

Office of Inspector General

**Semiannual Report to Congress
Covering the Period**

October 1, 2024 – March 31, 2025



FEDERAL MARITIME COMMISSION



FEDERAL MARITIME COMMISSION
Washington, DC 20573

April 29, 2025

Office of Inspector General

Dear Chairman Sola and Commissioners Dye, Maffei, 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, 2024, to March 31, 2025.

During this reporting period, the OIG completed one audit, progressed on an ongoing audit and audit survey, and initiated a new review. In addition, the Federal Labor Relations Authority OIG completed an external peer review of the FMC OIG audit office, issuing a pass rating with no recommendations in the system review report. 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: Office of the Managing Director
Office of the General Counsel

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Pictured: Port of Baltimore Seagirt Marine Terminal.



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, 2024, to March 31, 2025. During this reporting period, the OIG completed one audit, progressed on an ongoing audit and audit survey, and initiated a new review. The details on these assignments can be found in subsequent sections of this report.

During the reporting period, four new hotline complaints were received, and two were closed, one of which resulted in the initiation of an investigation, which remained open at the end of the reporting period. By the end of the period, four complaints were open. No matters were referred to prosecutorial authorities.

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. One of the five commissioner positions at the FMC is currently vacant following the resignation of former Commissioner Bentzel. This departure has left an open seat on the Commission, impacting its composition as it continues its work overseeing maritime regulations and industry affairs. 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 with two full-time positions, the IG and an auditor. 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 2024 Financial Statements, A25-01.

The audit report was issued on November 15, 2024. The OIG contracted with Harper, Rains, Knight & Company, PA (HRK) to perform the audit and the OIG actively monitored and reviewed the work and results of the contractor. The audit objectives were to determine whether the FMC's fiscal year (FY) 2024 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, 2024, 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 financial statements of FMC for the year ended September 30, 2023, were audited by another auditor who expressed an unmodified opinion on those statements on November 15, 2023.

Open Assignments

Audit of the FMC's User Fees Methodology, A25-02. In a prior reporting period, the OIG initiated an audit of the FMC's User Fees Methodology. The objectives of this performance audit were to: (1) identify any improvements to the agency's methodology of calculating user fees; and (2) assess the accuracy of user fees calculations and compliance with OMB Circular A-25, *User Charges*. The Independent Offices Appropriation Act of 1952 (IOAA), 31 U.S.C. 9701, authorizes agencies to establish charges (i.e., user fees) for services and benefits that they provide to specific recipients. Under the IOAA, charges must be fair and based on the costs to the Government, the value of the service or benefit to the recipient, the public policy or interest served, and other relevant facts. The IOAA also provides that regulations implementing user fees are subject to policies prescribed by the

President, which are currently set forth in Office of Management and Budget (OMB) Circular A-25, User Charges (revised July 8, 1993).

The FMC collects custodial revenue on user fees for the application of licenses issued to qualified Ocean Transportation Intermediaries (OTIs), petitions, and other services the Commission provides. During FY 2023, the FMC collected over \$425,000 in user fees. OMB Circular A-25 requires user charges to be sufficient to recover the government's full cost. However, an agency may recommend to OMB that user fees be set below full cost when the cost of collecting the fee would represent an unduly large portion of the fee, or when other conditions exist that, in the opinion of the agency head or designee, justify such an exception. These exceptions must be reviewed and approved by OMB. The OIG is planning to issue the final audit report in April 2025.

Audit Survey of the FMC's Office of Information Technology (OIT) Helpdesk. The OIG is conducting an audit survey of the Office of Information Technology (OIT) Helpdesk to gather information on its policies, processes, and quality assurance measures. Covering FYs 2023 and 2024, this survey includes discussions with OIT management and staff, as well as a review of relevant documents such as standard operating procedures, quality assurance standards, and reports from the Track-It Helpdesk system. Since the survey does not involve detailed verification, its primary focus is to assess Helpdesk operations and determine whether a more comprehensive audit would be beneficial. Upon completion, the OIG will issue a memorandum summarizing observations and any recommendations for strengthening the Helpdesk's policies and operations. Based on the survey's findings, the OIG will determine whether a more detailed audit is necessary to further review and address potential issues. The survey is expected to conclude in the first part of 2025.

Improper Payments Compliance Review for FY 2024. 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 2025.

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.

During the reporting period, four new hotline complaints were received, and two were closed, one of which resulted in the initiation of an investigation, which remained open at the end of the reporting period. By the end of the period, four complaints were open. No matters were referred to prosecutorial authorities.

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.

CIGIE comprises 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. Seth Conner, 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
Section 5(a)(1)	Significant problems, abuses and deficiencies	None
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, or deficiencies	None
Section 5(a)(3)	Prior recommendations on which corrective actions have not been completed	8
Section 5(a)(4)	Matters referred to prosecutorial authorities and results	None
Section 5(a)(5)	Summary of instances where information was refused	None
Section 5(a)(6)	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
Section 5(a)(7)	Summary of each report	3
Section 5(a)(8)	Audit, inspection, and evaluation reports with questioned and unsupported costs	None
Section 5(a)(9)	Audit, inspection, and evaluation report recommendations that funds be put to better use	None
Section 5(a)(10)	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
Section 5(a)(11)	Description and explanation of significant revised management decisions	None
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees	None
Section 5(a)(13)	Information under Section 804(b) of the Federal Financial Management Improvement Act (FFMIA) of 1996	None
Section 5(a)(14)(15)	Peer review activity on FMC OIG	12
Section 5(a)(16)	Peer review activity by FMC OIG on another OIG	12
Section 5(a)(17)	Statistical tables on investigative activities (reports, referrals, indictments)	None
Section 5(a)(18)	Description of metrics used for developing the data for the statistical table under Section 5(a)(17)	None
Section 5(a)(19)	Report on each investigation involving a senior Government employee where allegations of misconduct were substantiated	None
Section 5(a)(20)	Description of whistleblower retaliation	None
Section 5(a)(21)	Description of any attempt by the establishment to interfere with the independence of the OIG	None
Section 5(a)(22)	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
<i>Audit of the FMC's Compliance with the Federal Information Security Modernization Act, FY 2023</i>	A23-03	7/28/23	3	2 *	1
* In a memorandum dated April 11, 2025, the Managing Director informed the IG that management has developed policies to address the two open recommendations, and these are under review and expected to be finalized by the end of April 2025.					
<i>Information Technology Vulnerability Report</i>	A23-04	9/28/23	8	8 **	0
** In a memorandum dated April 11, 2025, the Managing Director informed the IG that management has implemented corrective actions for seven of the eight recommendations, is making progress on the last remaining recommendation, and expects to complete it by the end of FY 2027.					

TABLE II - Listing of Reports Issued

Report Title	Assignment Number	Issue Date	Questioned Costs	Unsupported Costs	Funds Put to Better Use
Independent Auditors' Report of the FMC's FY 2024 Financial Statements	A25-01	11/15/24	\$0	\$0	\$0

TABLE III - Reports with Questioned Costs

	Number of Reports	Questioned Costs	Unsupported Costs
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)	0	\$0	\$0
C. For which a management decision was made during the reporting period.	0	\$0	\$0
(i) dollar value of disallowed costs; and	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 IV - Recommendations that Funds be Put to Better Use

		Number of Reports	Dollar Value
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 + 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; and	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
E.	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 during this reporting period on October 29, 2024, by the Federal Labor Relations Authority 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 a prior 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.