

Why GAO Did This Study

The Academy, a component of the Department of Transportation's (DOT) MARAD, was established in 1938 and built during World War II to provide undergraduate education programs for midshipmen to become shipboard officers and leaders in the maritime transportation field. DOT allocated \$80 million to the Academy for fiscal year 2011 for its operations, CIP, and facilities maintenance.

In August 2009, GAO issued a report that identified numerous internal control deficiencies and made 47 recommendations for corrective action. This report provides the results of GAO's assessment of (1) the extent to which the Academy has taken actions to address the prior recommendations and (2) the Academy's CIP oversight. To address these objectives, GAO evaluated corrective actions and supporting documentation; interviewed Academy, MARAD, and DOT officials; and performed walk-throughs of several processes revised in response to GAO's prior recommendations.

What GAO Recommends

In addition to reiterating the need to fully implement the remaining open recommendations, GAO is making one new recommendation directed at updating the Academy's capital improvement plan to include reliable cost estimates and phased investment priorities aligned with the Academy's strategic objectives in accordance with leading practices. In commenting on a draft of this report, DOT stated that it had recently established a comprehensive plan to manage CIP, and plans to keep GAO apprised as it completes actions addressing other GAO open recommendations.

View [GAO-12-369](#). For more information, contact Beryl Davis at (202) 512-2600 or DavisBH@gao.gov.

U.S. MERCHANT MARINE ACADEMY

Additional Actions Needed to Establish Effective Internal Control

What GAO Found

The U.S. Merchant Marine Academy (Academy) has made progress in improving its internal control since GAO's August 2009 report, but has not yet fully addressed one key recommendation related to fundamental weaknesses in its overall internal control system. GAO found that while the Academy had appointed an Internal Control Officer responsible for coordinating reviews of internal controls, it had not yet established a comprehensive risk-based internal control system to ensure effective and efficient operations, reliable financial reporting, and compliance with laws and regulations, including a monitoring system to help ensure that control deficiencies are proactively identified and promptly corrected. Maritime Administration (MARAD) officials stated that their strategy had been to focus on the deficiencies that could be readily resolved. As of September 30, 2011, Academy and MARAD officials had addressed 32 of the other 46 prior recommendations regarding control activity deficiencies.

Summary of GAO Conclusion on Status of Actions Taken to Address 2009 Recommendations Related to the Academy's Control Activities

Academy control activity	Total recommendations	Recommendations implemented	Remaining open recommendations
Training vessel use	5	5	0
Personal service acquisitions	2	2	0
NAFI camps and clinics using Academy facilities	3	3	0
Midshipmen fee accountability	9	7	2
Accountability for Academy reserves	4	4	0
Academy and NAFI governance structure	8	4	4
Financial reporting	5	2	3
Fund accountability	7	4	3
Capital asset repairs and improvements	3	1	2
Total	46	32	14

Source: GAO analysis of MARAD and Academy data as of September 30, 2011.

Importantly, for many of the specific control-related recommendations that remained open, the Academy and MARAD had not yet identified the cause of the related internal control deficiencies, a critical step for designing effective controls.

GAO also found that the Academy and MARAD have taken steps to improve Capital Improvement Program (CIP) oversight. For example, the Academy filled a new Assistant Superintendent position responsible for oversight of the Academy's capital improvements and facilities maintenance. However, the Academy did not yet have an up-to-date, comprehensive plan for capital improvements to provide a basis for oversight. Specifically, the Academy did not have a capital improvement plan that identified long-term capital improvement needs aligned with the Academy's strategic objectives, reliable cost estimates for planned improvements, and a phased implementation approach for prioritizing capital improvement needs. Such plan elements are consistent with Office of Management and Budget guidance and GAO-identified leading practices.