and Government Reform to provide a complete account for all purchases made for the then-Chairman¹. The OIG's audit determined that the \$5,000 statutory limit to furnish or redecorate, or to purchase furniture or make improvements to a Presidential-appointee's offices was exceeded for the former Chairman; this former Chairman served as FMC Chairman from September 2009 to March 2013.

BACKGROUND

The Commission has five (5) full-time Commissioners appointed by the President with advice and consent of the Senate. The Commissioners are appointed for 5-year, staggered terms and one (1) member is designated by the President to serve as Chairman. Although each Commissioner serves a five-year term, that member can be reappointed or held over until a new Commissioner is appointed². The current Commissioners have served varying lengths of time at the FMC, with the longest-serving Commissioner appointed in 2002. The other Commissioners were appointed in 2009, 2010, 2011, and 2013, respectively.

To ensure Presidential-appointees do not expend taxpayers' dollars for lavish office suites, laws have been in place to limit amounts to be spent on office redecorating and improvements to a maximum of \$5,000. The Appropriations Acts for years 2009, 2010, and 2012³, provide that

¹ The then-Chairman was initially sworn in as one of five Commissioners in July 2009, and appointed by the President of the United States as Chairman of the Commission in September 2009. The then-Chairman resigned to his previously-held position of Commissioner in March 2013.

² The Howard Coble Coast Guard and Maritime Transportation Act of 2014 made certain amendments to Section 301(b) of title 46, United States Code, for term limits of FMC Commissioners appointed and confirmed by the Senate on or after the enactment of the amendments.

³ For fiscal years 2011 and 2013, the Federal Government was under a Continuing Resolution; therefore, FY 2010 and FY 2012, appropriations authorities and conditions were in effect, respectively.

agencies and departments may not obligate or expend in excess of \$5,000 to furnish or redecorate, or to purchase furniture or make improvements for Presidential appointees' offices. Specifically, the law states the following:

During the period in which the head of any department or agency, or any other officer or civilian employee of the Federal Government appointed by the President of the United States, holds office, no funds may be obligated or expended in excess of \$5,000 to furnish or redecorate the office of such department head, agency head, officer, or employee, or to purchase furniture or make improvements for any such office, unless advance notice of such furnishing or redecoration is transmitted to the Committees on Appropriations of the House of Representatives and the Senate. For the purposes of this section, the term "office" shall include the entire suite of offices assigned to the individual, as well as any other space used primarily by the individual or the use of which is directly controlled by the individual.

Each of the Commissioners is to adhere to the \$5,000 limit as long as they hold office as a Presidential-appointee at the Commission. In our testing, we considered expenditures applied to the \$5,000 limit to include furniture; framing and matting of pictures; commissioned artwork; and improvements within the entire office suite of the respective Commissioners.

The *Standards for Internal Control in the Federal Government* (the "Green Book"), September 2014, sets internal control standards for federal entities. Internal control helps an entity run its operations efficiently and effectively; report reliable information about its operations; and comply with applicable laws and regulations. Further, the Green Book states "Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions.... In addition, management designs control activities so that all transactions are completely and accurately recorded." It is important for the agency to adhere to these standards to ensure the expenditures associated with the \$5,000 limit are properly and timely recorded, and reported.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our overall objective was to determine whether the Commission complies with the applicable law regarding expenses associated with furnishing, redecorating, or making improvements to Commissioners' offices. We specifically performed this audit to determine whether the Commissioners were within their \$5,000 statutory-limit and to determine whether

these expenses are recorded and tracked during the complete term, reappointment or hold over of office for each Presidential-appointee. The OIG commenced the audit on April 25, 2013, but due to the separation of the OIG's auditor-in-charge in December 2013, the audit was put on hold until June 2015, after a new auditor joined the OIG.

To address our objectives, we reviewed the Office of Inspector General (OIG) report dated March 18, 2008, A08-04, *Review of Expenses to Furnish, Redecorate or Improve the Offices of Federal Maritime Commissioners*. Specifically, we reviewed the recommendation for the Office of Budget and Finance (OBF⁴) to track purchases and improvements for Commissioners' offices. We also reviewed Commission Order 108, *Personal Property Management*, dated March 9, 2005, to determine the Commission's policy as it relates to the Presidential-appointees' statutory limit. However, the OIG found this policy is silent on the control of purchases for Presidential-appointees and the \$5,000 limit for furnishing, redecorating and making improvements to their offices.

We obtained access to the Commission's purchase card service provider. This access provided us with purchase card transactions made by staff in the Office of Management Services (OMS) during the periods of July 2009 – May 2013. We judgmentally sampled merchant descriptions that fell into the categories of photographic services; specialty stores; professional services; commercial furniture; and office supplies for each fiscal year. From the sample, we compiled a control sheet that included the purchase card statement dates, merchant name, merchant description, amount of the transaction and obligating document number(s). We reviewed and verified the obligating document files, including invoices or receipts, and the documented description of the items purchased and for whom. We also performed an inventory of items purchased for the Commissioners.

We interviewed OMS staff to obtain the process of procurement for the Commissioners and to get clarification on transactions to determine for whom the items were purchased when receipts/invoices did not clearly indicate the intended staff. We also interviewed staff in OBF to determine their process to record transactions for maintaining the "Commissioners' Furniture Purchases" log.

⁴ Formerly named Office of Financial Management.

In March 2013, we obtained an opinion from the Commission's General Counsel (GC) on the statutory limit and whether the limit applies for reappointments and/or change of status (i.e., Commissioner to Chairman) or hold over. We also requested from the GC whether the Commission provided the requisite advance notice to the Committees on Appropriations of the House of Representatives and the Senate for furnishing or redecorating expenditures that exceeded the \$5,000 limit. The GC informed the OIG that the GC had no record of submission of the advance notice.

The GC also opined on whether the \$5,000 limit is renewed when a sitting Commissioner is selected as the Chairman. The opinion states that "[I]f a sitting Commissioner is designated as Chairman, per 46 U.S.C. §301(c)(1), that individual would hold a different statutory office than the previously-occupied office of Commissioner." Therefore, he/she "would be subject to the expense limitation anew during the period that the individual held the office of Chairman."

We conducted this performance audit in accordance with generally accepted government auditing standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions, based on our audit objectives.

The Antideficiency Act

The OIG's audit determined that the agency expended in excess of \$5,000 to furnish, redecorate and make improvements to the offices of the former Chairman. Further, the OIG found no evidence to indicate the agency provided advance notice of such excess for furnishing and redecoration to the Committees on Appropriations of the House of Representatives and the Senate. As a result, the OIG believes the agency may have violated the Antideficiency Act (ADA). The ADA prohibits federal agencies from obligating or expending federal funds in advance or in excess of an appropriation, and from accepting voluntary services.

On August 7, 2015, the OIG contacted the Government Accountability Office to determine whether an agency's violation of the statutory \$5,000 limit and/or failure to notify Congress in

advance of expending in excess of \$5,000 could result in an ADA violation. While GAO could not provide a verbal opinion on whether a violation occurred, GAO recommended the agency (or OIG) seek a written opinion on whether a violation of the ADA occurred based on the specific facts in this matter, as necessary. If it is determined there has been an ADA violation, the agency head shall report immediately to the President and Congress all relevant facts and a statement of actions taken; the report to the President is to be forwarded to the Director of the Office of Management and Budget, and a copy to the Comptroller General as well.

Review of Kitchen Galley Renovations and Improvements

The OIG reviewed renovations costing \$9,708 to the former Chairman's Kitchen Galley in 2010. The space was under the control of the former Chairman and the space was designated by a placard on a wall as the "Chairman's Galley." For purposes of the \$5,000 limit for Presidential appointees, the term "office" includes the "entire suite of offices assigned to the individual, as well as any other space used primarily by the individual or the use of which is directly controlled by the individual."

The OIG reviewed the records on the Chairman's Galley renovations to determine whether the expenditures would be applied towards the former Chairman's \$5,000 statutory-limit. The Commission has a lease agreement in place for its headquarters office space through the General Services Administration (GSA). The lease for fiscal years 2010 – 2012, and partial fiscal years of 2009 and 2013, allocates annual tenant improvements that totaled \$292,340 for items such as, but not limited to, re-carpeting, moving of walls, electrical, painting, etc. The annual tenant improvement amounts in the lease agreement can be drawn-upon to make the needed improvements.

The original scope of the renovation work for the Chairman's Galley was to remove and dispose of existing cabinet doors and drawer fronts; remove and dispose of one (1) damaged existing upper cabinet; remove and dispose of existing counter tops and back splashes; patch, prime, and paint walls of pantry; and paint the existing pantry door. The agency was to choose the finishes for the project, to include: paint colors, cabinet doors, counter tops, drawer fronts and door pulls. The agency provided the OIG with a March 8, 2013 email from OMS staff that stated mildew was on areas of the counter, and the galley was renovated to fix and replace broken cabinets

and overhead doors that were unstable and unsafe; however, the proposal did not specify the removal of the mildew from any countertops or any special instructions or costs needed for its removal.

After further review in July 2015, and discussions with OMS, the OIG determined that the kitchen galley renovations were paid out of the tenant improvements allowance incorporated in the lease agreement. Further, an agency GC opinion dated March 11, 2013 to the Interim IG, concluded that the repair of furnishings and fixtures that are broken or dilapidated does not constitute “furnish[ing],” “redecorate[ing],” “purchas[ing] furniture,” or “mak[ing] improvements” under section 713 of Public Law 112-74. Therefore, the OIG concluded the renovation costs to the former Chairman’s Galley did not count towards the \$5,000 limit.

FINDINGS

We found through testing of purchase card transactions and inspection of Commission offices, the \$5,000 limit on furniture and related expenses was exceeded in fiscal year 2010 for the former Chairman’s suite of offices. This former Chairman served as FMC Chairman from September 2009 – March 2013. For fiscal years 2009 – 2011, \$12,084⁵ was spent for furnishings and redecorating of his office suite. Among the items included in this total are purchases for furniture in the former Chairman’s office and reception area of his office suite (\$ 6,009); matting and/or framing of several pictures (\$ 1,713); a commissioned artwork recognizing the agency’s 50th anniversary mounted in the former Chairman’s office (\$ 3,100), Exhibit 1; and ceiling recessed lights for commissioned artwork in the former Chairman’s office (\$ 1,260), Exhibit 2. OMS failed to report multiple transactions that should have been counted against the \$5,000 statutory-limitation, due to a lack of understanding of the law, and the absence of an agency policy.

⁵ This amount is exclusive of items purchased in the amount of \$137.50, during his tenure as Commissioner in 2009.

Exhibit 1 - Commissioned Artwork



Source: OIG

Exhibit 2 - Installation of Lights



Source: OIG

The OIG interviewed the former Chairman in August 2015 regarding the expenditures related to his office as Chairman. The former Chairman acknowledged that the Office of Management Services (OMS) advised him of the \$5,000 limit; however, the former Chairman stressed that OMS neglected to provide him with specific guidance or definitions on the types of expenditures that would be applied to the \$5,000 limit. Further, the former Chairman stated that neither OMS or the Office of Budget and Finance provided him with an account of his expenditures or notified him that he was nearing his \$5,000 limit. Initially, the former Chairman believed the expenditures applied to the \$5,000 limit included an executive chair (\$ 1,009); Commissioned artwork (\$ 3,100), and picture framing (\$ 96). However, after the OIG provided the former Chairman the statutory language on the \$5,000 limit and discussed the matter, the former Chairman did not dispute any specific expenditures that are listed in the attached appendix A.

Among the expenditures applied to the former Chairman's \$5,000 limit are recessed lights installed in his former office in January 2011. According to the former Chairman, and an OMS representative, the lights were installed in a sitting area in the former Chairman's office. Based on a discussion with OMS, the commissioned artwork (Exhibit 1) was hanging in this sitting area. According to the former Chairman, the lights were installed at his request, to brighten the sitting area and picture, and the style of lights was selected by the former Director of OMS. Although the OIG does not dispute the lights were installed in the sitting area, the OIG has concluded the cost of the lights should be applied to the former Chairman's \$5,000 limit. The OIG reached this conclusion because it is our view that the primary purpose for the installation of the lights was to

illuminate the commissioned artwork hanging in the sitting area. Specifically, the type of lights installed are referred to as “wall wash” recessed lights; these lights have a shield over half the light to evenly focus light on a specific feature, such as a fireplace or a painting.

Finding 1. Exceeding the Commissioner’s \$5,000 Statutory Limitation

The agency lacks a policy to ensure the \$5,000 limit is not exceeded for each Commissioner. Specifically, there is no agency policy to provide the Commissioners and the responsible agency officials with guidance on the type of expenditures that are applied to the \$5,000 limit, and to stipulate that the limit applies to the suite of offices assigned or under the control of the Commissioners. Further, the Office of Management Services (OMS) has not maintained adequate documentation on Commissioners’ expenditures for furnishing, redecorating and making improvements to Commissioners’ offices. Based on discussions with agency management, OMS lacked specific guidance or definitions of the allowable expenses for furnishing and redecorating of the Commissioners’ offices. For example, missing transactions in the expense log were due to OMS’ failure to classify the matting and framing of pictures, and furniture for the reception area of the former Chairman, as expenses that count against the \$5,000 limitation. In addition, supporting documentation, such as an invoice, was not maintained for two of three items purchased for the Commissioners.

The OMS is responsible for procuring, securing and/or furnishing all supplies, equipment and services required in support of the agency’s mission, and arranging for facilities management and security. In order for OMS to purchase goods and services, most offices, with the exception of the Commissioners, initiate a requisition for purchases in the procurement system. The Commissioners usually make their requests for furnishings and services by email or verbally; however, most were apparently made verbally to OMS staff. OMS staff uses the Commissioners’ requests to procure the requested items by creating a requisition in the procurement system or using an existing blanket purchase agreement to make the purchase(s) on the purchase card.

To strengthen the controls of this process, OMS needs to maintain a log of the purchases made for each Commissioner. Without proper recording of the transactions by OMS, there is no assurance that all expenses against the \$5,000 limitation are recorded accurately. By maintaining

the log for the Commissioners’ purchases, it will help ensure adherence to the law that governs their purchases for the redecorating and furnishing of their offices, which is particularly important as a Commissioner approaches the \$5,000 spending limit.

Table 1. Comparison of OIG Audit vs OBF Purchase Log – (July 2009 – May 2013)

Commissioners	Total Furnishing Amounts - OIG	OBF*
Commissioner A	\$ 133.25	0
Commissioner B	\$ 935.25	0
Commissioner C	\$ 2,736.50	0
Commissioner D	\$ 367.25	0
Commissioner E	\$ 12,084.10	\$ 4,360.79

Source: OIG analysis of FMC expenses.

*The Office of Budget and Finance (OBF) report of Commissioners’ expenditures is as of April 2013; however, there were no purchases for the Commissioners in May 2013, the end date of the OIG’s audit period of review. Therefore, for comparative purposes, the “Total Furnishing Amounts – OIG” and “OBF” column balances are up to April 2013.

Finding 2. Followup to Prior OIG Audit Report

The OIG found the Office of Budget and Finance (OBF) addressed the recommendation made in a prior OIG report of recording purchases for the Commissioners; however, the controls in place are inadequate and did not include a log of all expenses. We obtained the “Commissioners’ Furniture Purchases” log, maintained by OBF, of the Commissioners’ purchases to determine how effectively the recommendation was implemented. The OBF is responsible for accounting and financial functions for the Commission, but is not aware of any specific purchases made for the Commissioners, unless notified by staff in OMS. The log includes the fiscal year, purchase order number, description of items, Commissioner’s name, the Commissioner’s current employment status and the purchase amount. OBF also maintains a running total of purchases made against the \$5,000 limit.

The “Commissioner’s Furniture Purchases” log maintained by OBF missed multiple transactions that should have gone against the statutory-limit because the information was not provided by OMS.

RECOMMENDATIONS

1. The Office of Management Services should be the primary office to maintain an expense log for each Commissioner, which should include a record of all purchases made, especially items to be applied against the \$5,000 statutory-limit. This expense log should also include the invoices for purchases made and requests made by the Commissioners. Further, OMS should send a copy of the expense log to the Office of Budget and Finance (OBF). OBF should review for discrepancies and reconcile the log with OMS.
2. The Offices of the Commissioners should ensure that requests for goods and services are documented via email or some written form to the Office of Management Services. OMS staff should be required to document any oral requests received from a Commissioner.
3. The Office of Management Services should provide annually the Commissioners their expense log of all purchases that are allocated to the \$5,000 statutory limitation.

4. The Commission should update Commission Order 108, *Personal Property Management*, to address the \$5,000 limit to furnish, redecorate or make improvements for the suite of offices of Presidential-appointees, to include guidance on items that count against the \$5,000 limit.
5. The Commission should make a report as required by the Antideficiency Act on the apparent violation as a result of exceeding the \$5,000 limit and failing to provide advance notice to Congress, or contact GAO and request an opinion.

Agency Comments and OIG Evaluation

The OIG provided the draft report to agency management on August 27, 2015, and the agency responded with comments on September 25, 2015. The agency's comments are attached in their entirety as appendix B. Because this audit reviewed the expenditures of the individual Commissioners' offices, the OIG also provided a courtesy copy of the draft report to each of the five Commissioners, and Commissioner Lidinsky provided comments on September 10, 2015. Commissioner Lidinsky's comments are attached in their entirety as appendix C.

OIG Response to Agency's Comments Provided on September 25, 2015

The agency concurred with all five of the OIG's recommendations. The agency recognizes the need for improvements to the Commission's recordkeeping processes and implementation of written policy guidance on the Commissioners' office suite expenditures. The OIG believes the agency's planned corrective actions demonstrate a commitment to address the weaknesses identified during this audit.

OIG Response to Commissioner Lidinsky's Comments Provided on September 10, 2015

The OIG appreciates the comments provided by Commissioner Lidinsky. The OIG would like to clarify comments received from Commissioner Lidinsky. First, Commissioner Lidinsky stated that he does not agree with the full list of expenditures (appendix A) being put in his "\$5,000 personal office expense account." Further, Commissioner Lidinsky believes the only expenditures

by his office that should be applied to the \$5,000 limit are the FMC 50th anniversary painting (\$3,100), an office chair (\$1,000), and framing expenditures (\$1,679.40). The OIG considered Commissioner Lidinsky's comments, however, the OIG stands by the audit results and determination that the \$5,000 statutory limit to furnish or redecorate, or to purchase furniture or make improvements to a Presidential-appointee's offices was exceeded.

In addition, the Commissioner commented on certain items that were brought over from FMC storage, to include the cleaning of leather furniture and reupholstering wingback chairs. The OIG did not include these items on our list of expenditures counted against the \$5,000 limit. However, the OIG does believe that the reception workstation for the office suite is considered part of the Commissioner's suite and is counted against the \$5,000 limit.

Lastly, the OIG appreciates Commissioner Lidinsky's comments on the OIG's recommendations. Specifically, the frequency of the Office of Management Services (OMS) preparation of the expense log of Commissioners' purchases and the "decision process" for determining the type of Commissioner expenditures that are counted against the \$5,000 limit on furniture and related expenditures. The agency has agreed to provide each Commissioner with their individual expense log on an annual basis and to notify a Commissioner when a request would bring the Commissioner's total expenses within \$1,000 of the \$5,000 limit. The agency has also agreed to update Commission policy to address the \$5,000 limit. The OIG believes these planned corrective actions will address the need for improvements to the recordkeeping of Commissioners' expenditures and agency policy.

Appendix A - OIG Audit of Commissioners' Expenditures

July 2009-May 2013		
	Commissioners' Furnishing Purchases Total Cost	
Date of Purchase	Description of Item(s)	Amount
	Commissioner A	
2/14/13	Mat & frame Presidential appointment	<u>\$133.25</u>
	Total cost for Commissioner A	\$133.25
	Commissioner B	
6/30/11	Executive chair	\$528
7/14/11	Mat & frame Presidential appointment	129.25
7/26/11	Mat & frame 3 pictures	<u>278.00</u>
	Total cost for Commissioner B	\$935.25
	Commissioner C	
2/22/10	Mat & frame Presidential appointment	\$127.25
5/26/10	Executive chair	1,808.80
12/21/11	Mat & frame Presidential appointment	127.25
3/8/10	Library stand	<u>304.20</u>
	Total cost for Commissioner C	\$ 2,367.50
	Commissioner D	
5/6/11	Mat & frame Presidential appointment	\$127.25
Date unavailable	Mat & frame Presidential appointment- estimated cost - agency did not have record	120.00
Date unavailable	Mat & Frame Presidential appointment- estimated cost - agency did not have record	<u>120.00</u>
	Total cost for Commissioner D	\$ 367.25

Commissioner E		
Date of Purchase	Description of Item(s)	Amount
	Cost of Framing	
10/6/09	Framing of President's Letter Designation to Former Chairman	\$96.75
10/13/09	Framing of President Kennedy reorganization plan #7 letter that created FMC	201.40
10/22/09	Frame with glass for a print	69.00
6/23/10	Framing of historic maritime print "Commodore Perry" provided by the US Navy History & Heritage Command	176.75
7/1/10	Printing of historic maritime image from a CD provided by US Navy History & Heritage Command on canvas - part of the 7/15/10 transaction	178.00
7/2/10	Frame US Shipping Board poster purchased at then former Chairman's personal expense	250.25
7/15/10	Framing of historic maritime image on canvas provided by US Navy History & Heritage Command	250.25
5/19/11	Frame for Artwork for former Chairman	282.25
9/8/11	Framing of painting and picture with President Obama	174.75
5/6/11	Frames for commissioned artwork for former Chairman	<u>33.90</u>
	Total Cost of framing	\$1,713.30
	Commissioned Artwork	
9/29/10	Partial payment for commissioned artwork	1,000.00
10/13/10	Check Fee associated with 9/29 transaction	21.00
12/15/10	Final payment for commissioned artwork	1,900.00

Commissioner E (Cont.)		
Date of Purchase	Description of Item(s)	Amount
12/15/10	Check Fee associated with 12/15 transaction	39.00
1/21/11	Payment for shipping of commissioned artwork	132.27
1/21/11	Check Fee associated with 12/15 transaction	<u>8.65</u>
	Total Commissioned Artwork	\$3,100.92
	Installation of Lights	
1/5/11	Installation of lights in former Chairman's office	\$1,260.00
	Former Chairman's chairs and reception workstation	
9/29/09	2 chairs for former Chairman and reception workstation for suite (2 part furniture)	4,941.51
1/25/10	Furniture for former Chairman's support staff - storage cabinet with doors	<u>1,068.37</u>
	Total for former Chairman's Furniture	\$6,009.88
	Total cost for Commissioner E	\$ 12,084.10

Appendix B - Agency Response

UNITED STATES GOVERNMENT

FEDERAL MARITIME COMMISSION

Memorandum

TO : Inspector General

DATE: September 25, 2015

FROM : Managing Director

SUBJECT : A15-05: Audit of Expenditures for Furnishing or Redecorating Commissioners' Offices

I have reviewed the findings and recommendations contained in the Audit of Expenditures for Furnishing or Redecorating Commissioners' Offices (A15-05 or report) dated August 27, 2015. Commission management values the efforts of current and former Office of the Inspector General (OIG) staff in reviewing this critical issue for compliance and recommendations for improvement.

The Commission is composed of five full-time Commissioners appointed by the President and confirmed by the Senate. The Commissioners serve for staggered five-year terms. One of the members is designed to serve as Chairman, an office with additional management responsibilities. Commissioners' offices are located at FMC Headquarters in Washington, DC. The FMC, both historically and currently, operates on a lean budget and strives to spend its appropriated funds both appropriately and responsibly. Generally, modifications and updates to Commissioner office spaces have been minor and do not incur substantial cost to the agency.

The OIG audited the expenditures to furnish or redecorate the office suites of the FMC's Commissioners and then-Chairman from July 2009 through May 2013. Specifically, the audit reviewed the Commission's Appropriation Acts for the years audited, which provided that the FMC could not obligate or expend in excess of \$5,000 to furnish or redecorate, or to purchase furniture or make improvements for Presidential appointees' offices, without providing advance notice to Congress. As the OIG's report states, the purpose is to "ensure Presidential-appointees do not expend taxpayers' dollars for lavish office suites." A15-05 at 1. Overall, the OIG's report demonstrates that Commissioners and agency staff do not spend lavishly or waste taxpayer dollars. This audit does, however, highlight the need for improvements to the Commission's recordkeeping processes and implementation of written policy guidance on Commissioners' office suite expenditures. The Commission is committed to implementing such improvements and addresses each of the report's recommendation as follows:

Recommendation #1: The Office of Management Services (OMS) should be the primary office to maintain an expense log for each Commissioner, which should include a record of all purchases made, especially items to be applied against the \$5,000 statutory limit. This expense log should also include the invoices for purchases made and requests made by the Commissioners. Further, OMS should send a copy of the expense log to the Office of Budget and Finance (OBF). OBF should review for discrepancies and reconcile the log with OMS.

Response:

Agree with explanation. OMS has primary responsibility for purchasing and approving expenditures for the agency. In addition, the Commissioners contact OMS for all purchase requests. Management agrees that OMS should maintain a full and complete expense log for all requests and purchases made for each Commissioner.

An expense log will be developed by OMS in accordance with best recordkeeping processes. The expense log will provide for written documentation of requests and purchases. OMS will provide the expense log to OBF for review and reconciliation annually, on or before June 30th of each year. The FMC will develop and implement the revised expense log system by October 30, 2015.

Recommendation #2: The Offices of the Commissioners should ensure that requests for goods and services are documented via email or some written form to the Office of Management Services (OMS). OMS staff should be required to document any oral requests received from a Commissioner.

Response:

Agree. The Commission will ensure that Commissioner requests for goods and services are documented in writing, and that the records are properly maintained. Management will institute a process for documenting oral requests received from a Commissioner. The requirement for written documentation will begin immediately, and will be formalized in the Commission's policy on this issue, as discussed below in the response to Recommendation #4.

Recommendation #3: The OMS should provide annually the Commissioner their expense log of all purchases that are allocated to the \$5,000 statutory limitation.

Response:

Agree. The Commission will provide each Commissioner with their individual expense logs cataloging all purchases and requests as maintained in the Commission's records annually, on or before June 30th of each year. Commissioners will be individually notified when a request would bring the Commissioner's total expenses within \$1,000 of the \$5,000 limitation. In addition, each Commissioner's expense log will be available to the Commissioner upon request.

Recommendation #4: The Commission should update Commission Order 108, *Personal Property Management*, to address the \$5,000 limit to furnish, redecorate or make improvements for the suite of offices of Presidential-appointees, to include guidance on items that count against the \$5,000 limit.

Response:

Agree. Commission Order 108, *Personal Property Management*, (Commission Order or CO 108) establishes the agency's policies and procedures for control and management of personal property. CO 108 defines personal property as "Government-owned property of any kind, other than real property and records of the Federal Government that is for work-related usage." CO 108 at 2. Employee-owned items, including furnishings brought to the workplace are excluded from the Commission Order.

The Commission Order was last updated in March 2005, and does not address the Appropriations Act spending limitations for Presidential appointees. Management will update the Commission Order to ensure compliance with current requirements and provide written policy guidance for spending subject to the Appropriations Act. This will be completed within 30 days of receipt of the Government Accountability Office (GAO) opinion, as discussed in the response to Recommendation #5.

Recommendation #5: The agency exceeded the \$5,000 limit and failed to provide advance notice to Congress, therefore, the Commission should either: request an opinion from the Government Accountability Office on whether a violation of the Antideficiency Act (ADA) occurred; or make a report as required by the ADA.

Response:

Agree with explanation. Current management agrees that the spending identified in the report for the then-Chairman exceeds the \$5,000 limit, however, it is not clear whether all items identified by the OIG are subject to the limitation. Current management concurs that no advance notice was provided to Congress prior to the expenditure of the identified funds. Current management agrees that the GAO should be consulted for an opinion, and the agency will do so within 7 days of the release of the finalized Inspector General Report.

Conclusion

The FMC is committed to sound financial management and safeguarding the taxpayers' money. The agency will review its policies and procedures to ensure compliance with all requirements. Moreover, it will improve its recordkeeping processes to better monitor future spending on items for Commissioner office suites.

Vern W. Hill

cc: Office of the Chairman
Office of the General Counsel

Appendix C - Commissioner Lidinsky's Response



Office of the Commissioner

**Federal Maritime Commission
Washington, D.C. 20573**

September 10, 2015

Jonathan Hatfield
Inspector General
Office of the Inspector General
Federal Maritime Commission
Suite 1054
800 N. Capitol St. NW
Washington, D.C. 20573

Dear Mr. Hatfield,

Per your offer of August 25, 2015, I am taking this opportunity to comment on your report entitled "Audit of Expenditures for Furnishing or Redecorating Commissioner's Offices." After having reviewed your initial report, and the subsequent revisions, I would make the following comments:

- Regarding page 7, I acknowledge the list of expenditures that you and your auditor presented. I, however, did not, and do not, "agree" with the full list of expenditures being put in my \$5000 personal office expense account.
- The key reason for exceeding the \$5000 limit was the lack of a "running tab" or advising periodically remaining funds. Had those been provided, certain purchases – e.g. reception area furniture and lighting – would not have taken place. In fact, I was led to believe that such purchases and installation would come out of the Commission's General Office and Maintenance budget.

I want to reiterate that my understanding of my expenditures are:

FMC 50 th Anniversary Painting	\$3,100.00
Office Chair	\$1,000.00
Framing –	
Personal, Office, and Gallery Space	\$1,679.40
<hr/>	
Total	\$5,679.40

- In September 2009, the Chairman's Office had been vacant for nearly 2.5 years, with virtually no furniture or wall hangings, and needed a general update as it was the primary point of contact

between visitors and the FMC. The majority of the furniture that was put in the office (all in my personal office with the exception of the desk chair) was from FMC storage, however, certain pieces had to be cleaned before they could be used. This included the leather furniture in the Chairman's office, and the aforementioned reupholstering of the winged chairs. The used furniture in the reception area was inappropriate in size for its use, and it was suggested by the head of OMS at the time that we get appropriate sized reception area furniture, hence the ordering of the new workstation configuration.

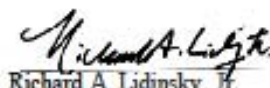
An essential part of this restoration process was the creation of the "Chairman's Gallery." The gallery consisted of 3 parts: the reception area and outer hallway, the Chairman's Office, and the Chairman's Conference Room. The purpose of this rehab was to educate visitors and employees as to the history of the FMC, and our key role in government as we approached our 50th Anniversary. The largest portion of my \$5000 expenditure was the 50th Anniversary painting, which will hang in the Commission Hearing Room in the future.

Additionally, the Department of the Navy's Naval History and Heritage Command transferred 4 original maritime paintings from their collection to the FMC as part of our anniversary projection. These paintings, by Antonio Jacobson, depict vessels that were under our jurisdiction when our mother agency was formed in 1916. Jacobson is regarded as the most renowned American maritime painter of his era, with one of his works selling 9 years ago for \$281,000. In my opinion, it would be appropriate to consider the no cost acquisition of these important works of art in "balancing" any budget overruns.

- I agree with the draft report's five recommendations for the future, but would suggest Recommendations 3 be amended to have OMS provide each Commissioner their expense log of purchases quarterly rather than annually. Further, if possible, your report should give an example of the "decision process" that explains how, after OMS has purchased an item for a Commissioner, it is decided that the purchase is allotted to a Commissioner's account or to the Commission's general account.

Thank you again for the opportunity to provide the above. I request that these comments, in their entirety, be made a part of the official report. Of course, I am available at all times to further discuss this matter.

Sincerely,


Richard A. Lidinsky, Jr.
Commissioner
Federal Maritime Commission
800 N. Capitol St NW
Washington, D.C. 20573