

Office of Inspector General

**Semiannual Report to Congress
Covering the Period**

April 1, 2025 – September 30, 2025



FEDERAL MARITIME COMMISSION



FEDERAL MARITIME COMMISSION
Washington, DC 20573

December 12, 2025

Office of Inspector General

Dear 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 April 1, 2025, to September 30, 2025.

During this reporting period, the OIG completed two audits and one review and initiated another audit. 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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Pier Container Terminals, the Port of Los Angeles, San Pedro, California



Picture source: *The Port of Los Angeles*

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 April 1, 2025 through September 30, 2025. Due to the 2025 government shutdown, which resulted in the furlough of federal employees and the suspension of non-essential operations during October and part of November, the issuance date of the semiannual report to Congress for the period ending September 30, 2025 has been adjusted.

During this reporting period, the OIG completed two audits and one review and initiated another audit. Specifically, the OIG completed audits of the FMC's compliance with the Federal Information Security Modernization Act (FISMA) and FMC's User Fees Methodology. In addition, the OIG completed the annual review of the FMC's compliance with reporting and performance requirements regarding improper payments. During this period, the OIG initiated the annual audit of the agency's financial statements. The details on these assignments can be found in subsequent sections of this report.

During the reporting period, the office received two new hotline complaints and closed three complaints. One investigation was referred for prosecutorial consideration but was declined; the matter remains under review. At the end of the reporting period, three hotline complaints and one investigation remained open.

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. In fiscal year (FY) 2025, FMC saw the departure of two of the five Commissioners, including the Chairman position, with two new Commissioners nominated but not yet confirmed as of the end of September 2025. 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. The Commission is based in Washington, D.C. and has a limited investigative presence across the country. 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, during this semiannual period, the OIG had a memorandum of understanding (MOU) with the Treasury Inspector General for Tax Administration for legal advice services, as needed, 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

Improper Payments Compliance Report for Fiscal Year 2024. The OIG completed 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 purpose of PIIA is to improve the federal government's efforts to reduce and recover improper payments. Each agency Inspector General is required to review improper payment reporting in their agency's annual Performance and Accountability Report (PAR) or Agency Financial Report (AFR) and any accompanying materials to determine if the agency follows PIIA. The OIG reviewed the agency's improper payments section of FMC's FY 2024 PAR posted on the agency's website for compliance with PIIA, as well as the FMC's PaymentAccuracy.gov data call submission.

For FY 2024, the OIG concluded the FMC complied with all the requirements that are applicable to the agency for improper payment reporting. However, during our review, we noted two issues where the FMC could improve its improper payment reporting process. The OIG concluded that none of the issues affected compliance nor altered the payment integrity information reported by the FMC. The OIG issued a separate management letter with suggestions to the Chief Financial Officer to address the issues for future reporting.

Audit of FMC's Compliance with the Federal Information Security Modernization Act (FISMA) FY 2025, A25-03. The objective of this performance audit was to assess the effectiveness of the FMC's information security program and practices for FY 2025. The OIG contracted with Harper, Rains, Knight & Company, PA (HRK) to conduct the performance audit of FMC's information security program and practices for FY 2025. As part of the audit, the auditors responded to the core metrics and supplemental metrics identified in the *FY 2025 Inspector General Federal Information Security Modernization Act of 2014 (FISMA) Reporting Metrics v2.0* and the associated *FY 2025 Inspector General FISMA Metrics Evaluator's Guide Version 1.0*.

The results of the OIG's FISMA audit found the FMC's information security program to be consistently implemented and effective. The FY 2025 audit did not result in any new findings. However, two findings remain open from the FY 2024 FISMA audit and management has a corrective action plan to address the issues. Addressing these open prior year findings will strengthen the FMC's information security program and practices and contribute to ongoing efforts to maintain reasonable assurance of adequate security over information resources.

Audit of the FMC's User Fees Methodology, A25-02. During this reporting period, the OIG issued a performance audit report on the FMC's user fees methodology. The audit, conducted by the independent certified public accounting firm Harper, Rains, Knight & Company (HRK), assessed the FMC's methodology and its compliance with Office of Management and Budget (OMB) Circular A-25, *User Charges*.

The FMC collects custodial revenue from 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 costs. 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.

The audit concluded that the FMC partially complied with the guidance in OMB Circular A-25 and maintained documentation of its biennial user fees calculations. The audit revealed opportunities for improvement in FMC's user fees methodology, documentation, and calculation processes. HRK identified six areas of concern and provided corresponding recommendations for the agency. FMC management agreed with all the audit findings and recommendations and provided the OIG with a corrective action plan to address the areas for improvement.

Open Audit

Independent Auditors' Report of FMC's FY 2025 Financial Statements, A25-04. The audit objectives are to opine on whether the FMC's FY 2025 financial statements follow U.S. Generally Accepted Accounting Principles and present fairly the financial position of the agency. The audit will also review internal controls over financial reporting, and agency compliance with

financial-related laws and regulations. The statements to be audited are the Balance Sheet as of September 30, 2025, and the related Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, Statement of Custodial Activity, and the accompanying notes. The financial statement audit report was originally scheduled for issuance by November 15, 2025. Due to the 2025 government shutdown, which resulted in the furlough of federal employees and the suspension of non-essential operations during October and part of November, the final audit report issuance date has been adjusted to December 18, 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, the office received two new hotline complaints and closed three complaints. One investigation was referred for prosecutorial consideration but was declined; the matter remains under review. At the end of the reporting period, three hotline complaints and one investigation remained open.

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.

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	5
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	8
Section 5(a)(7)	Summary of each report	3-4
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	11, App. A
Section 5(a)(16)	Peer review activity by FMC OIG on another OIG	11, App. A
Section 5(a)(17)	Statistical tables on investigative activities	5
Section 5(a)(18)	Description of metrics used for developing the data for the statistical table under Section 5(a)(17)	N/A
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 2024</i>	A24-02	7/31/24	3	2 *	1
*In a memorandum dated September 25, 2025, the Deputy Managing Director informed the IG that corrective action will be completed on the two open recommendations by the end of the second quarter of FY 2026. The OIG will review the corrective actions in a future audit follow-up.					
<i>Information Technology Vulnerability Report</i>	A23-04	9/28/23	8	1 *	7
*In a memorandum dated September 25, 2025, the Deputy Managing Director informed the IG that the agency is actively addressing the open recommendation and expected completion time is the second quarter of FY 2027. The OIG will review the corrective actions in a future audit follow-up.					

TABLE II - Listing of Reports Issued

Report Title	Assignment Number	Issue Date	Questioned Costs	Unsupported Costs	Funds Put to Better Use
<i>Improper Payments Compliance Report, FY 2024</i>	<i>R25-01</i>	5/27/25	\$ 0	\$ 0	\$ 0
<i>Audit of the FMC's User Fees Methodology</i>	<i>A25-02</i>	4/30/25	\$ 0	\$ 0	\$ 0
<i>Audit of the FMC's Compliance with the Federal Information Security Modernization Act, FY 2025</i>	<i>A25-03</i>	9/19/25	\$ 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 in a prior 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 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.