

Office of Inspector General

**Semiannual Report to Congress
Covering the Period**

April 1, 2024 – September 30, 2024



FEDERAL MARITIME COMMISSION



FEDERAL MARITIME COMMISSION
Washington, DC 20573

October 31, 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 April 1, 2024 to September 30, 2024.

During this reporting period, the OIG completed one audit and two reviews 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

TABLE OF CONTENTS

Transmittal Letter

EXECUTIVE SUMMARY	1
FEDERAL MARITIME COMMISSION	2
OFFICE OF INSPECTOR GENERAL.....	2
OFFICE OF INSPECTOR GENERAL ACTIVITIES	3
Completed Assignments	3
Open Audit	6
Hotline and Investigations	6
Review of Legislation	6
Council of the Inspectors General on Integrity and Efficiency (CIGIE) Activities	7
SUMMARY OF INSPECTOR GENERAL REPORTING REQUIREMENTS	8
TABLE I - Summary of Reports with Corrective Actions Outstanding for More than 6 Months.....	9
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: Port of Seattle, Washington.



Photo courtesy of the Port of Seattle.

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, 2024 through September 30, 2024. During this reporting period, the OIG completed one audit and two reviews and initiated another audit. Specifically, the OIG completed an audit of the FMC’s compliance with the Federal Information Security Modernization Act (FISMA) and an audit survey of the FMC’s Civil Monetary Penalty Program. 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.

Two new hotline complaints were received during this semiannual period, and both remain open. Three hotline complaints were closed during the 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 FMC personnel are 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. The OIG welcomed a new auditor in September 2024, Mr. Seth Conner. Mr. Conner graduated from the University of Denver with a Master of Accountancy degree and is a CPA licensed in the state of Colorado. Mr. Conner joins the OIG from one of the “Big 4” Accounting/Auditing firms, where he helped perform financial statement audits of several federal agencies.

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 2023. 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 Information Act section of FMC’s FY 2023 PAR posted on the agency’s website for compliance with PIIA, as well as the FMC’s PaymentAccuracy.gov data call submission.

For FY 2023, 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 2024, A24-02. The objective of this performance audit was to assess the effectiveness of the FMC's information security program and practices for FY 2024. 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 2024. As part of the audit, the auditors responded to the core metrics and supplemental metrics identified in the *FY 2023 -2024 Inspector General Federal Information Security Modernization Act of 2014 (FISMA) Reporting Metrics (IG Metrics)* and the associated *FY 2024 Inspector General FISMA Metrics Evaluator's Guide*.

The FISMA audit report identified the following findings where the FMC Office of Information Technology's (OIT) information security program can better protect the confidentiality, integrity, and availability of its information and information systems:

- Unauthorized and unmanaged software was installed and executed;
- Supply Chain Risk Management has been developed by OIT but has not been performed;
- A non-privileged user was able to bypass multifactor authentication to access SharePoint;
- Several employees did not complete the required security awareness training;
- The agency has not met event logging tiers in accordance with OMB M-21-31, *Improving the Federal Government's Investigative and Remediation Capabilities Related to Cybersecurity Incidents*; and
- Lack of Business Impact Analysis Policy, Results, and Incorporation into contingency planning efforts.

The results of the OIG's FISMA audit found the FMC's information security program to be consistently implemented and effective. Further, FMC resolved two prior year audit recommendations and made progress towards implementing the other two open audit recommendations. In addition, this year's audit included new audit recommendations to address

six findings that existed during FY 2024. FMC management agreed with all the recommendations.

Audit Survey of the FMC's Civil Monetary Penalty Program, S24-01. The OIG completed an audit survey of the agency's civil monetary penalty program. The objective of the OIG audit survey was to identify any improvements and determine whether a more detailed audit of the program would be beneficial. A survey is generally performed before deciding whether to commence an audit of an agency program. The OIG conducted the audit survey under the authority of the Inspector General Act of 1978, as amended, and in accordance with the *Quality Standards for Federal Offices of Inspector General*.

The Shipping Act of 1984 authorizes the FMC to collect civil penalties from any person(s) that violate(s) its regulations, statutes, or orders. The FMC defines a civil monetary penalty (CMP) as any penalty, fine, or other sanction that is for a specific monetary amount, has a maximum amount provided by Federal law, and is assessed or enforced by the Commission or pursuant to an administrative proceeding or a civil action in the Federal Courts. Within the last five years the dollar value of the CMPs that the FMC has levied have significantly increased. For 2019, FMC CMPs totaled \$660,125, there was \$103 in CMPs in 2020, there were no CMPs in 2021, and CMPs of \$2,082,000 and \$2,896,852 in 2022 and 2023 respectively.

The OIG's audit survey resulted in several observations and suggestions for improvement. Among the suggestions were for the Managing Director to develop comprehensive policies and procedures for the efficient and effective collection of all civil monetary penalties. The OIG also concluded the FMC failed to pursue collection of two CMPs totaling \$892,074 that were assessed by an Administrative Law Judge (ALJ) and a Commission formal proceeding. The OIG suggested the Chief Financial Officer should immediately refer the civil monetary penalties assessed by the FMC in Docket No. 12-01 and Docket No. 15-03 to the Treasury Department for collection via administrative offset. Agency management agreed with all the OIG's suggestions and the agency developed a corrective action plan to implement the OIG's suggestions. The OIG plans to follow-up on management's corrective actions to ensure the issues identified by the OIG have been adequately addressed. Therefore, the OIG determined that a more detailed audit was not necessary.

Open Audit

Independent Auditors' Report of FMC's FY 2024 Financial Statements, A25-01. The audit objectives are to opine on whether the FMC's FY 2024 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, 2024, 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 final audit report will be issued by November 15, 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.

Two new hotline complaints were received during this semiannual period, and both remain open. Three hotline complaints were closed during the 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.

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	9
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	None
Section 5(a)(7)	Summary of each report	3-5
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	4-5
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, App. A
Section 5(a)(16)	Peer review activity by FMC OIG on another OIG	12, App. A
Section 5(a)(17)	Statistical tables on investigative activities	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 October 8, 2024, the Managing Director informed the IG that the two open recommendations will be completed by the end of the first quarter of FY 2025.					
<i>Information Technology Vulnerability Report</i>	A23-04	9/28/23	8	8 *	0
*In a memorandum dated October 8, 2024, the Managing Director informed the IG that the agency is actively addressing the recommendations in the audit report. 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 2023</i>	<i>R24-02</i>	5/13/24	\$0	\$0	\$0
<i>Audit Survey of the FMC's Civil Monetary Penalty Program</i>	<i>S24-01</i>	7/3/24	\$0	\$0	\$ 892,074
<i>Audit of the FMC's Compliance with the Federal Information Security Modernization Act, FY 2024</i>	<i>A24-02</i>	7/31/24	\$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.	1	\$ 892,074
Subtotal (A + B)		1	\$ 892,074
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	1	\$ 892,074
	(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 the 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.

During the next reporting period, the OIG will be peer reviewed by the Federal Labor Relations Authority OIG.



Visit [Oversight.gov](https://www.oversight.gov) to find reports from all Federal Inspectors General who are members of the Council of Inspectors General on Integrity and Efficiency (CIGIE).

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.