

Office of Inspector General

**Semiannual Report to Congress
Covering the Period**

October 1, 2017 – March 31, 2018



FEDERAL MARITIME COMMISSION



FEDERAL MARITIME COMMISSION
Washington, DC 20573

April 27, 2018

Office of Inspector General

Dear Acting Chairman Khouri and Commissioners Dye and Maffei:

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 October 1, 2017 to March 31, 2018.

During this reporting period, the OIG completed two audits and one evaluation; and continued another evaluation started in a prior period. Specifically, the OIG completed the fiscal year (FY) 2017 annual financial statement audit and the 2017 DATA Act Audit. The OIG also completed the FY 2017 annual evaluation of the FMC's compliance with the Federal Information Security Management Act; and continued the evaluation of the FMC's information technology inventory.

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: The Port of Long Beach, Long Beach, California.

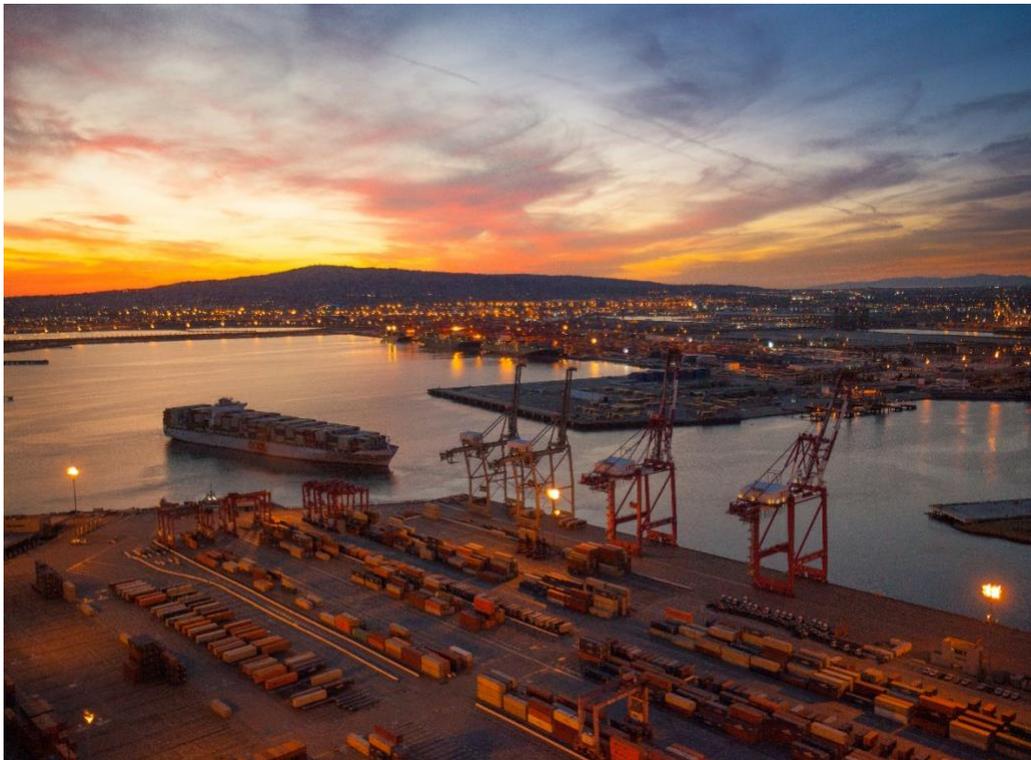


Photo courtesy of the Port of Long Beach.

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 October 1, 2017 through March 31, 2018. The most significant activities of the OIG during the first half of fiscal year (FY) 2018 are summarized below and additional details can be found in subsequent sections of this report.

During this reporting period, the OIG completed two audits and one evaluation; and continued another evaluation started in a prior period. Specifically, the OIG completed the FY 2017 annual financial statement audit ([A18-01](#)) and the DATA Act Audit, 2017 ([A18-03](#)). The OIG also completed the FY 2017 annual evaluation of the FMC's compliance with the Federal Information Security Management Act ([A18-02](#)); and continued the evaluation of the FMC's information technology inventory (A18-04). The completed assignments are discussed in more detail later in this report; assignment A18-04 is expected to be completed in April 2018.

During the period, the OIG closed one hotline complaint. 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 two of the Commissioner positions are vacant. 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 worked with the FMC's Office of Human Resources to recruit a student intern under the Pathways Internship Program. The Pathways Program can enable a student who successfully completes their academic and program requirements to be eligible for non-competitive conversion to a permanent position with the FMC OIG. The OIG anticipates appointing an intern during the next reporting period.

OFFICE OF INSPECTOR GENERAL ACTIVITIES

Completed Audits and Evaluation

Independent Auditors' Report of the FMC's FY 2017 Financial Statements, [A18-01](#).

The audit report was issued on November 7, 2017. The OIG contracted with Dembo Jones, P.C. to perform the audit and the OIG actively monitored and reviewed the work and results of the contractor. The audit objectives were to opine on whether the FMC's FY 2017 financial statements followed U.S. Generally Accepted Accounting Principles (GAAP) and presented fairly the financial position of the agency. The auditors also reviewed internal controls over financial reporting and agency compliance with laws and regulations. The statements audited were the balance sheet as of September 30, 2017, and the related statements of net cost, changes in net position, budgetary resources and custodial activity for the year then ended.

The independent auditor opined that the FMC's financial statements were fairly presented, in all material respects, in conformity with GAAP; there were no material weaknesses in internal control over financial reporting (including safeguarding assets); and no reportable noncompliance with laws and regulations tested. Therefore, there were no findings or recommendations in the audit report.

Evaluation of FMC's Compliance with the Federal Information Security Management Act (FISMA) FY 2017, [A18-02](#).

The evaluation report was issued on October 31, 2017. The OIG contracted with Your Internal Controls, LLC to perform the evaluation and the OIG actively monitored and reviewed the work and results of the contractor. The objectives of this independent evaluation of the FMC's information security program were to evaluate its security posture by assessing compliance with the FISMA and related information security policies, procedures, standards, and guidelines.

The scope of the testing focused on the FMC General Support Systems (GSS) and major applications. Evaluation testing included inquiry of FMC personnel, observation of activities, inspection of relevant documentation, and the performance of technical security testing. More specifically, testing covered a sample of controls as listed in National Institute of Standards and Technology's (NIST) 800-53, Recommended Security Controls for Federal Information Systems and Organizations, Revision 4. The agency continues to make improvements on the agency's

information technology (IT) security. The evaluation report contained two recommendations to address two findings; FMC management agreed with the two recommendations. In addition, the OIG concluded the FMC had effectively implemented all six of the prior year FISMA recommendations.

DATA Act Audit, 2017, [A18-03](#). The Digital Accountability and Transparency Act of 2014 (DATA Act) requires federal agencies to report financial and award data in accordance with the established Government-wide financial data standards. The DATA Act 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 completed this audit and issued the final report on November 8, 2017. The OIG partnered with the Election Assistance Commission (EAC) OIG to complete this audit. The objectives of this audit were to assess the FMC's: (1) completeness, timeliness, quality, and accuracy of fiscal year 2017, second quarter financial and award data submitted for publication on USAspending.gov; and (2) implementation and use of the Government-wide financial data standards established by the Office of Management and Budget (OMB) and Treasury.

Except for a limited number of exceptions, the OIG determined that the FMC transactions audited for publication on USAspending.gov were complete, accurate, timely, and of good quality. The OIG recommended the FMC's Senior Accountable Official (SAO) for the DATA Act should develop policies and procedures to enter and report obligations in a manner that ensures they are included in the DATA Act reporting process; and ensure that any anomalies are reviewed, reconciled, and corrected in a timely manner; FMC management agreed with the recommendation.

Open Evaluation

Evaluation of the FMC's Information Technology Inventory, A18-04. The evaluation objectives are to assess the quality, completeness, and accuracy of the FMC's information technology (IT) inventory. The scope of the evaluation focused on all IT inventory, such as desktops, laptops, servers, printers, monitors, routers, switches, and firewalls. This engagement also includes a review of all inventory related policies and procedures, and an inspection of a sample of IT assets to assess the effectiveness of the agency's IT inventory. The OIG plans to issue the final audit report in April 2018.

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 closed one hotline complaint. 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 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.

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 Inspector General (IG) is a member of CIGIE, participates in the monthly CIGIE meetings, and periodically assists CIGIE on special projects.



In 2018, the Inspector General community commemorates the 40th anniversary of the Inspector General Act. In October 1978, President Jimmy Carter signed the Act, establishing the



first twelve presidentially appointed Inspectors General in federal departments and agencies. The Act empowered the Inspectors General to curb waste, fraud, and abuse and promote economy and efficiency in government operations. In the 40 years since, the IG

community has grown to include 73 statutory Inspectors General, both presidentially appointed and appointed by agency heads, who collectively oversee the operations of nearly all aspects of federal government.

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	9
Section 5(a)(7)	Summary of each report	3-4
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	12, App. A
Section 5(a)(16)	Peer review activity by FMC OIG on another OIG	12, 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
N/A	N/A	N/A	0	0	0

TABLE II - Listing of Reports Issued

Report Title	Assignment Number	Issue Date	Questioned Costs	Unsupported Costs	Funds Put to Better Use
<i>Independent Auditors' Report of the FMC's FY 2017 Financial Statements</i>	A18-01	11/7/17	\$0	\$0	\$0
<i>Evaluation of FMC's Compliance with the Federal Information Security Management Act (FISMA) FY 2017</i>	A18-02	10/31/17	\$0	\$0	\$0
<i>DATA Act Audit, 2017</i>	A18-03	11/8/17	\$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 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 a prior reporting period ending September 30, 2016, 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.