

# Office of Inspector General

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**Semiannual Report to Congress  
Covering the Period**

**April 1, 2017 – September 30, 2017**



**FEDERAL MARITIME COMMISSION**

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**FEDERAL MARITIME COMMISSION**  
Washington, DC 20573

October 31, 2017

*Office of Inspector General*

Dear Acting Chairman Khouri and Commissioners Dye, Doyle, 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 April 1, 2017 to September 30, 2017.

During this reporting period, the OIG initiated the annual financial statement audit (A18-01); the annual evaluation of the FMC's compliance with the Federal Information Security Management Act (A18-02); and a compliance audit of the DATA Act (A18-03). All of these assignments are expected to be completed in late October or early November 2017 and are discussed in more detail later in this report.

The OIG continues to appreciate the cooperation and courtesies provided by the FMC's leadership and staff.

Respectfully submitted,

Jon Hatfield  
Inspector General

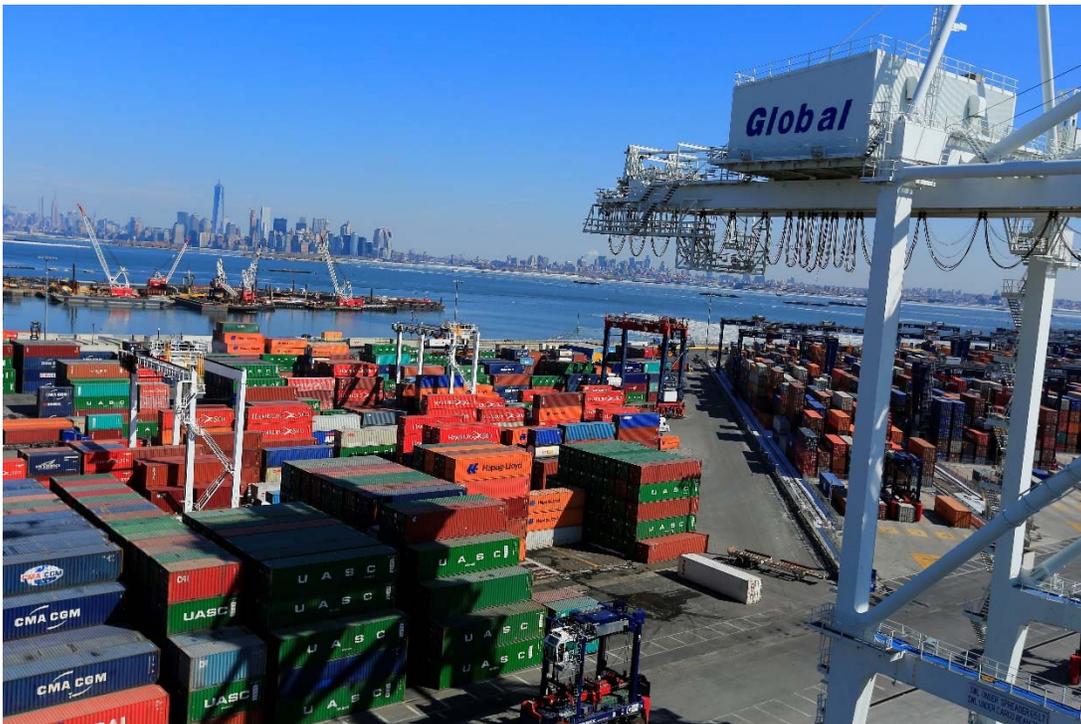
Enclosure

## Table of Contents

### Transmittal Letter

<b>EXECUTIVE SUMMARY</b> .....	<b>1</b>
<b>FEDERAL MARITIME COMMISSION</b> .....	<b>1</b>
<b>OFFICE OF INSPECTOR GENERAL</b> .....	<b>2</b>
<b>OFFICE OF INSPECTOR GENERAL ACTIVITIES</b> .....	<b>3</b>
Open Audits and Evaluation.....	3
Hotline and Investigations .....	4
Memorandum of Understanding .....	4
Review of Legislation .....	5
Council of the Inspectors General on Integrity and Efficiency (CIGIE) Activities .....	5
<b>SUMMARY OF INSPECTOR GENERAL REPORTING REQUIREMENTS</b> .....	<b>7</b>
<b>TABLE I - Summary of Reports with Corrective Actions Outstanding for More than 6 Months</b> .....	<b>8</b>
<b>TABLE II - Listing of Reports Issued</b> .....	<b>8</b>
<b>TABLE III - Reports with Questioned Costs</b> .....	<b>8</b>
<b>TABLE IV - Recommendations that Funds be Put to Better Use</b> .....	<b>9</b>
<b>Appendix A - Peer Review Activity</b> .....	<b>10</b>

### Pictured: The Port of New York and New Jersey



## **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, 2017 through September 30, 2017. The most significant activities of the OIG during the second half of fiscal year (FY) 2017 are summarized below and additional details can be found in subsequent sections of this report.

During this reporting period, the OIG initiated two audits and one evaluation. Specifically, the OIG initiated the annual financial statement audit (A18-01); the annual evaluation of the FMC's compliance with the Federal Information Security Management Act (A18-02); and a compliance audit of the DATA Act (A18-03). All of these assignments are expected to be completed in late October or early November 2017 and are discussed in more detail later in this report.

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

## **FEDERAL MARITIME COMMISSION**

The FMC is an independent federal agency responsible for ensuring a competitive and reliable ocean transportation supply system that supports the U.S. economy and protects the public from unfair and deceptive practices. The principal statutes or statutory provisions administered by the Commission are: the Shipping Act of 1984, as amended by the Ocean Shipping Reform Act of 1998; the Foreign Shipping Practices Act of 1988; and Section 19 of the Merchant Marine Act of 1920.

The FMC is headed by five Commissioners nominated by the President and confirmed by the U.S. Senate, each serving five-year terms. Currently one of the Commissioner positions is vacant. 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's one auditor position was vacant. During this semiannual period, the OIG was pleased to welcome two summer interns, Mr. Robert Gordon, and Ms. Natalia Graf.



Photo courtesy of FMC's David W. Story.

Mr. Gordon is a senior at James Madison University (JMU) where he has spent the last two years of his school career; he previously attended Virginia Commonwealth University before transferring to JMU. Mr. Gordon is studying to be an accountant and plans to become a Certified

Public Accountant (CPA). During the summer of 2017, Mr. Gordon aided the inspector general with audit oversight of the financial statements, and other special projects.

Before starting the OIG internship in May, Ms. Graf finished her first year of school at Salisbury University as a member of the Honors College. She previously interned with her local economic development council on the Women Tech Council. Ms. Graf is studying both accounting and information systems, and plans to become a CPA after she graduates. Ms. Graf helped the OIG with its FISMA evaluation, DATA Act audit, and other special projects.

In addition to their work assignments, Mr. Gordon and Ms. Graf had the opportunity to tour the United States Capitol, an event organized for the agency's summer interns by the FMC's Office of Consumer Affairs and Dispute Resolution Services. The OIG's summer interns also attended several training events and OIG community meetings throughout the summer.

## **OFFICE OF INSPECTOR GENERAL ACTIVITIES**

### **Open Audits and Evaluation**

*Independent Auditors' Report of FMC's FY 2017 Financial Statements.* The audit objectives are to opine on whether the FMC's FY 2017 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, 2017, and the related Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and Statement of Custodial Activity.

*DATA Act Audit, 2017.* The Digital Accountability and Transparency Act of 2014 (DATA Act), in part, requires federal agencies to report financial and award data in accordance with the established Government-wide financial data standards. In May 2015, the Office of Management and Budget (OMB) and the Department of Treasury published 57 data definition standards and required federal agencies to report financial data in accordance with these standards for DATA Act reporting, beginning January 2017. Once submitted, the data will be displayed on USAspending.gov for taxpayers and policy makers to understand how taxpayer dollars are being spent.

The DATA Act also requires the IG of each federal agency to review a statistically valid sample of the spending data submitted by its federal agency and to submit to Congress a publicly available report assessing the completeness, timeliness, quality, and accuracy of the data sampled and the implementation and use of the Government-wide financial data standards by the federal agency. The OIG commenced the audit in the summer of 2017 and plans to issue the final audit report by November 8, 2017.

***Evaluation of FMC's Compliance with the Federal Information Security Management Act (FISMA) FY 2017.*** 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 closed two hotline complaints. There were no new investigations or matters referred to prosecutorial authorities during this period. At the end of this reporting period, two hotline complaints were pending 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.

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.

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.

On October 1, 2017, CIGIE announced the official launch of [Oversight.gov](https://www.oversight.gov). This new website provides a “one stop shop” to follow the ongoing oversight work of all Inspectors General that publicly post reports. The FMC OIG, like the other OIGs, will continue to post reports to its own website. But with the launch of Oversight.gov, users can now sort, search, and filter the site’s database of public reports from all of CIGIE’s member OIGs to find reports of interest. In addition, the site features a user-friendly map to find reports based on geographic location, and contact information for each OIG’s whistleblower hotline. Users can receive notifications when new reports are added to the site by following CIGIE’s new Twitter account, [@OversightGov](https://twitter.com/OversightGov).



## SUMMARY OF INSPECTOR GENERAL REPORTING REQUIREMENTS

IG Act Reference	Reporting Requirement	Pages
<b>Section 5(a)(1)</b>	Significant problems, abuses and deficiencies	None
<b>Section 5(a)(2)</b>	Recommendations with respect to significant problems, abuses, or deficiencies	None
<b>Section 5(a)(3)</b>	Prior significant recommendations on which corrective actions have not been completed	None
<b>Section 5(a)(4)</b>	Matters referred to prosecutorial authorities and results	None
<b>Section 5(a)(5)</b>	Summary of instances where information was refused	None
<b>Section 5(a)(6)</b>	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
<b>Section 5(a)(7)</b>	Summary of each report	3-4
<b>Section 5(a)(8)</b>	Audit, inspection, and evaluation reports with questioned and unsupported costs	None
<b>Section 5(a)(9)</b>	Audit, inspection, and evaluation report recommendations that funds be put to better use	None
<b>Section 5(a)(10)</b>	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
<b>Section 5(a)(11)</b>	Description and explanation of significant revised management decisions	None
<b>Section 5(a)(12)</b>	Significant management decisions with which the inspector general disagrees	None
<b>Section 5(a)(13)</b>	Information under Section 804(b) of the Federal Financial Management Improvement Act (FFMIA) of 1996	None
<b>Section 5(a)(14)(15)</b>	Peer review activity on FMC OIG	10, App. A
<b>Section 5(a)(16)</b>	Peer review activity by FMC OIG on another OIG	None
<b>Section 5(a)(17)</b>	Statistical tables on investigative activities	None
<b>Section 5(a)(18)</b>	Description of metrics used for developing the data for the statistical table under Section 5(a)(17)	None
<b>Section 5(a)(19)</b>	Report on each investigation involving a senior Government employee where allegations of misconduct were substantiated	None
<b>Section 5(a)(20)</b>	Description of whistleblower retaliation	None
<b>Section 5(a)(21)</b>	Description of any attempt by the establishment to interfere with the independence of the OIG	None
<b>Section 5(a)(22)</b>	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
N/A	N/A	N/A	\$0	\$0	\$0

**TABLE III - Reports with Questioned Costs**

	Number of Reports	Questioned Costs	Unsupported Costs
<b>A.</b> For which no management decision has been made by the commencement of the reporting period.	0	\$0	\$0
<b>B.</b> Which were issued during the reporting period.	0	\$0	\$0
<b>Subtotal (A + B)</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>
<b>C.</b> For which a management decision was made during the reporting period.	0	\$0	\$0
<b>(i) dollar value of disallowed costs; and</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>
<b>(ii) dollar value of costs not disallowed.</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>
<b>D.</b> For which no management decision has been made by the end of the reporting period.	0	\$0	\$0
<b>E.</b> 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**

		<b>Number of Reports</b>	<b>Dollar Value</b>
<b>A.</b>	For which no management decision has been made by the commencement of the reporting period.	0	\$0
<b>B.</b>	Which were issued during the reporting period.	0	\$0
<b>Subtotal (A + B)</b>		<b>0</b>	<b>\$0</b>
<b>C.</b>	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
<b>D.</b>	For which no management decision has been made by the end of the reporting period.	0	\$0
<b>E.</b>	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.