

**AUDIT OF DATA ACCURACY
OF BUREAU OF ENFORCEMENT'S
TRACKING SYSTEMS**

AUDIT NO. 06-01

FINAL REPORT

MARCH 2006

FEDERAL MARITIME COMMISSION
Office of the Inspector General

Memorandum

DATE: March 30, 2006

TO : Chairman
FROM : Inspector General (Acting)
SUBJECT: Audit of Data Accuracy of BOE's Tracking Systems
(Audit No. A06-01)

Transmitted for your review is the final report pertaining to the subject audit. The purpose of this audit was to determine whether the information in the tracking systems used by BOE is accurate and reliable. Our review primarily focused on pending and closed cases and closed cases with settlements. We also review the collection of moneys for closed cases with settlement arrangements.

We found that overall the information in BOE's tracking systems are accurate and reliable. We found an error in the date entered for opening a pending case, and in the date entered for closing a case. We found inconsistencies in the date used to close cases with settlements and in settlement amounts. We also found that BOE does not record any information when settlement payments are received and that the Commission could comply with the Government Paperwork Elimination Act (GPEA) by giving entities an option to submit settlement payments electronically.

We recommended that BOE set a standard of using the closing memorandum approval date for closing cases with settlements and to inform its staff of the process, as well as, enhance its tracking system to collect the date when moneys are received. We also recommended that the Office of Administration with coordination from their respective offices, Office of Financial Management (OFM) and the Office of Information Technology (OIT) and BOE implement the use of Pay.gov as an option to collect moneys from settlement agreements.

After you have had an opportunity to review the findings in the final report, I will be glad to brief you further and answer any questions you may have regarding the report.



Bridgette S. Hicks

Attachment

FEDERAL MARITIME COMMISSION
Office of the Inspector General

Memorandum

DATE: March 30, 2006

TO : Director, Office of Operations
Director, Bureau of Enforcement
Director, Office of Administration

FROM : Inspector General (Acting)

SUBJECT: Audit of Data Accuracy of BOE's Tracking Systems
(Audit No. A06-01)

Transmitted for your review is the final report pertaining to the subject audit. We considered your comments and they have been incorporated in our final report. The report is also being furnished to the Chairman. Our review indicated that overall the data in BOE's tracking system is accurate and reliable. We found an error in the date entered for opening a pending case, and in the date entered for closing a case. We found inconsistencies in the date used to close cases with settlements and in settlement amounts. We also found that BOE does not record any information when settlement payments are received and that the Commission could comply with the Government Paperwork Elimination Act (GPEA) by giving entities an option to submit settlement payments electronically.

We appreciate the courtesy and assistance extended by you and your staff in connection with this audit. If you have any questions please feel free to contact me at 523-5863.


Bridgette S. Hicks

Attachment

cc: Deputy Director, Office of Operations (w/attachment)
Deputy Director, Bureau of Enforcement (w/attachment)
Deputy Director, Office of Administration (w/attachment)
Director, Office of Financial Management (w/attachment)
Director, Office of Information Technology (w/attachment)

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY.....	ii
I. BACKGROUND.....	1
II. OBJECTIVE, SCOPE, AND METHODOLOGY.....	1
III. RESULTS OF REVIEW.....	2
IV. DETAILED FINDINGS	3
A. Audit Follow-up.....	3
B. Data Errors in Tracking System.....	3
C. Consistency Needed in Date Closed for Settlement Cases.....	4
D. BOE General Indices	5
E. Settlement Payment.....	6
V. Appendix	
A. Bureau of Enforcement Comments	8
B. Office of Administration Comments.....	10

Audit of Data Accuracy of Bureau of Enforcement's Tracking Systems
Executive Summary

The Bureau of Enforcement (BOE or Bureau) is an entity within the Federal Maritime Commission (FMC or Commission) that is charged with conducting investigations of ocean common carriers, ocean transportation intermediaries (OTI), shippers, ports, marine operators, and other persons to ensure compliance with the statutes and regulations administered by the Commission.

The BOE uses two electronic databases, HEAR and the General Indices to monitor their investigative and enforcement activities and to maintain information contained in BOE's physical case files, respectively. The HEAR is a consolidation of databases from the merger of the former Bureau of Investigations (BOI) and the former Bureau of Hearing Counsel (BHC) which resulted in the Bureau of Enforcement (BOE). It is through this consolidation of databases that BOE is able to capture information recommended in a previous audit report and maintain information that is used as a management tool to provide monthly status reports to senior management of BOE's activities. The General Indices is a combination of two electronic databases; one is a historical scanned image file of index cards and the other is an electronic database. BOE provides information from these databases to Commission offices upon request.

The objective of this audit was to determine whether the information in the tracking systems used by BOE is accurate and reliable. Our review primarily focused on pending and closed cases and closed cases with settlements. We also reviewed the collection of moneys for closed cases with settlement. We also performed a follow-up review of the recommendations related to this audit to determine if corrective actions had been implemented.

Our review disclosed that overall the information in BOE's tracking systems are accurate and reliable. We found an error in the date entered for opening a pending case, and in the date entered for closing a case. We found inconsistencies in the date used to close cases with settlements and in settlement amounts. We also found that BOE does not record any information when settlement payments are received and that the Commission could comply with the Government Paperwork Elimination Act (GPEA) by giving entities an option to submit settlement payments electronically.

In FY 2005, BOE had 24 cases with settlements, of these 24 cases 8 cases were closed using the closing memorandum date, 14 cases with the press release date and 2 cases where the date in the tracking system, the closing memo date and the press release date agreed. The BOE collected a total of \$827,000 from these cases, \$654,500 in FY 2005 and \$172,500 in FY 2004.

We recommended that BOE set a standard of using the closing memorandum approval date for closing cases with settlements and to inform its staff of the process, as well as, enhance its tracking system to collect the date when moneys are received. We also recommended that the Office of Administration with coordination from their respective offices, Office of Financial Management (OFM) and the Office of Information Technology (OIT) and BOE implement the use of Pay.gov as an option to collect moneys from settlement agreements.

I. Background

The Office of Inspector General (OIG) has completed an audit of the Federal Maritime Commission's (FMC or Commission) Bureau of Enforcement's (BOE or Bureau) data accuracy of their tracking systems. The tracking systems named HEAR and BOE General Indices provides information on investigative and enforcement activities. The tracking systems is used as a management tool to track cases, provide information for monthly reports, the Annual Report and to provide information to Commission offices when requested.

The BOE is an entity within the Commission that is charged with conducting investigations of ocean common carriers, ocean transportation intermediaries, shippers, ports, marine operators and other persons to ensure compliance with the statues and regulations administered by the Commission. The BOE may also enter into negotiations to compromise and settle civil penalty demands, as well as assessment of civil penalties.

The HEAR monitors the investigative and enforcement activities of the Bureau. The data collected in the system includes the subject of an investigation or enforcement; the open and closed dates; the alleged violations; case file numbers; attorneys and Area Representatives assigned; amount of settlement, if applicable; and the status of the investigation or enforcement.

The General Indices is a summary of selected information contained in BOE's physical case files. The General Indices is a combination of two electronic databases; one is a historical scanned image file of index cards and the other is an electronic database implemented in May 2004. The historical database system contains approximately 20,000 records which includes; information on the case file numbers, company names, individuals directly connected to the company, and the subject of the investigation or enforcement. The electronic database collects the same information and currently has approximately 836 records (370 cases).

II. Objective, Scope, and Methodology

The objective of the audit was to determine whether information in the tracking systems used by the Bureau is accurate and reliable. Specifically, we reviewed data in the tracking system against source documents for pending and closed cases, and closed cases with settlement. We also reviewed the collection of moneys for closed cases with settlement.

We accomplished the audit objectives by performing a survey of BOE's functions, reviewed a prior audit report and OMB Circular A-123, *Management Accountability and Control* and other laws and regulations. We also interviewed the Director and Deputy Director BOE, the Director OIT, the Director OFM and the Bureau of Public Debt (BPD).

The OIG performed a *Review of the Bureau of Hearing Counsel*, Audit No. 92-04 issued on March 23, 1993. The objective of the audit was to evaluate the policies and procedures followed by the BHC in the receipt, review and settlement of investigative cases involving violations of the various shipping acts. The audit made recommendations to maintain adequate documentation

and to improve the information captured in the tracking system. We reviewed these recommendations to determine whether corrective actions were implemented.

We obtained and reviewed BOE's Monthly Activity Report - October 2005 for pending cases as of October 31, 2005. A random sample was selected from 43 of the 99 cases pending. We reviewed case files for opening memorandums approved by the Director or Deputy Director BOE to determine whether these dates agreed with the tracking system. We also verified whether case numbers and entity names were accurate and whether they were pending as of October 31, 2005.

We obtained BOE's HEAR and General Indices in an electronic format from OIT. We received cases closed in FY 2005 from HEAR and all new data entered into the General Indices. There was a total of 95 cases closed in the tracking system for FY 2005, 18 of the 95 cases resulted in settlements. We randomly selected 30 of the 77 closed cases to determine whether the case number, case name, open and close dates entered in the tracking system agreed with source documents in case files. We also reviewed closed settlement cases to determine whether the information in the tracking system agreed with the 2(a) memorandum for settlement amounts, open and closed memorandum dates, case numbers and subject information.

We used the General Indices to determine whether those cases with settlements in FY 2005 were entered into the system.

We conducted our audit work from December 2005 to January 2006 in accordance with generally accepted government auditing standards.

III. Results of Audit

Our review disclosed that overall the information in BOE's tracking systems are accurate and reliable. We found an error in the date entered for opening a pending case, and in the date entered for closing a case. We found inconsistencies in the date used to close cases with settlements and in settlement amounts. We also found that BOE does not record any information when settlement payments are received and that the Commission could comply with the Government Paperwork Elimination Act (GPEA) by giving entities an option to submit settlement payments electronically.

In FY 2005, BOE collected \$827,000 for 24 cases with settlements, of these 24 cases, 8 cases were closed using the closing memorandum date, 14 cases with the press release date and 2 cases where the date in the tracking system, the closing memo date and the press release date agreed. We also verified the amount of settlements for the 24 cases and found 3 cases with incorrect amounts in the tracking system.

We also found that instead of settlement payments received in either cashier's check or money order the Commission could comply with GPEA by giving entities the option of using Pay.gov to submit payments.

We reviewed prior recommendations made and the corrective actions were implemented.

IV. Detailed Findings and Recommendations

A. Audit Follow-up

In the *Review of the Bureau of Hearing Counsel*, Audit No. 92-04, dated March 23, 1993, there were three recommendations made, however, we reviewed 2 of the 3 recommendations related to this audit. The recommendations were "Maintaining Adequate Documentation" and "Improving the Tracking System." We reviewed prior recommendations to determine whether corrective actions were implemented. We found the recommendations were implemented and additional controls had been put in place.

In the audit, a recommendation was made "Maintaining Adequate Documentation." This recommendation stated that BHC was to ensure that the case file include at a minimum, details of the alleged violations and a summary statement which documents the basis for settlement. When we performed the current audit we reviewed the opening, closed and 2(a) memorandums of a sample of case files and found that this information was recorded in the documentation.

The other recommendation made was "Improving the Tracking System." In this recommendation it stated that BHC should coordinate efforts with the former named office of OIT to improve the information captured such as the date of settlement, and the date closed to facilitate the preparation of reports to management, the Congress, or others entitled. To comply with the recommendation, the systems from BOI and BHC were consolidated to capture this information through the HEAR System. When we performed our recent audit we found the tracking system captures the date closed.

B. Data Errors in Tracking System

The BOE's tracking system is used as a management tool to keep track of the progress of cases and to provide information to other offices for issuing of licenses and how to handle a case in dispute resolution services. We reviewed pending and closed cases to determine whether the HEAR system data agreed with opening and closing memorandums, case numbers and company names. The dates entered into the system are those approved by the Director or the Deputy Director of BOE on the opening and closing memorandums. When these documents are approved, the BOE staff enters the information into the system and certifies the information entered by initialing and dating the memorandums. This control assists in facilitation of information into the tracking system.

Pending Cases

As of October 31, 2005, BOE had a total of 99 cases pending which consisted of 48 investigative; 27 enforcement; 4 formal proceedings and 20 legal advices. We selected a random sample of 43 of the 99 pending cases to determine whether they were pending as indicated in the tracking system. We reviewed case files to determine whether the opening memorandum dates, case numbers and company names agreed with the tracking system. We found that the information in the tracking system such as the case numbers and company names agreed with source documents. However, when we reviewed the opening memorandums with data in the HEAR system we found an error. This error was due to an overlook of entering the date entered into the system instead of when the Director approved the case. All sample cases were pending at the end of October 2005.

Closed Cases

In FY 2005, there were a total of 95 cases closed in the HEAR system. Of the 95 cases, 77 closed without settlement. We randomly selected 30 of the 77 closed cases to determine whether the opening and closed memorandums, case numbers and company names agreed with the HEAR system. We found all information in the HEAR system agreed with source documents except for one case, of the date closed. The date closed in the HEAR system was one day earlier than the date approved by the Director.

Although there were no material errors in our sample of data for FY 2005 for the closed and pending cases as of October 31, 2005, BOE should continue to use due diligence when entering information into the HEAR system.

C. Consistency Needed in Date Closed for Settlement Cases

In FY 2005, the BOE closed on 24 settled cases totaling \$827,000, of this amount \$654,500 was collected from 19 cases in FY 2005 and \$172,500 was collected from 5 cases in FY 2004. All 19 settlement cases closed in the tracking system in FY 2005 were reviewed for data accuracy of the opening and closing dates, case numbers, company names and settlement amounts and whether BOE received the settlement amounts. We also performed this testing on an additional 5 cases we found closed in FY 2005. The date used for closing these cases was the press release date instead of the approved closing memorandum date.

OMB Circular A-123 *Management Accountability and Control* "requires that transaction be promptly recorded, properly classified and accounted for in order to prepare timely accounts and reliable financial and other reports. The documentation for transactions, management controls, and other significant events must be clear and readily available for examination." One of our audit objectives was to determine whether information in the tracking system agreed with source documents.

We found during our review that 8 of the 19 closed case dates in the HEAR system did not agree with the closing memorandum and 3 of the 19 settlement amounts did not agree. The date used to close these 8 cases was the press release date instead of the closing memorandum date. The Director stated that the approval date on the closing memorandum is the date used to close cases; however, he attributed the inconsistencies to staff rotations and new members of the staff not being aware of the processes. The cases with incorrect settlement amounts resulted in errors that totaled \$502,500, 2 of the 3 cases had incorrect amounts and 1 of the 3 did not have an amount entered into the system.

We found the additional 5 cases closed with settlement in FY 2005 from BOE's FY 2005 Annual Report submission. The closed date on the approved closing memorandum was September 30, 2005. However, the closing date used was the date of the press release, October 5, 2005. Therefore when we requested an electronic format for cases closed in FY 2005; it did not meet the criteria. The results of the inconsistencies in the HEAR system of sample cases are below:

Description	Errors
Closing Date, Press Release & Closing Memo Date Agreed	2
Closing Date agreed with Press Release Date	14
Closing Date agreed with Closing Memo Date	8
Total	24

Recommendation No. 1

We recommend that the Director, Bureau of Enforcement set a standard of using the closing memorandum approval date for closed cases with settlements and to inform its staff of the processes.

Management Response [Full text included in Appendix A]

Management agreed with this recommendation and stated that the staff has been reminded and instructed to use the present protocol of the approval date on the closing memorandum for the HEAR case tracking system.

D. BOE General Indices

The BOE General Indices is a compilation of entities and individuals that were subject of investigations. The information maintained is used to provide information to other offices in the Commission when requested. Therefore, it is imperative that the information maintained is accurate to make informed management decisions.

In FY 2005, there were 24 closed cases with settlement arrangements. We reviewed the General Indices to determine whether the 24 cases were entered into the system. We found that all closed settlement cases for FY 2005 were in the system and the case numbers and company names were accurate.

E. Settlement Payments

In FY 2005, BOE collected a total of \$654,500 for settlement payments. We reviewed the process in collecting these payments and found that BOE does not collect any information when a payment is received in their office.

Payments received by BOE for settlement are received in the form of cashier's check or money order. When payments are received, payments are sent directly to the BOE and immediately submitted to the OFM for processing. The staff in OFM logs the check information on a control sheet; makes a copy of the check and issues a receipt to BOE. The checks are then deposited into Treasury's General Fund in accordance with the Department of Treasury's (Treasury) regulations. The OFM provides the Director BOE with monthly collection reports, as well as provide amounts collected during the fiscal year to report in the Annual Report.

The BOE does not maintain a log of moneys received from settlement. This could be remedied by enhancing the HEAR system to collect the date moneys were received. This information would also equip the bureau with information on payments received instead of relying on another office to provide such information.

When we reviewed the collection process we also review alternatives in collecting moneys to comply with the GPEA. We spoke to representatives of BPD and found the Commission could comply with GPEA by giving entities an option of using Pay.gov to make payments electronically. The GPEA's purpose is to reduce paper transactions through the utilization of electronic processing via the Internet. The website Pay.gov has been developed to help Federal agencies meet the directives outline in the GPEA.

The Pay.gov developed by Treasury provides an array of services, such as collections, reporting, billing and notification, forms and verification service. These services through Pay.gov do not incur any expense to the Commission or the entity submitting payment.

We spoke to the Director OIT, the Director OFM and the Director BOE about this technology. The Director OIT stated that FMC systems have the capability to interface with the program, the Director OFM stated that she would welcome the opportunity for the Commission to use Pay.gov for accepting settlement payments; however, OFM and OIT would need to go through the implementation process with Treasury representatives. When we informed the Director BOE of this resource he stated that if he could be notified when the settlement was paid and the amounts collected he would offer this option to the entities. Pay.gov offers the feature of when payments are made and amounts collected through online reports and activity files.

With management embracing the ability to make payments electronically the Commission could comply with GPEA through Pay.gov for payments of settlement agreements.

Recommendation No. 2

We recommend that the BOE enhance their tracking system to collect the date moneys were received. This will assist in preparing information needed for the Annual Report and other reports.

Management Response [Full text included in Appendix A]

Management believes this recommendation would not benefit BOE in monitoring of its cases, however, they plan to consult with the Office of Operations, the Office of Financial Management, and the Office of Information Technology to determine the feasibility of this enhancement to the HEAR system.

Recommendation No. 3

We recommend the Office of Administration with coordination from their respective offices, Office of Financial Management and Office of Information Technology, and the Bureau of Enforcement implement the use of Pay.gov as an option to collect moneys from settlement arrangements.

Management Response [Full text included in Appendixes A & B]

The BOE management agreed with this recommendation as long as they are able to easily determine when payment is received and deemed paid, to ensure the proper amount is paid and to determine the proper payee. BOE deferred this full response to the Deputy Director of Administration as to whether, and the process required, to implement this recommendation.

The Office of Administration agreed, this recommendation has merit and should be explored; however, it should not be limited to the BOE but to other programs that are currently under development with consultation and evaluation by senior management and the Chairman.



**FEDERAL MARITIME COMMISSION
BUREAU OF ENFORCEMENT**

*800 North Capitol Street NW
Washington, D.C. 20573-0001*

MEMORANDUM

Date: March 24, 2006

TO: Inspector General (Acting)

FROM: Director, Bureau of Enforcement

SUBJECT: Draft - Audit of Data Accuracy of BOE's Tracking Systems
(Audit No. A06-01)

The Bureau of Enforcement offers the following response to the recommendations set forth in the draft report of Audit No. A06-01 presented to us by the Acting Inspector General in a memorandum dated March 9, 2006.

Recommendation No. 1

We recommend that the Director, Bureau of Enforcement set a standard of using the closing memorandum approval date for closed cases with settlements and to inform its staff of the processess.

The date of the closing memorandum approval is the present protocol for use in BOE's HEAR case tracking system. The staff has been reminded and instructed, as necessary, and the system will be monitored to assure an improved adherence to the established protocol.

Recommendation No. 2

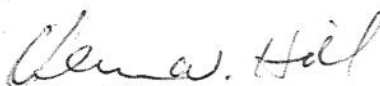
We recommend that the BOE enhance their tracking system to collect the date moneys were received. This will assist in preparing information needed for the Annual Report and other reports.

The "date moneys were received" was not viewed as being of specific importance or benefit to BOE in monitoring its cases or in carrying out its responsibilities and, therefor, was not captured in the most recent design of BOE's case tracking system. This information is retained by the Office of Financial Management. However, we will consult with the Office of Operations, the Office of Financial Management, and the Office of Information Technology to determine the feasibility of this enhancement to the HEAR system. If such modification were made, we suggest that it only be required to capture information going forward rather than a review of all previous cases in the system to seek to add such information where applicable. We will consult and report by May 31, 2006.

Recommendation No. 3

We recommend the Office of Administration with coordination from their respective offices and the Bureau of Enforcement implement the use of Pay.gov as an option to collect moneys from settlement arrangements.

As reflected in the draft report, BOE's concern with electronic payment systems is that BOE needs to be able easily to determine when payment is received and deemed paid, to assure the proper amount is paid and to determine the proper payee. If these requirements are accommodated with Pay.gov, or any other electronic system, BOE has no objection to the use of electronic payment systems for receipt of penalty assessments or compromise payments. However, BOE defers to the response to this recommendation provided by the Deputy Director of Administration as to whether, and the process required, to implement this recommendation.


Vern W. Hill

cc: Director of Operations
Director or Administration
Deputy Director of Administration
Director, Office of Financial Management
Director, Office of Information Technology

FEDERAL MARITIME COMMISSION
Office of Administration

Memorandum**Date:** March 24, 2006

To : Acting Inspector General

From : Deputy Director of Administration

Subject : Comments on Draft Audit A06-01, *Audit of Data Accuracy of BOE's Tracking Systems*

Recommendation No. 3 of the above draft audit states:

We recommend the Office of Administration with coordination from their respective offices and the Bureau of Enforcement implement the use of Pay.gov as an option to collect moneys from settlement arrangements.

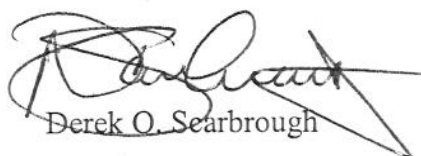
As this Recommendation is directed to the Office of Administration, I am taking this opportunity to comment on it.

I have consulted with OA staff and the Bureau of Enforcement regarding this recommendation, and directed my staff to contact the Department of the Treasury ("Treasury), which coordinates Pay.gov (working with the application developer, the Federal Reserve Bank of Cleveland) , to gather further information. As a result of this research, although we agree that utilizing Pay.gov as an option for the payment of settlements is an excellent idea which should be explored, we have determined that we cannot consider this use solely for the Bureau of Enforcement. Neither can we make a decision to implement Pay.gov without coordination and consultation with senior managers to determine possible agencywide usage and requirements, and without the Chairman's ultimate approval of senior management's recommendations.

The process for implementation of Pay.gov is quite complex, and components cannot easily be added once the Federal Reserve Bank of Cleveland develops an application. That is, it is inefficient to implement the process just for BOE and then subsequently add other agency unit requirements. Thus, at the beginning of the process, the agency's other units should have the opportunity to consider the use of Pay.gov for any payments they accept, such as for application fees, in addition to the use proposed in the Recommendation. To accomplish this, we must establish an orderly process. This would include meetings with Treasury to explain implementation procedures to agency staff and discuss agency requirements; conducting an internal assessment regarding the ways in which agency units might require Pay.gov support, followed by a recommendation to the Chairman and, once approval is given, development of an Agency Configuration

Template to be submitted to the Federal Reserve Bank of Cleveland; the signing of an agreement with the Federal Reserve Bank of Cleveland on exact development and implementation specifications; consideration of possible contract changes to incorporate the use of Pay.gov in forms such as FMC 18 which currently are under development; exploration of possible annual costs for BPD to provide an interface for use of Pay-gov; assisting as needed as Treasury's representatives and the Federal Reserve Bank of Cleveland's programming team develop FMC's application, to include possible agency program development depending upon the interface chosen; application testing in coordination with Treasury prior to the system going "live;" etc. Treasury has informed us that after the FMC has defined its needs, it will take up to four months for Treasury to implement a system for the agency.

In summary, while we agree in principle that the Recommendation has merit and should be explored, we believe that a decision to move forward on implementation should not be made by BOE or OA alone, but must be made in consultation with senior management and the Chairman. If an implementation plan is approved, the process for implementation, as briefly summarized above, reflects its complexity. Therefore, in order to pursue this Recommendation in an appropriate, considered manner, we are establishing a corrective action completion date of March 30, 2007, for senior management evaluation of possible implementation of Pay.gov and, if approved, for implementation.


Derek O. Searbrough

- cc: Director of Administration
Director of Operations
Director, Bureau of Enforcement
Director, Office of Financial Management
Director, Office of Information Technology
Director, Office of Management Services