

Office of Inspector General

**Semiannual Report to Congress
Covering the Period**

April 1, 2018 – September 30, 2018



FEDERAL MARITIME COMMISSION



FEDERAL MARITIME COMMISSION
Washington, DC 20573

October 30, 2018

Office of Inspector General

Dear Acting Chairman Khouri and Commissioner Dye:

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, 2018 to September 30, 2018.

During this reporting period, the OIG completed one evaluation, and initiated another evaluation and audit. Specifically, the OIG completed the Evaluation of the FMC's Information Technology (IT) Inventory and identified several improvements for the management of the agency's IT equipment. The OIG also initiated the annual financial statement audit and evaluation of the FMC's compliance with the Federal Information Security Management Act during this semiannual period.

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: Atlantic Sky at the Port of Baltimore.



Picture 1: The Atlantic Sky is multipurpose roll-on/roll-off containership, designed to carry wheeled cargo, such as cars and trucks.

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, 2018 through September 30, 2018. The most significant activities of the OIG during the second 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 one evaluation; and initiated an audit and evaluation. Specifically, the OIG completed the Evaluation of the FMC's Information Technology Inventory. The completed evaluation is discussed in more detail later in this report. The OIG initiated the annual financial statement audit and the annual information technology security evaluation; these assignments will be completed in the next reporting period.

During the period, the OIG received four hotline complaints. Further, four hotline complaints were closed during the period. 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 three 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.

In September 2018, the Inspector General (IG) visited the FMC's South Florida Area Representatives (ARs), Andrew Margolis and Eric Mintz, in Miami, Florida. The purpose of the IG's visit was to obtain a better understanding of the role of the FMC's ARs to enable the FMC to regulate the U.S. international ocean transportation system for the benefit of U.S. exporters, importers, and the U.S. consumer. The IG had the opportunity to accompany ARs Margolis and Mintz during visits to several ocean freight forwarders in the Miami area to assess compliance



Picture 2: From left to right - Gerard Philippeaux, IG Hatfield, Don Wrinkle, and Richard R. de Villiers.

with FMC regulations. In addition, ARs Margolis and Mintz coordinated for the IG to receive a tour of PortMiami. Located in Miami-Dade County, PortMiami is among America's busiest ports and is known as the "Cruise Capital of the World," with millions of passengers traveling through PortMiami every year with 22 cruise lines. PortMiami officials Gerard Philippeaux, Richard R. de Villiers, and Don Wrinkle

provided the IG the tour, explaining the workings of the container and cruise

terminals; capital improvements; and other important information about PortMiami.

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,



Picture 3: Parker Skaats

the IG and an auditor. During this reporting period, the OIG was pleased to welcome Mr. Parker Skaats, an auditor intern under the Pathways Internship Program. The federal government's Internship Program provides students who are enrolled in or accepted for enrollment in a wide variety of qualifying educational institutions with

paid opportunities to work either part- or full-time in agencies and explore career paths related to their academic fields of study or career interests. Students who successfully complete Program requirements may be eligible for non-competitive conversion to a term or permanent position in the civil service.

Mr. Skaats is a senior at American University where he is studying to be an accountant and plans to become a Certified Public Accountant (CPA). Mr. Skaats previously worked in the finance department of an international study abroad organization. During this semiannual period,

Mr. Skaats assisted the OIG with audit oversight of the annual financial statement audit, and he also supported the OIG with the FISMA evaluation and other special projects.

In addition to his work assignments, Mr. Skaats attended several training events, including an introductory auditor program. Mr. Skaats also had the opportunity to participate in several professional development events arranged by the Summer Law Clerk Committee of the Council of Counsels to the Inspectors General. Among the events were a welcome event hosted by the Environmental Protection Agency OIG, a tour of the Library of Congress, and a visit to the Central Intelligence Agency.

OFFICE OF INSPECTOR GENERAL ACTIVITIES

Completed Evaluation

Evaluation of the FMC's Information Technology Inventory, A18-04. The evaluation objectives were 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 included 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. Furthermore, the evaluation encompassed a review of the position description for the Office of Information Technology (OIT) staff person responsible for the IT inventory. Lastly, the evaluation included a review of the inventory software settings such as password controls and audit settings.

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 inspection was performed in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Inspection and Evaluation*, January 2012.

The OIG identified several opportunities for improvement in the FMC's IT equipment inventory management; and management concurred with the recommendations. Although OIT has several policies and procedures for managing IT equipment inventory, we recommended OIT enhance written procedures for maintaining an accurate and up-to-date IT inventory list. These

procedures should include specific requirements for OIT staff responsible for maintaining the IT inventory list, as well as supervisory responsibilities for periodic verification and reconciliation of the respective list.

We also identified a lack of segregation of duties without compensating controls in the FMC's IT inventory system. Specifically, there is one (1) OIT staff person that manages the IT inventory list, who is also one of two OIT staff responsible for IT purchasing. As a result, this OIT staff person is responsible for IT purchasing, and then is the only individual with access to add, remove, and update inventory in the IT inventory list. A lack of segregation of duties could create opportunities for the misappropriation of IT equipment without management's knowledge. Also, all inventory items should have a barcode that contains the serial number. OIT indicated the possibility of purchasing a new inventory software application that can improve IT inventory management. Management has reported actions taken to address the recommendations; the OIG plans to follow-up to ensure the issues have been addressed.

Open Audit and Evaluation

Independent Auditors' Report of FMC's FY 2018 Financial Statements, A19-01. The audit objectives are to opine on whether the FMC's FY 2018 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, 2018, and the related Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and Statement of Custodial Activity.

Evaluation of FMC's Compliance with the Federal Information Security Management Act (FISMA) FY 2018, A19-02. The objectives of the independent evaluation of the FMC's information security program are to evaluate its security posture by assessing compliance with FISMA and related information security policies, procedures, standards, and guidelines. The scope of this evaluation includes general controls of the FMC network and applications housing service contracts, tariff location filings, and FMC license applications. The OIG will evaluate potential system vulnerabilities and assess management actions to implement prior-year recommendations.

Hotline and Investigations

The Inspector General Act of 1978, as amended, provides that the IG may receive and investigate complaints or information concerning possible allegations of fraud, waste, and abuse occurring within FMC programs and operations by employees or contractors. Matters of possible wrongdoing are referred to the OIG in the form of allegations or complaints from a variety of sources, including FMC employees, other government agencies and the general public.

During the period, the OIG received four hotline complaints. Further, four hotline complaints were closed. 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 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.

This year we mark the 40th anniversary of the Inspector General Act and the creation of the original 12 Offices of Inspectors General. The Inspector General Act Amendments of 1988 created a new set of IGs in “designated federal entities” (DFEs), to include the FMC OIG. Since the



inception of the FMC OIG over 29 years ago, there have been three permanent IGs. Mr. Tony Kominoth was the first statutory IG of the FMC and was appointed in February 1989. Prior to Mr. Kominoth’s IG appointment, he served in various

positions at the FMC dating back to 1968, to include Attorney/Advisor and Transportation Analyst. After Mr. Kominoth’s separation from the FMC OIG, Mr. Adam Trzeciak was appointed to the IG position by the Commission in 2006 and served as IG until January 2013, when he left the FMC

to become the second statutory IG for the Government Accountability Office. Interim IGs held the IG position until the appointment of the current IG, Mr. Jon Hatfield, in May 2014.

Over the 29 year history of the FMC OIG, the office has conducted audits and investigations of agency programs, and provided recommendations to help improve the operations and functions of the agency. The FMC OIG has been part of a community that has grown to include 73 statutory Inspectors General who collectively oversee the operations of nearly every aspect of the federal government. In the years to come, we look forward to continuing our efforts to provide independent and effective oversight of the FMC and working with the Council of Inspectors General on Integrity and Efficiency on important issues that cut across our 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	10
Section 5(a)(7)	Summary of each report	4-5
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	13, App. A
Section 5(a)(16)	Peer review activity by FMC OIG on another OIG	13, 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>DATA Act Audit, 2017</i>	A18-03	11/08/17	1	1*	0

*In a memorandum dated April 19, 2018, the Managing Director informed the Inspector General that the agency considers this recommendation closed. Specifically, management developed and implemented a standard operating procedure to ensure accurate DATA Act reporting. The OIG plans to follow-up to ensure the issue has been resolved; this will enable the OIG to close this recommendation.

TABLE II - Listing of Reports Issued

Report Title	Assignment Number	Issue Date	Questioned Costs	Unsupported Costs	Funds Put to Better Use
<i>Evaluation of the FMC's Information Technology Inventory</i>	A18-04	05/31/18	\$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. The OIG is scheduled to receive an audit peer review during the next reporting period.

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.