

Office of Inspector General

**Semiannual Report to Congress
Covering the Period**

April 1, 2023 – September 30, 2023



FEDERAL MARITIME COMMISSION



FEDERAL MARITIME COMMISSION
Washington, DC 20573

October 31, 2023

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, 2023 to September 30, 2023.

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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Pictured: Seagirt Marine Terminal, Port of Baltimore, Maryland



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, 2023 through September 30, 2023. During this reporting period, the OIG completed two audits and one review, 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 Information Technology Vulnerability Audit. The OIG also completed a review of the FMC's compliance with reporting and performance requirements regarding improper payments required by the Payment Integrity Information Act of 2019 (PIIA). 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, and two hotline complaints were closed during the reporting period. Four hotline complaints were open at the end of this reporting period and 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. 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

Improper Payments Compliance Report for Fiscal Year 2022. 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 2022 PAR posted on the agency's website for compliance with PIIA, as well as the FMC's PaymentAccuracy.gov data call submission.

For FY 2022, 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 an issue where the FMC could improve its improper payment reporting process. The OIG concluded that the issue neither affected compliance nor *significantly* altered the payment integrity information reported by the FMC. The OIG issued a separate management letter to the FMC Office of Budget and Finance to address the issue for future reporting.

Audit of FMC's Compliance with the Federal Information Security Modernization Act (FISMA) FY 2023, A23-03. The objective of the independent audit of the FMC's information security program was to identify improvements for the agency's information technology security program. The audit assesses compliance with FISMA and related information security policies, procedures, and practices. The scope of the audit included general controls of the FMC network and applications housing service contracts, tariff location filings, and FMC license applications. The OIG also evaluated potential system vulnerabilities and assessed management actions to implement prior-year recommendations.

The results of the OIG's FISMA audit found the FMC resolved one of the prior year audit recommendations and made progress towards implementing the other audit recommendation. In addition, this year's audit included three new audit recommendations for weaknesses that existed during FY 2023.

First, the FMC experienced a security incident on January 11, 2023, however this incident was not reported to the United States Computer Emergency Readiness Team (US-CERT) until March 29, 2023. The OIG recommended all security incidents shall be reported to the US-CERT within one hour of an incident being discovered. Second, the OIG found the agency does not have an approved log retention policy detailing the necessary computer system events occurring within the FMC's systems and networks to be logged and retained. Log management is essential to ensuring that computer security records are stored in sufficient detail for an appropriate period for analysis of security incidents, policy violations, fraudulent activity, and operational problems. The OIG recommended the FMC develop, document, and approve a Log Retention Policy. Lastly, the OIG recommended the agency update the Risk Assessment Policy to adhere to the most recent computer security standards. FMC management agreed with all three recommendations. The final audit report was issued on July 28, 2023.

Information Technology Vulnerability Audit, 2023, A23-04. The OIG completed an audit of the FMC's information technology (IT) vulnerability assessment program to identify any critical IT security weaknesses. The OIG contracted with Dembo Jones, PC, CPAs & Advisors, and their approved subcontractor FYRM Associates, Inc., to perform the audit. The scope of our testing encompassed the FMC's IT systems and IT security. More specifically, our testing included security testing of multiple FMC Network targets within the external (Internet-facing) and internal network environments. The OIG employed testing scenarios that were intended to provide real world examples of what a knowledgeable and motivated hacker could achieve if focused on the FMC. The simulated external attack scenario did not lead to unauthorized access within the testing timeframe. Multiple vulnerabilities were identified in FMC IT systems and applications.

Eight (8) recommendations were provided to address four (4) findings. The 4 findings included insufficient software management; default authentication credentials are utilized; insufficient configuration management; and flaws in custom-developed application functionality. FMC management agreed with all 8 recommendations. The final audit report was issued on September 28, 2023.

Open Audit

Independent Auditors' Report of FMC's FY 2023 Financial Statements, A23-02. The audit objectives are to opine on whether the FMC's FY 2023 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, 2023, and the related Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and Statement of Custodial Activity. The final audit report will be issued by November 15, 2023.

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, and two hotline complaints were closed during the reporting period. Four hotline complaints were open at the end of this reporting period and 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
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	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	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	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 2022</i>	A23-01	10/7/22	2	1 *	1
<p>*In a memorandum dated October 5, 2023, the Managing Director informed the IG that the new supply chain policy for IT is under review by the Director, Office of Information Technology (OIT), and the FMC anticipates that it will be effective no later than the end of the 2nd quarter of 2024. 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.</p>					

TABLE II - Listing of Reports Issued

Report Title	Assignment Number	Issue Date	Questioned Costs	Unsupported Costs	Funds Put to Better Use
<i>Audit of FMC's Compliance with the Federal Information Security Modernization Act, FY 2023</i>	A23-03	7/28/23	\$0	\$0	\$0
<i>Information Technology Vulnerability Audit, 2023</i>	A23-04	9/28/23	\$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 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 an audit peer review of the Architect of the Capitol OIG during a prior reporting period and issued the peer review report on September 1, 2021. The FMC OIG issued a *pass* rating and there were no recommendations contained in the system review report.

During this reporting period, the OIG initiated an audit peer review of the Equal Employment Opportunity Commission OIG. The OIG expects to issue the final report in the next reporting period.



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 1054
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.