

# Office of Inspector General

---

---

**Semiannual Report to Congress  
Covering the Period**

**October 1, 2023 – March 31, 2024**



## **FEDERAL MARITIME COMMISSION**

---

---



**FEDERAL MARITIME COMMISSION**  
Washington, DC 20573

April 30, 2024

*Office of Inspector General*

Dear Chairman Maffei and Commissioners Dye, Sola, Bentzel and Vekich:

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 October 1, 2023 to March 31, 2024.

During this reporting period, the OIG completed one audit and two reviews, and initiated two new reviews. Additional details on these assignments can be found in the enclosed report. The OIG continues to appreciate the cooperation and commitment to integrity and ethical values demonstrated by FMC's leadership and staff.

Respectfully submitted,

Jon Hatfield  
Inspector General

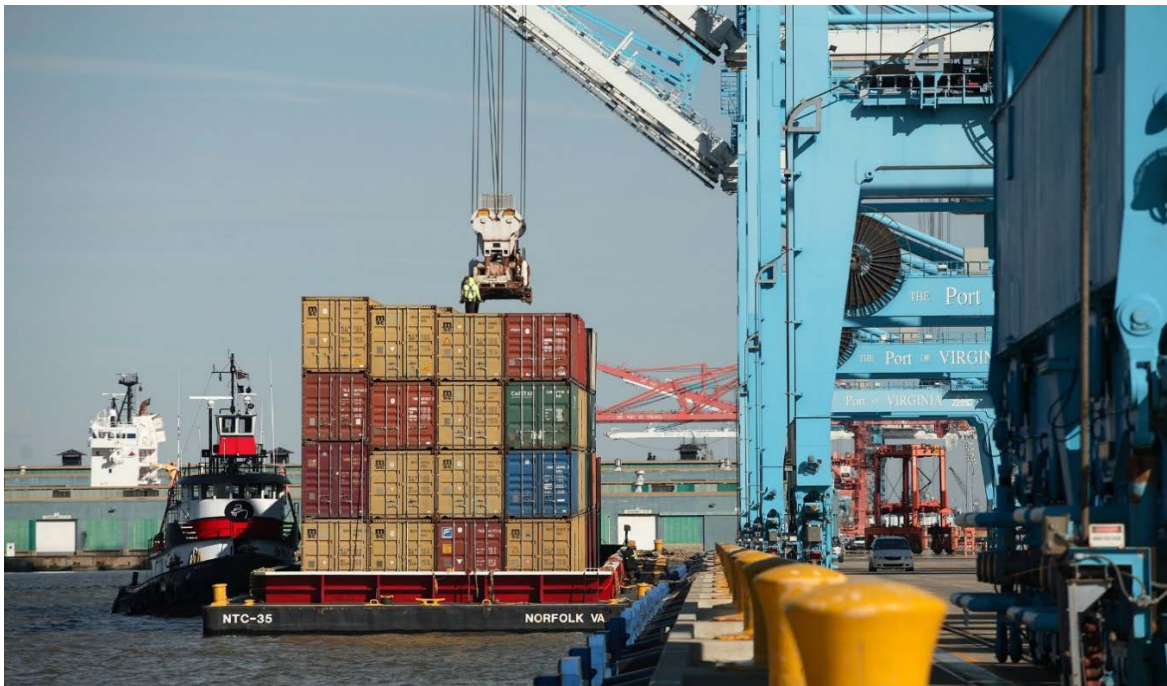
Enclosure

CC: Lucille L. Marvin, Managing Director  
Phillip Christopher Hughey, General Counsel  
Kathie L. Keys, Special Assistant to the Managing Director

## TABLE OF CONTENTS

Transmittal Letter	
EXECUTIVE SUMMARY .....	1
FEDERAL MARITIME COMMISSION .....	1
OFFICE OF INSPECTOR GENERAL .....	2
OFFICE OF INSPECTOR GENERAL ACTIVITIES .....	3
Completed Assignments .....	3
Open Assignments .....	4
Hotline and Investigations .....	5
Review of Legislation .....	5
Council of the Inspectors General on Integrity and Efficiency (CIGIE) Activities .....	6
SUMMARY OF INSPECTOR GENERAL REPORTING REQUIREMENTS.....	7
TABLE I - Summary of Reports with Corrective Actions Outstanding for More than 6 Months .....	8
TABLE II - Listing of Reports Issued .....	9
TABLE III - Reports with Questioned Costs .....	10
TABLE IV - Recommendations that Funds be Put to Better Use .....	11
Appendix A - Peer Review Activity .....	12

**Pictured: GCT New York Terminal, Staten Island, New York.**



## **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 October 1, 2023 through March 31, 2024. During this reporting period, the OIG completed one audit and two reviews, and initiated two new reviews. The details on these assignments can be found in subsequent sections of this report.

Three new hotline complaints were received, and four hotline complaints were closed during the reporting period. Three hotline complaints were open at the end of this reporting period. There were no open investigations or matters referred to prosecutorial authorities during this period.

## **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 agency regulates the international ocean transportation supply system (vessel liner carriers, ocean transportation intermediaries, and marine terminal operators).

The FMC is composed of five Commissioners nominated by the President and confirmed by the Senate, each serving a staggered five-year term. The Commission is a bipartisan body; no more than three members of the Commission may be of the same political party. One Commissioner, designated by the President, serves as the Chairman, Chief Executive, and Chief Administrative Officer of the Commission. The Inspector General reports to all five Commissioners.

Although most agency personnel work at FMC headquarters in Washington, D.C., the FMC also has investigative staff located in major port and transportation centers. The Commission's investigators focus on enforcement activity in one of the three regions: the Northeast and Midwest; Southeast and Gulf; and West Coast.

## **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 detecting 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 period, the OIG was pleased to welcome Mr. Caleb Ward, a part-time Pathways Program auditor trainee. Mr. Ward is enrolled at Liberty University and plans to graduate with a bachelor's degree in accounting in May 2024. The OIG was also pleased to welcome Ms. Kaylie McGraw, a spring 2024 OIG student legal volunteer. Ms. McGraw is studying law at the Catholic University Columbus School of Law. In addition, the OIG has a memorandum of understanding (MOU) with the Treasury Inspector General for Tax Administration for the FMC OIG to obtain legal advice services to carry out the FMC OIG's responsibilities under the Inspector General Act. During this period, the FMC OIG also had an MOU with the Appalachian Regional Commission OIG to obtain investigative services, as needed.

## OFFICE OF INSPECTOR GENERAL ACTIVITIES

### Completed Assignments

#### *Independent Auditors' Report of the FMC's FY 2023 Financial Statements, A24-01.*

The audit report was issued on November 15, 2023. The OIG contracted with Dembo Jones, P.C. to perform the audit and the OIG actively monitored and reviewed the work and results of the contractor. The audit objectives were to opine on whether the FMC's FY 2023 financial statements followed U.S. Generally Accepted Accounting Principles (GAAP) and presented fairly the financial position of the agency. The auditors also reviewed internal controls over financial reporting and agency compliance with laws and regulations. The statements audited were the balance sheet as of September 30, 2023, and the related statements of net cost, changes in net position, budgetary resources and custodial activity for the year then ended.

The independent auditor opined that the FMC's financial statements were fairly presented, in all material respects, in conformity with GAAP; there were no material weaknesses in internal control over financial reporting (including safeguarding assets); and no reportable noncompliance with laws and regulations tested. Therefore, there were no findings or recommendations in the audit report. The auditors noted one non-reportable matter involving internal control and its operation that was communicated in a separate management letter to FMC management.

***2024 Risk Assessment of the FMC's Purchase Card Program.*** Executive agencies, including the FMC, use purchase cards to purchase needed goods and services for the agency. In accordance with the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), Public Law 112-194, Federal agencies are required to establish and maintain safeguards and internal controls for purchase and travel cards. The Charge Card Act requires the Inspector General (IG) of each executive agency to conduct a periodic risk assessment of the agency's purchase card program; and travel card program if annual charges are at least \$10 million. Because the FMC's travel card transactions are significantly below the \$10 million threshold, the OIG is not required to conduct a risk assessment of the travel card program.

The objective was to assess the risk of illegal, improper, or erroneous use of the purchase card program to determine the scope, frequency, and number of future audits and reviews to be conducted by the OIG. The assessment was conducted using industry standard principles for risk

management and professional judgment. The OIG concluded the risk of illegal, improper, or erroneous use in the FMC's purchase card program is "low." As a result, an OIG audit or review of the agency's purchase card program is not planned for 2024.

***Peer Review of the Equal Employment Opportunity Commission (EEOC) OIG.*** The Inspector General Act of 1978, as amended, requires OIGs to conduct audits in accordance with auditing standards issued by the Government Accountability Office. These auditing standards are generally accepted government auditing standards (GAGAS), also known as the Yellow Book. GAGAS requires audit organizations to establish and maintain a system of quality control and obtain an external peer review at least once every three years. Peer reviews exist to determine the adequacy of the OIG's quality control and to provide reasonable assurance that the OIG is correctly following applicable standards, policies, and procedures required by GAGAS, the OIG, and Council of the Inspectors General on Integrity and Efficiency (CIGIE).

During this reporting period, the FMC OIG completed an audit peer review of the EEOC OIG and issued a modified peer review report on November 6, 2023. The FMC OIG concluded the established policies and procedures for the EEOC OIG audit function for the review period ending March 31, 2023, were current and consistent with applicable professional standards.

## **Open Assignments**

***Audit Survey of the FMC's Procedures for the Collection of Civil Monetary Penalties.*** The objective of the OIG's audit survey of the FMC's procedures for the collection of civil monetary penalties is an educational process that involves gathering information, without detailed verification, to identify potential improvements to the FMC's collection procedures and decide whether a more detailed OIG audit would be beneficial. As defined in the Commission's regulation at 46 C.F.R. § 506.2(b), civil monetary penalty means any penalty, fine, or other sanction that: (1)(i) is for a specific monetary amount as provided by Federal law; or (ii) has a maximum amount provided by Federal law; (2) is assessed or enforced by the Commission pursuant to Federal law; and (3) is assessed or enforced pursuant to an administrative proceeding or a civil action in the Federal Courts.

As part of this survey, the OIG has held discussions with agency management and staff involved in the enforcement and collection process and reviewed relevant documents. The OIG plans to complete the audit survey in the next reporting period.

***Improper Payments Compliance Review for Fiscal Year 2023.*** The OIG initiated the annual review of the FMC's compliance with reporting and performance requirements regarding improper payments required by the Payment Integrity Information Act of 2019 (PIIA) (Public Law 116-117). PIIA sets forth improper payment reporting requirements, including an annual compliance report by Inspectors General. The OIG anticipates completion of the assignment by May 2024.

### **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 public.

Three new hotline complaints were received, and four hotline complaints were closed during the reporting period. Three hotline complaints were open at the end of this reporting period. There were no open investigations or matters referred to prosecutorial authorities during this period.

### **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.

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.

The IG continues to serve in the position of Chair of the CIGIE Audit Peer Review Subcommittee. The subcommittee is responsible for maintaining the CIGIE audit peer review schedule, managing requests for extensions and substitutions, coordinating amongst dispute resolution panels, as well as answering questions about conducting audit peer reviews. The subcommittee is composed of dedicated volunteers from the CIGIE oversight community. Parker Skaats, the OIG's Auditor, is one of these dedicated volunteers and he serves on the subcommittee's frequently asked questions workgroup.

## 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 recommendations on which corrective actions have not been completed	8
<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	9
<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	12, App. A
<b>Section 5(a)(16)</b>	Peer review activity by FMC OIG on another OIG	4; and 12, App. A
<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
<b><i>Audit of the FMC's Compliance with the Federal Information Security Modernization Act, FY 2022</i></b>	A23-01	10/7/22	2	1 *	1
*In a memorandum dated April 22, 2024, the Managing Director informed the IG that the the Chief Information Security Officer (CISO), working with the program support contractor, created a standalone supply chain policy to implement the NIST 800-53 Rev. 5 requirements. The OIG plans to follow-up on the audit recommendation to verify the actions taken by management have addressed the issue identified during the audit. The OIG plans to complete the follow-up review during the next audit to enable the OIG to close the recommendation.					
<b><i>Audit of the FMC's Compliance with the Federal Information Security Modernization Act, FY 2023</i></b>	A23-03	7/28/23	3	3 **	0
**In a memorandum dated April 22, 2024, the Managing Director informed the IG that management has already addressed one of the three recommendations. Specifically, in the event of a security incident that meets the threshold for U.S. CERT reporting, these will be reported within one hour of this determination. For the other two recommendations, development of a log retention policy and risk assessment policy, management plans to complete these recommendations by the third quarter of fiscal year 2024.					
<b><i>Information Technology Vulnerability Report</i></b>	A23-04	9/28/23	8	8 ***	0
***In a memorandum dated April 22, 2024, the Managing Director informed the IG that management is making progress on the implementation of the audit recommendations. Further, management expects the recommendations to be implemented by the end of the third quarter of fiscal year 2024.					

**TABLE II - Listing of Reports Issued**

<b>Report Title</b>	<b>Assignment Number</b>	<b>Issue Date</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>	<b>Funds Put to Better Use</b>
Independent Auditors' Report of the FMC's FY 2023 Financial Statements	A24-01	11/15/23	\$0	\$0	\$0
2024 Risk Assessment of the FMC's Purchase Card Program	R24-01	3/27/24	\$0	\$0	\$0

**TABLE III - Reports with Questioned Costs**

	<b>Number of Reports</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>
<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 audit peer review of the FMC OIG audit office was completed in a prior reporting period on March 23, 2022, by the Corporation for Public Broadcasting OIG. A *pass* rating was issued and there were no recommendations contained in the system review report.

In addition, the OIG completed a modified audit peer review of the Equal Employment Opportunity Commission (EEOC) OIG during the reporting period and issued a modified peer review report on November 6, 2023. The FMC OIG concluded the established policies and procedures for the EEOC OIG audit function for the review period ending March 31, 2023, were current and consistent with applicable professional standards.



# 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 1020  
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.