

Office of Inspector General

Semiannual Report To the Congress

Covering the Period
April 1, 2005 to September 30, 2005



FEDERAL MARITIME COMMISSION



FEDERAL MARITIME COMMISSION

Office of the Inspector General
Washington, DC 20573-0001

October 20, 2005

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Honorable Steven R. Blust
Chairman
Federal Maritime Commission
Washington, DC 20573

Dear Chairman Blust:

The enclosed report is submitted in accordance with section 5 of the Inspector General Act of 1978, as amended by the Inspector General Act Amendments of 1988. It summarized the activities of the Office for the period from April 1, 2005, through September 30, 2005. The Act requires that you transmit the report to the appropriate committees of the Congress within 30 days of its receipt. Your transmittal should also include any comments you consider appropriate and other statistical tables and reports required by law.

During the current reporting period two audits were issued in final, they were the *Audit of Controls over Agency Property* and the *Audit of Procurement of Vendor Training Services*. Management agreed with our recommendations for both audits and has established corrective actions. We are currently reviewing the Commission's annual financial statements and have completed the review of its information security requirement. Also, we have performed a survey of the Bureau of Enforcement's functions.

In addition to the audit work, a number of Hotline complaints were received, however, they were referred to other agencies and a number of informal investigations were opened. There are no formal investigations opened and none remained pending.

I appreciate the continued cooperation and support the Office receives from you, the other Commissioners, and management.

Sincerely,

Bridgette S. Hicks
Acting Inspector General

Enclosure

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EXECUTIVE SUMMARY

The Semiannual Report to the Congress summarizes the activities and accomplishments of the Federal Maritime Commission (FMC or Commission), Office of Inspector General (OIG) and covers the period April 1, 2005 through September 30, 2005. During this period we issued two reports in final to the Commission and had three ongoing audits/inspections at the end of this reporting period.

BACKGROUND

The Commission is an independent regulatory agency responsible for the regulation of oceanborne transportation in the foreign commerce of the United States. 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, 1920.

The FMC is authorized five Commissioners appointed for five-year terms by the President with the advice and consent of the Senate. On September 12, 2005, Commissioner Rebecca F. Dye was sworn in for a second term which expires on June 30, 2010. The President designates one of the Commissioners to serve as Chairman. The Chairman is the chief executive and administrative officer of the Commission.

In Fiscal Year (FY) 2005, the Commission was authorized a total of 133 full-time equivalent positions and a total appropriation of \$19,340,032. The majority of the Commission's personnel are located in Washington, DC. The Commission maintains a presence in Los Angeles, Miami, Seattle/Tacoma, New York, and New Orleans through area representatives who serve the major port areas and transportation centers within their respective areas. In addition, two at-large area representatives operate out of Washington, DC.

During this reporting period the Commission's area representative in New Orleans was impacted by Hurricane Katrina. However, with the Commission's support and concerted efforts he continues to serve the port and transportation center in New Orleans.

The FMC OIG is an independent audit and investigative unit with an independent Inspector General (IG) who reports directly to the Chairman of the FMC.

The FMC OIG was established pursuant to P.L. 100-504, Inspector General Act of 1978 (P.L. 95-452), as amended in 1988. The OIG was formally established at the Commission on February 26, 1989. The Act states that the IG is responsible for (1) audits and investigations; (2) review of legislation; (3) recommendation of policies for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in programs and operations of the establishment. In this regard, the IG is responsible for keeping the Chairman and Congress fully informed about the problems and deficiencies in FMC programs and operations and the need for corrective actions. The IG has authority to inquire into all FMC programs, these inquiries may be in the form of audits, surveys, investigations, or other appropriate methods. The two primary purposes of these inquiries are (1) to assist all level of FMC management by identifying and reporting problem areas, weaknesses, or deficiencies in procedures, policies, program implementation, and (2) to recommend appropriate corrective actions.

The OIG is currently comprised of an Acting Inspector General and a Staff Assistant. The Office has a Memorandum of Understandings (MOU) with the FMC's Office of the General Counsel (OGC) and the Office of the Inspector General at the U.S. Social Security Administration (SSA) which provides that an OGC attorney will furnish legal services to the OIG as the need arises and provides for criminal investigative assistance as needed, respectively.

AUDITS/INSPECTIONS

During this semiannual period, the OIG issued reports on controls over agency property and procurement of vendor training services. In addition to these completed audits, the OIG began fieldwork on a survey of the Bureau of Enforcement's functions, as well as contracted with an independent auditor that completed fieldwork on the Commission's information security. Also, we contracted with another independent auditor to audit the Commission's FY 2005 financial statements.

Completed Audits

Audit Report Number

A05-01

A05-02

Subject of Audit

Audit of Controls over Agency Property

Audit of Procurement of Vendor Training

Summary of Audits Issued During the Current Period

In A05-01, *Audit of Controls over Agency Property* dated April 5, 2005, the objective was to determine whether the Commission had controls in place over its personal property and the handling of excess property. The review primarily focused on the accountability of computers and related equipment due to the Commission spending approximately \$319,400 for IT equipment and software in FY 2004. We also performed follow-up of recommendations from prior audit reports A01-01, *Review of the Commission's Property Management System* dated February 28, 2001 and A97-02, *Review of the Agency's Property Management System* dated November 25, 1997.

During this review we found that the Commission has made progress in implementing controls over its property and has established procedures relating to control over property. However, we found that the procedures needed to be updated with a joint effort by the Office of Information Technology

(OIT), the Office of Management Service (OMS) and the Office of Budget and Financial Management (OBFM) to include such matters as the process for recording and the disposition of non-information technology (IT) equipment and capitalized assets. We also found that OIT could do a better job in tracking IT equipment in its possession.

We made five recommendations to management, they were: (1) to establish joint procedures with the affected offices to incorporate non-IT equipment and capitalized assets; (2) update procedures to include performing inventory of excess equipment; (3) utilize the property tracking system's functionality to enter the dates when items are received; (4) perform an extensive review of IT equipment in OIT, and (5) use the equipment transaction form to include whether new equipment is replacing older equipment or whether it is new.

Management agreed with our recommendations and plan to implement the following corrective actions: (1) develop procedures for disposal of non-IT equipment and capitalized assets; (2) incorporate steps to conduct an inventory of excess equipment prior to disposition; (3) enter the receipt date of items into the property tracking system; (4) conduct a spot check and re-inventoried OIT's equipment to ensure that the inventory accurately reflects the items within OIT and (5) to revised the equipment transaction form to document replacement and new equipment.

In A05-02, *Audit of Procurement of Vendor Training Services* dated June 30, 2005; the objective was to assess the effectiveness and efficiency of management controls governing the process for procurement of training services obtained through outside vendors. We specifically reviewed the authorization of training requests, methods of payments, completion of training and maintenance of training records.

Our review disclosed that the Commission needs to develop updated written policies and procedures to ensure more effective and efficient ways of managing the training program of the Commission. We also found that the request for vendor training services should be streamlined.

We recommended that the FMC update written policies and procedures and incorporate the following: (1) streamline the request for training; (2) require FMC employees to attest and certify that training has been completed; (3) provide the Human Resource Specialist (HRS) with supporting documents for procurement of training done by others; (4) that payments are made for training received; (5) SF-182s or other authorized training forms be required for all training; (6) the approving official for the HRS be the Director of Human Resource for purchase card transactions; and (7) expand the automated log to track employee development and training, training costs and payments.

Management agreed with our recommendations and plans to implement the corrective actions in their policy statement.

CORRECTIVE ACTIONS NOT MADE

We reported in our last semiannual report that there were three material weaknesses where corrections have been made. However, during this reporting period the Commission closed one of those material weaknesses relating to the FY 2004 Federal Manager's Financial Integrity Act. The Commission still has two more material weaknesses those needs to be corrected which are related to the FY 2004 Federal Information Security Management Act.

INVESTIGATIVE ACTIVITIES

The Inspector General Act of 1978, as amended, provides that the IG may receive and investigate complaints or information concerning the possible allegations of fraud, waste and abuse occurring within FMC programs and operations. 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. The OIG does not employ criminal investigators; however, when the need arises the MOU with SSA goes into effect.

During this reporting period, a number of Hotline complaints were received, however, they were referred to other government agencies and a few informal investigations were opened. There are no formal investigations opened and none remained pending.

OTHER OIG ACTIVITIES

As required by the Inspector General Act of 1978, as amended, the Office of Inspector General routinely reviews proposed legislation and regulations. The purpose of these reviews is to assess whether the proposed legislation or regulation (1) impacts on the economy and efficiency of FMC programs and operations, and (2) contains adequate internal controls to prevent and detect fraud and abuse.

During this period, a number of legislative proposals as well as Commission Orders/policy guidelines were reviewed by this Office.

The Commission's Acting Inspector General continues to serve on the Executive Council on Integrity and Efficiency (ECIE) and has provided input into a number of initiatives proposed by the

Council. The ECIE serves as a forum for the exchange of views for the inspector general community and provides a base for the establishment of joint inspector general projects. She also participates in the Federal Audit Executive Council (FAEC) and the IG E-Learning initiative.

SUMMARY OF INSPECTOR GENERAL'S REPORTING REQUIREMENTS

IG Act Reference	Reporting Requirement	Page(s)
Section 4(a)(2)	Review of legislation and regulations	7
Section 5(a)(1)	Significant problems, abuses and deficiencies	None
Section 5(a)(3)	Prior significant recommendations on which corrective actions have not been made	6
Section 5(a)(4)	Matters referred to prosecutive authorities	None
Section 5(a)(5)	Summary of instances where information was refused	None
Section 5(a)(6)	List of audit reports by subject matter, showing dollar value of questioned costs and funds put to better use	10
Section 5(a)(7)	Summary of each particularly significant report	4 - 6
Section 5(a)(8)	Statistical tables showing number of reports and dollar value of questioned costs	11
Section 5(a)(9)	Statistical tables showing number of reports and dollar value of recommendations that funds be put to better use	12
Section 5(a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by the end of the reporting period	None
Section 5(a)(11)	Significant revised management decisions	None
Section 5(a)(12)	Significant management decisions with which the inspector general disagrees	None

TABLE I
SUMMARY OF AUDITS
WITH NON-FINANCIAL RECOMMENATIONS

Audit Report No.	Report Issue Date	Management Response Date	<u>Non-Financial Recommendations</u>		
			No.	Mgt. Agrees	Mgt. Disagrees
05-01	04/05/05	04/04/05	5	5	0
05-02	06/30/05	06/28/05	7	7	0

TABLE II
INSPECTOR GENERAL ISSUED REPORTS
WITH QUESTIONED COSTS

		<u>Dollar Value</u>	
	<u>Number</u>	<u>Questioned Cost</u>	<u>Unsupported Costs</u>
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)	<u>0</u>	<u>0</u>	<u>0</u>
C. For which a management decision was made during the reporting period	0	0	0
(i) dollar value of disallowed costs	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 III

**INSPECTOR GENERAL ISSUED REPORTS
WITH RECOMMENDATIONS
THAT FUNDS BE PUT TO BETTER USE**

	<u>Number</u>	<u>Dollar Value</u>
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 plus 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	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
Reports for which no management decision was made within six months of issuance	0	0

HOTLINE COMPLAINTS

The success of the OIG mission to prevent fraud, waste and abuse depends on the cooperation of FMC employees and the public.

A COMPLAINT CAN BE REPORTED BY CALLING OUR 24-HR DIRECT LINE

(202) 523-5865

E-MAIL ADDRESS:

oig@fmc.gov

TO PLACE A COMPLAINT IN WRITING PLEASE MAIL TO:

**Federal Maritime Commission
Office of Inspector General
Room 1054
800 North Capitol Street, NW
Washington, DC 20573**

To Be Opened By the IG Only

THE INFORMATION YOU PROVIDE IS CONFIDENTIAL AND YOU CAN BE ANONYMOUS

**HOWEVER, EACH CALLER IS ENCOURAGED TO ASSIST THE INSPECTOR GENERAL BY
SUPPLYING INFORMATION AS TO HOW THEY MAY BE CONTACTED FOR ADDITIONAL INFORMATION**