




Memorandum

Date: December 13, 2018

Subject: INFORMATION: Audit Announcement | Title XI - MARAD Loan Guarantee Program | Project No. 19S3001S000
Maritime Administration

From: Barry J. DeWeese 
Assistant Inspector General for Surface Transportation Audits

To: Maritime Administrator

Title XI of the Merchant Marine Act of 1936, established the Maritime Administration's (MARAD) Federal Ship Financing Program (Title XI). The program provides Federal loan guarantees¹ to private companies for ship construction and modernization of U.S. shipyards in the event of a default by a vessel or shipyard owner. The program currently has a loan guarantee portfolio of 23 loans with an outstanding balance of nearly \$2.0 billion.

The John S. McCain National Defense Authorization Act for fiscal year 2019² directs us to audit the Title XI program financial controls. Accordingly, we are initiating an audit to assess MARAD's policies and procedures for (1) review and approval of loan applications and (2) monitoring its loan guarantee portfolio.

We plan to begin this audit immediately and will contact your audit liaison to schedule an entrance conference. We will conduct our work at Department of Transportation Headquarters and other sites as needed. If you have any questions, please contact me at (202) 366-5630, or Jay Borwankar, Program Director, at (202) 493-0970.

cc: DOT Audit Liaison, M-1
MARAD Audit Liaison, MAR-390

¹ The Title XI program authorizes the Federal Government to make full payment to the lender of an unpaid principal and interest on a mortgage obligation.

² Public Law 115-232 (2018)