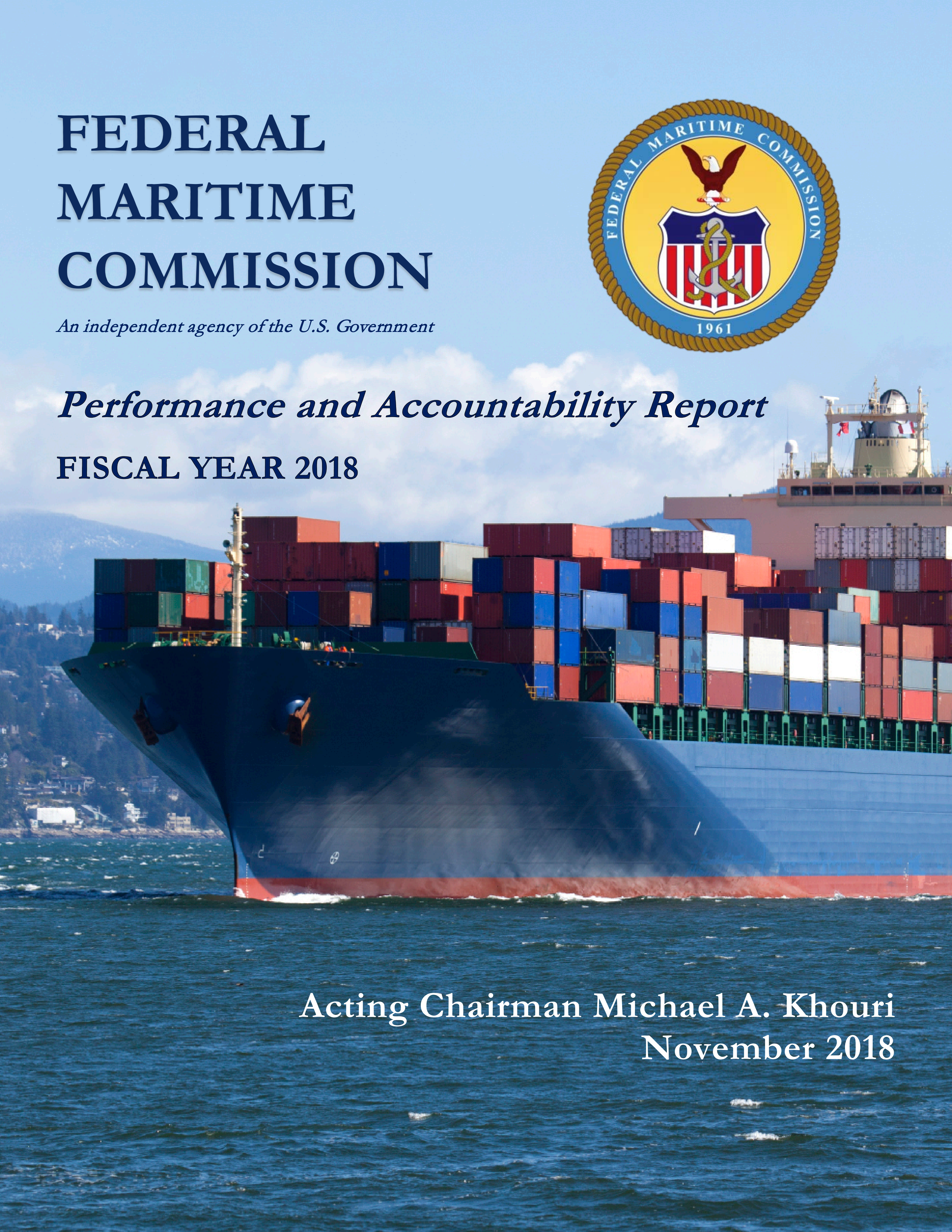
FEDERAL MARITIME COMMISSION

An independent agency of the U.S. Government

Performance and Accountability Report

FISCAL YEAR 2018



Acting Chairman Michael A. Khouri
November 2018

MESSAGE FROM THE ACTING CHAIRMAN

Federal Maritime Commission
Washington, D.C. 20573-0001

Office of the Chairman

November 15, 2018

The following Fiscal Year (FY) 2018 Performance and Accountability Report (PAR) for the Federal Maritime Commission (FMC or Commission) provides the results of the FY 2018 independent audit of the Commission's financial statements and measures the agency's performance against its five-year Strategic Plan for FY 2018-2022.

The FMC ensures a competitive and reliable international ocean transportation supply system. International ocean shipping and the international supply chain are essential to our Nation's economy, moving more than $1 trillion in U.S. exports and imports annually. By implementing and enforcing the Shipping Act of 1984 and other related maritime statutes, the FMC plays a vital role in strengthening American economic competitiveness through international shipping.

Challenging market conditions over the past decade have led the global ocean transportation industry to cut costs and realize greater efficiencies through consolidations, mergers, and operational cooperation. FY 2018 saw a continuation of these trends among both ocean carriers and marine terminal operators. The FMC will continue vigilance against anticompetitive activity in the international ocean transportation marketplace and will respond quickly and decisively to any developments that warrant the intervention of the Commission.

The FMC is a small agency with limited resources and staff, necessitating we accomplish our mission by managing ourselves against clear strategic goals and performance targets. The FY2018 PAR showcases the overall success the FMC has achieved in meeting its strategic goals. Furthermore, this report shows our commitment to proper operational oversight, with safeguards in place to protect the agency and the public from financial risks. The results of this year's independent audit of the Commission's financial statements have earned an unmodified ("clean") opinion from the agency's independent auditor for the fifteenth consecutive year. The agency's annual assessment of internal controls over operations, systems, and financial reporting did not identify any material weaknesses. Both the performance and financial data contained in this report are reliable and complete.

Our Nation's economy cannot function without the services provided by the industries and companies the Commission oversees. I am proud of the contribution the FMC makes to ensure competition and integrity for America's ocean supply chain.

Sincerely,

/s/

Acting Chairman

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This Report can be downloaded at http://www.fmc.gov/about/performance_and_accountability_reports.aspx.

INTRODUCTION

The FMC's Performance and Accountability Report (Report or PAR) details its performance, management, and financial information for fiscal year 2018 (FY 2018). This report enables the President, Congress, and the public to assess the Commission's activities and accomplishments in support of its mission and the resources entrusted to it, and satisfies the following legislation:

- ***The Federal Manager's Financial Integrity Act of 1982*** requires continuous evaluations and reporting of the adequacy of systems of internal accounting and administrative controls.
- ***The Chief Financial Officers Act of 1990*** provides for the production and submission of complete, reliable, timely, and consistent financial information for use by the Executive Branch of the government and the Congress in the financing, management and evaluation of Federal programs.
- ***The Government Management Reform Act of 1994*** requires the submission of audited financial statements.
- ***The Reports Consolidation Act of 2000*** authorizes agencies to consolidate several reports to provide performance, financial, and other related data in a more useful manner.
- ***The Inspector General Reform Act of 2008*** amends the Inspector General Act of 1978 to enhance the independence of Inspectors General, to create a Council of the Inspectors General on Integrity and Efficiency, and for other purposes.
- ***The Government Performance and Results Modernization Act of 2010*** (GPRA Modernization Act) requires an annual report that measures the performance results of the agency against the established agency goals.
- ***The Improper Payments Elimination and Recovery Act of 2010*** provides for estimates and reports of improper payments by Federal agencies.
- ***The Digital Accountability and Transparency Act of 2014*** (DATA Act) amends the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282), requiring the establishment of government-wide data standards for spending information.

HOW THIS REPORT IS ORGANIZED

Management's Discussion and Analysis (MD&A) provides an overview of the Commission including financial audit results, program performance, management assurances on internal controls and financial management systems compliance, other management information, agency initiatives, and challenges.

Program Performance Information describes the Commission's strategic goals and targets, and details the FMC's progress toward meeting those goals during the fiscal year.

Financial Information includes the FMC's finances for FY 2018. The Message of the Chief Financial Officer, followed by the Office of the Inspector General's commentary on the FMC's FY 2018 financial audit, the independent auditor's report, the audited financial statements and related notes, and required supplementary information are included in this section.

Other Information includes a statement prepared by the Inspector General summarizing what the Office of the Inspector General considers to be the most serious management and performance challenges facing the Commission, a report on improper payments, and a table summarizing the financial statement audit.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year 2018

HISTORY, MISSION, AND ORGANIZATION

HISTORY

First constituted over 100 years ago as the United States Shipping Board in the Shipping Act of 1916, the Federal Maritime Commission was authorized in its current form as an independent Executive Branch agency in 1961. The Commission is a small agency that oversees international ocean trade.

THE FMC TODAY

International ocean shipping is vital to the Nation's commerce, moving more than $1 trillion in U.S. exports and imports each year. From its beginning, the Commission has worked to further competition and integrity for America's ocean supply chain. While the specifics of U.S. maritime policy and legislation have evolved over time, the FMC's mission of ensuring a competitive and reliable international ocean transportation supply system and protecting the public from unlawful, unfair, and deceptive ocean transportation practices remain the cornerstone of today's regulatory efforts.

The international ocean transportation industry continues to adjust and react to challenging market conditions. Carriers and marine terminal operators (MTOs) have been compelled by market forces to find ways to cut costs and realize greater efficiencies, whether individually or through consolidation, joint ventures, or operational cooperation with their competitors under agreements filed with the FMC. Carrier and MTO-concerted activity and resulting changes in market structure, require the FMC to continue to quickly respond by timely and efficiently analyzing the competitive impact of agreements filed with the Commission to guard against possible anti-competitive abuse of the filed agreement authority, to avoid unreasonable increases in transportation costs or decreases in transportation services, and to address other activities prohibited by the Shipping Act.

The FMC ensures a competitive and reliable international ocean transportation supply system in part by balancing efficiency strategies and cooperative working arrangements among carriers or MTOs with the legitimate business needs of the Nation's many exporters/importers. The end goal is to ensure that their goods reach international markets efficiently and reliably. As the industry continues to evolve and change, the FMC has focused on competition and integrity for America's ocean supply chain by:

- Analyzing and monitoring key U.S. trade lanes;
- Assessing the competitive effects of agreement parties' activities, focusing on issues of costs (freight rates), vessel capacity (supply), and equipment availability; and
- Monitoring changes taking place in the provision of chassis for the inland movement of containerized goods, and the competitive effects of changing carrier alliance structures, particularly as they may affect concerted procurement of carrier services in U.S. ports.

STATUTORY AUTHORITY

The FMC oversees the international ocean transportation supply system to maintain competitiveness and reliability for the shipping public. The FMC also protects the public from unlawful, unfair, and deceptive practices. The principal statutes administered by the Commission, codified at 46 U.S.C. §§ 40101-44106, are:

- The Shipping Act of 1984, as amended by the Ocean Shipping Reform Act of 1998 (Shipping Act);
- The Foreign Shipping Practices Act of 1988 (FSPA);
- Section 19 of the Merchant Marine Act, 1920 (1920 Act); and
- Sections 2 and 3 of Pub. L. No. 89-777, 80 Stat. 1350.

MISSION

The FMC's mission is to ensure a competitive and reliable international ocean transportation supply system that supports the U.S. economy and protects the public from unfair and deceptive practices. Fulfilling this mission involves achieving two primary goals: maintaining a competitive and reliable international ocean transportation supply system, and protecting the public from unlawful, unfair, and deceptive practices. Our mission is achieved by ensuring that the fundamental dynamics of a free, open, and competitive ocean transportation market drive economic outcomes. The Commission administers the Shipping Act, employing a minimum of government intervention and regulatory costs, and by placing a greater reliance on the marketplace.

ORGANIZATION

The FMC is governed by five commissioners nominated by the President and confirmed by the Senate, each serving a staggered five-year term. No more than three members of the Commission may be from the same political party. One commissioner, designated by the President, serves as Chairman. Michael A. Khouri, a commissioner since 2010, was designated Acting Chairman on January 23, 2017, and serves as the Chief Executive and Administrative Officer of the Commission.

The FMC's staff is comprised of economists, attorneys, and experts in ocean transportation and government administration. Most of the Commission's workforce is located at its Washington, D.C. headquarters, and the Commission also maintains a presence in six major port locations nationwide. In FY 2018, the FMC realigned its Office of Consumer Affairs and Dispute Resolution Services under the Office of the Managing Director, recognizing management efficiencies and improving information sharing among program offices.

Supporting the Commissioners' offices, professional staff is organized into 10 bureaus and offices:

The Bureau of Certification and Licensing (BCL) protects the public from financial harm through its OTI licensing, registration, and surety bonding programs. BCL also protects the public by requiring Passenger Vessel Operators (PVOs) to maintain adequate financial coverage to reimburse cruise cancellations or to cover liability in the event of death or injury at sea.

The Bureau of Enforcement (BOE) is the prosecutorial arm of the Commission. Bureau attorneys serve as trial counsel in formal proceedings, and protect the shipping public by working closely with the Commission's Area Representatives in investigations of potential violations of the Shipping Act and Commission regulations. BOE negotiates settlements and informal compromises of civil penalties, and may act as investigative officers in formal fact-finding investigations.

The Bureau of Trade Analysis (BTA) analyzes and monitors the concerted activities of VOCCs and marine terminal operators to detect and guard against possible anticompetitive abuse of authority contained in filed agreements under the Shipping Act that could result in substantial increases in transportation costs or decreases in transportation services; and to identify and address other prohibited activities. BTA also reviews and analyzes service contracts, monitors rates of foreign, government-owned controlled carriers; and reviews carrier-published tariff systems under the accessibility and accuracy standards of the Shipping Act.

The Office of the Administrative Law Judges (OALJ) resolves cases of alleged violations of the Shipping Act and other laws within the Commission's jurisdiction. Through trial hearings and the issuance of an initial decision, the OALJ ensures that the rights of all parties are preserved.

The Office of Consumer Affairs and Dispute Resolution Services (CADRS) provides assistance to shippers, OTIs, cruise operators and passengers, truckers, MTOs, and VOCCs by providing alternative dispute resolution (ADR) services, ombuds assistance, mediation, facilitation, and arbitration to resolve disputes involving cargo shipments, household goods shipments, and cruises.

The Office of Equal Employment Opportunity (OEEO) advises and assists the Commission in carrying out its responsibilities relative to Titles VI and VII of the Civil Rights Act of 1964 (as amended), other laws, executive orders, and regulatory guidelines implementing affirmative employment, and the processing of EEO complaints.

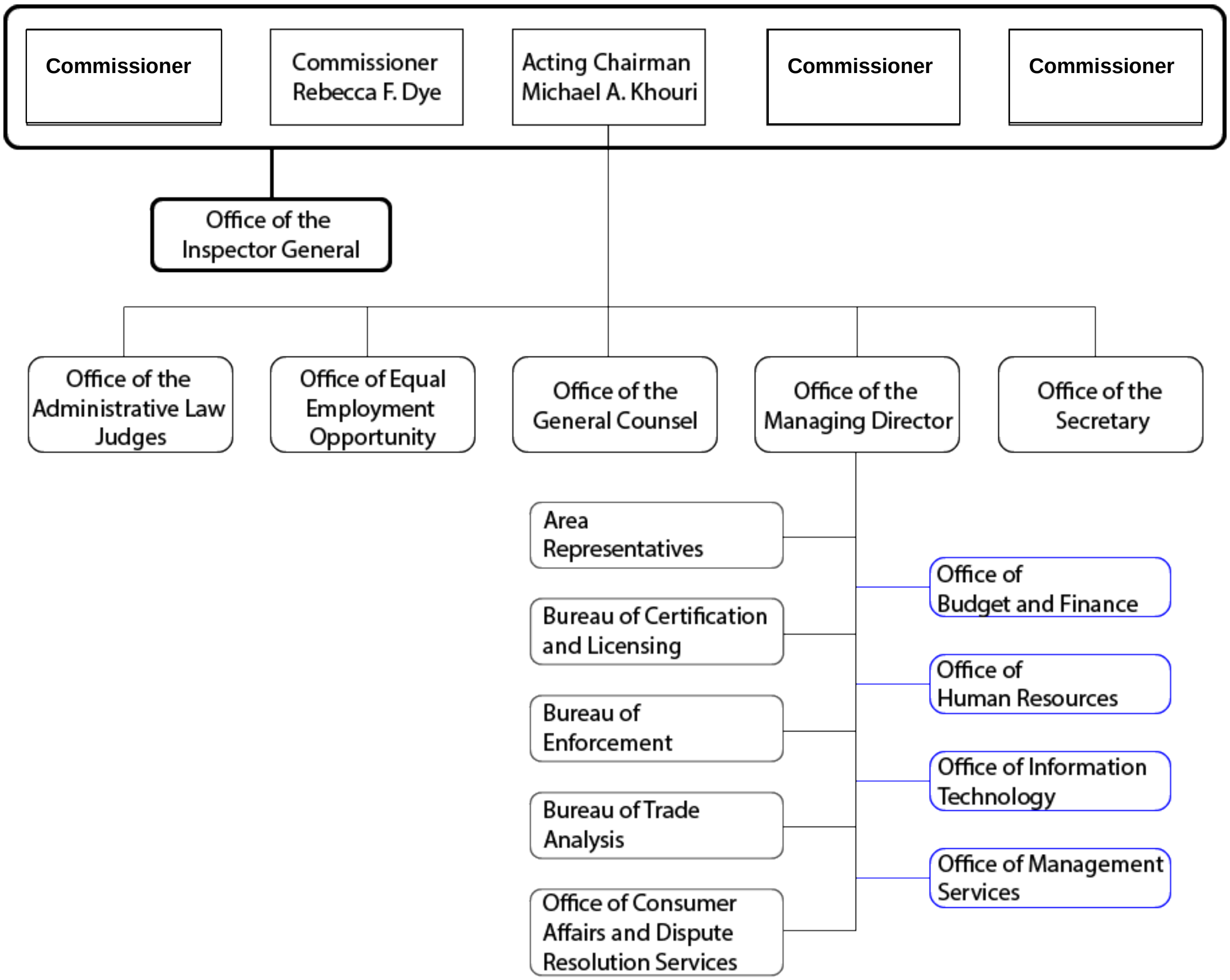
The Office of the Inspector General (OIG) is an independent and objective oversight office created within the FMC by the Inspector's General Act of 1978 (as amended) to conduct and supervise audits, inspections, and investigations relating to FMC programs; detect and prevent waste, fraud, and abuse; promote economy, efficiency, and effectiveness; review existing and proposed legislation and regulations; keep the Chairman, Commissioners, and Congress fully informed of serious problems and deficiencies and recommend corrective actions; and, as appropriate, report violations of law to the U.S. Attorney General.

The Office of the General Counsel (OGC) provides sound and timely legal services to the Commission and staff as it fulfills responsibilities that include: preparing final decisions, orders, and regulations for Commission approval and issuance; representing the Commission in litigation before the courts; providing technical and policy assistance to other government agencies engaged in international negotiations or discussions on shipping matters; and providing legal opinions to the Commission, its staff, and the general public in appropriate instances. OGC also oversees the Commission's international affairs activities. The General Counsel is the Commission's Chief Legal Officer.

The Office of the Managing Director (OMD) is responsible for implementing the administrative directives of the Chairman, the management and coordination of program offices and bureaus, and overseeing the agency's Area Representatives located in six major port areas nationwide. It has direct oversight of the Commission's administrative offices, which include the offices of Budget and Finance (OBF), Human Resources (OHR), Information Technology (OIT), and Management Services (OMS). The Managing Director is the Commission's Chief Financial and Operating Officer.

The Office of the Secretary (OS) serves as the office through which all filings are made in Commission proceedings, notices of proceedings are given, and from which all official actions are issued by the Commission. The OS prepares and maintains agenda matters and actions taken by the Commission; maintains official files and records of formal proceedings; ensures compliance with the Freedom of Information, Government in the Sunshine, and Privacy Acts; responds to information requests from the public; issues publications and authenticates instruments and documents of the Commission; maintains a public reference/law library and a docket library; and oversees the organization and content of the Commission's website.

Federal Maritime Commission Organization Chart*



*This is the current organization chart for the Commission, depicting a Congressionally-authorized realignment of the Office of Consumer Affairs and Dispute Resolution Services under the Managing Director, approved April 27, 2018. Counterpart changes in 46 C.F.R. Part 501 are currently pending publication.

REGULATORY RESPONSIBILITY AND OVERSIGHT

The FMC ensures a competitive and reliable ocean transportation supply system by:

- Reviewing and monitoring agreements among and between vessel-operating common carriers and among and between marine terminal operators serving the U.S. foreign oceanborne trades to ensure that they do not cause unreasonable increases in transportation costs or decreases in transportation services;
- Maintaining and reviewing confidentially filed service contracts and non-vessel-operating common carrier (NVOCC) Service Arrangements to guard against detrimental effects to shipping;
- Providing a forum for exporters, importers, and other members of the shipping public to obtain relief from ocean shipping practices or disputes that impede the flow of commerce;
- Ensuring common carriers' tariff rates and charges are published in private, automated tariff systems and publicly available;
- Acting to address unfavorable conditions caused by foreign government or foreign business practices in U.S. foreign shipping trades; and
- Monitoring rates, charges, and rules of government-owned or -controlled carriers to ensure they are just and reasonable.

The FMC protects the public from financial harm and contributes to the integrity and security of the Nation's import and export supply chains and ocean transportation system. FMC activities include:

- Licensing and registering NVOCCs, and licensing U.S.-based freight forwarders, collectively "ocean transportation intermediaries" (OTIs);
- Administering and enforcing a surety bond program to ensure payment of judgments for damages by OTIs;
- Investigating and prosecuting violations of the Shipping Act and related statutes;
- Helping resolve disputes involving the shipment of goods or the carriage of passengers;
- Adjudicating private party complaints alleging Shipping Act violations;
- Ensuring that passenger vessel operators maintain proper financial coverage to reimburse cruise passengers in the event their cruise is cancelled or to cover liability in the event of death or injury at sea; and
- Registering and annually verifying VOCC status of ocean common carriers operating in U.S. trades.

ALLIANCE, VESSEL SHARING, AND MARINE TERMINAL OPERATOR AGREEMENTS

The FMC monitors key trade lanes, and reviews and analyzes the competitive impact of agreements with particular emphasis on issues concerning carrier consolidation, adequate vessel capacity, and equipment availability. World-wide economic conditions continue to drive changes among vessel operating carriers resulting in more complex and geographically broader agreements filed with the Commission.

The trend toward consolidation in the ocean carrier industry continued in 2018 and will continue to impact existing and future filed agreements. Three Japanese carriers, K Line, MOL, and NYK completed the merger of their container shipping businesses to form the new company Ocean Network Express, which launched operations in April 2018. This type of consolidation may be contributing to increased agreement filings closer to the ten-year average after a number of years of decreases in filings.

In the landside operations sector, changes designed to increase drayage productivity at marine terminals are being discussed by the West Coast MTO Agreement. The terminal operators modified their OffPeak program to include an appointment system intended to reduce idle truck time during peak hours. Fiscal Year 2018 also saw the completion of a full audit of all MTO Agreements on file with the Commission.

This endeavor purged obsolete or inactive agreements from the FMC's agreement library, and presents a more accurate picture of antitrust immunity extended to MTOs at U.S. ports.

As the industry continues to undergo significant structural change, the FMC will continue to play an important role in analyzing agreements for anti-competitive practices. This includes overseeing the changes and monitoring the impact on the Nation's exporters/importers to ensure goods reach international markets efficiently and reliably.

PORT CONGESTION AND SECURITY INITIATIVES

In December 2017, the 18-month work of the Commission's Supply Chain Innovation Initiative culminated in the issuance of a final report on challenges and commercial solutions to supply chain challenges and related port congestion concerns. Led by Commissioner Rebecca F. Dye, Supply Chain Innovation Teams composed of industry leaders from across the international ocean transportation supply chain discussed challenges and collaborated on solutions to help reduce port congestion and remove related obstacles to efficient U.S. supply chain operations. The teams looked beyond the dock and the terminal gate to identify commercial solutions to increase American international supply chain performance. The report identified several major systemic challenges, for example, the lack of direct customer relationships between actors in the system, such as shippers and marine terminals.

One "Value Proposition" resulting from the initiative is to establish a National Seaport Information Portal to provide visibility of critical, timely information so that self-correction and harmonization can occur in the supply chain. The Port of Los Angeles and GE Transportation are now working with MTOs, shipping lines, cargo interests and railroads to develop, as a pilot project, a single electronic window funneling much-needed data on arrivals, terminal handling, container location and release times in order to optimize use of assets and reduce supply chain costs.

The FMC remains active in security initiatives related to U.S. ocean commerce, and works with other agencies engaged in homeland security to improve identification of entities providing and utilizing maritime transportation services and to coordinate the use of available database systems. To facilitate these activities, the FMC executed a Memorandum of Understanding (MOU) with the U.S. Customs and Border Protection to provide a more efficient utilization of existing systems and services. The FMC also has an active MOU with the Census Bureau, U.S. Department of Commerce, to provide the FMC with access to the Census' Automated Export System (AES) database. These relationships allow the FMC to access confidential U.S. export shipment data to accomplish its mission and to protect the Nation's security interests. The Commission also supports the Nation's economic and security interests by partnering with the National Intellectual Property Rights Coordination Center (IPR Center), a Department of Homeland Security-led partnership of 23 Federal and international agencies targeting intellectual property- and trade-related crimes. This partnership has resulted in coordinated enforcement efforts to address international criminal activity.

ENFORCEMENT, DISPUTE RESOLUTION, AND PUBLIC INFORMATION

The Commission is aware of the ever-increasing pressure of industry consolidation and port congestion and its impact on U.S. exporters and their need for efficient ocean transportation in reaching foreign markets. The FMC will continue its focus on monitoring agreements, service contracts, and tariffs in key trades as barometers of market cycles and shifts in the balance of supply and demand. The FMC will continue to expand and promote its compliance-focused program to monitor and audit ocean common carrier, NVOCC, and ocean freight forwarder operations. The Commission's Bureau of Enforcement, through the Commission's statutory and regulatory mandate, protects the shipping public and ensures industry adherence to U.S. shipping laws.

The Commission provides information in many forms to educate regulated entities, stakeholders, and the public about its resources, remedies, and regulatory requirements. The Commission's website offers brochures, how-to guides, forms and applications, reference libraries, news releases, information on investigations, and advice on topics such as FMC regulations, OTI licensing, household goods moves, and use of ADR services to assist parties with resolving cruise- and cargo-related disputes. The Commission's CADRS office receives time-sensitive requests for assistance from shippers and carriers. The Commission works closely with the Federal Motor Carrier Safety Administration (FMCSA) and participated in quarterly working group and Moving Fraud Task Force meetings. Area Representatives, strategically located near six key maritime ports, commonly operate as the Commission's front line for questions and issues facing the industry. The Commission's Office of the Secretary updates the FMC's website and social media frequently, providing time sensitive notifications and important information to the public. The FMC also responds to requests for information from the press and the public, delivering key information directly to potentially affected shippers and consumers.

The FMC also assists with industry-driven solutions to ocean shipping issues. For example, the Commission regularly provides outreach and education to the shipping industry, stakeholders, and other government entities on the statutes it implements, and to address any issues that may arise. Commissioners and staff address industry and stakeholder groups as speakers and panelists to provide information on the latest issues related to Commission activities and international commerce.

AGENCY MISSION CHALLENGES

The Commission is well-informed of the day-to-day issues and challenges which face the United States' ocean transportation system and its stakeholders, and will continue to focus its efforts to foster the Nation's international trade and economic growth. This agency strives to accomplish its strategic goals by improving staff efficiency and closely managing its resources to enforce the Commission's governing statutes and regulations to protect the shipping public. As financial resources allow, the FMC will continue to prioritize investments needed in information technology to improve information security, efficiency, and greater public access, while reducing costs over time.

REGULATORY REVIEW

The FMC systematically reviews its regulatory requirements and processes for efficiency and effectiveness. As changing economic conditions alter the state of the shipping industry and business practices, regulations are revised to respond to new conditions. During FY 2017, the Commission designated its Managing Director as the Commission's Regulatory Reform Officer responsible for organizing the FMC's Regulatory Reform Task Force to identify regulations that have become outdated or unduly burdensome. The FMC's Regulatory Reform Task Force lead the Commission to identify those regulations that have become less relevant, or are unduly burdensome. On January 12, 2018, the Commission released its *Plan for Regulatory Reform of Existing FMC Rules*, which identified regulations currently suitable for reform or elimination, and established a schedule to systematically review these regulations for provisions that may be burdensome and no longer necessary to meet obligations under the Shipping Act. A new webpage, designed to provide transparent, real-time information to the public regarding the Commission's plan was also launched during the fiscal year. This new plan supersedes the Commission's previous *Plan for Retrospective Review of Existing Rules.*

The Commission issued a final rule in Docket 17-10, *Amendments to Regulations Governing NVOCC Negotiated Rate Agreements and NOVVCC Service Arrangements*, effective on August 22, 2018, offering deregulatory flexibilities for Non-Vessel Operating Common Carrier Negotiated Rate Arrangements (NRAs) and NVOCC Service Arrangements (NSAs). The rule allows NRAs to be amended at any time, allows the inclusion of non-rate economic terms, and allows an NVOCC to provide for shipper's acceptance of the NRA by booking a shipment. NSAs also were made easier and more attractive to use by removing filing and essential terms requirements. A number of favorable comments were received applauding the Commission's action to revise its regulations affecting these commercial pricing tools used by NVOCCs which will provide welcome regulatory relief to nearly 6,000 small businesses in the OTI community.

In FY 2018, staff updated recommendations for Commission consideration of potential regulatory reforms to the filing and processing of agreements, quarterly monitoring reports and agreement meeting minutes, taking into consideration industry comments received in response to its Notice of Proposed Rulemaking (NPR) in Docket No. 16-04, *Ocean Common Carrier and Marine Terminal Operator Agreements Subject to the Shipping Act of 1984*. The recommendations are under review and the Commission anticipates that the agreement rulemaking initiative will conclude during FY 2019.

PROGRAM PERFORMANCE OVERVIEW

The FMC, like other Federal agencies, provides a performance plan to Congress, pursuant to the Government Performance and Results Act (GPRA). The Commission's performance goals are organized to aid in achieving its strategic goals. The FMC's *Strategic Plan for Fiscal Years 2018-2022* is posted on the Commission's website. The complete Program Performance Report for FY 2018 is contained in the *Program Performance* section of this Report.

ACHIEVING STRATEGIC GOAL RESULTS

The FMC developed performance goals and measures to both promote its strategic goals and support its mission. Specific targets and strategies must be accomplished to meet the identified performance goals, and the FMC has quantified and measured performance goals for the past ten years. The Commission's actual performance in FY 2018 is compared with the past targeted levels of performance established in the agency's *Strategic Plan Fiscal Years 2014-2018 (Revised)* and is the first year of reporting under the new *Strategic Plan FY 2018-2022*. Taken together, performance measures and targets under each strategic goal are designed to enhance and further those goals each fiscal year, bringing the agency closer to full achievement of its strategic goals.

Historical Performance of Strategic Goals and Objectives							
Strategic Goal	**Objective**	**Performance Measures**		**2015**	**2016**	**2017**	**2018**
Goal 1. Maintain a competitive and reliable international ocean transportation supply system.	1. Ensure that actions under filed agreements do not result in unreasonable increases in transportation costs and/or unreasonable decreases in transportation services.	Percentage of FMC-filed agreements reviewed at Commission level which are modified through negotiation to mitigate anti-competitive effects.	**TARGET**	n/a	n/a	n/a	50%
			ACTUAL	n/a	n/a	n/a	100%
		Percentage of agreement monitoring reports reviewed within 30 days of receipt to detect actionable information including market-distorting behavior.	**TARGET**	n/a	n/a	n/a	65%
			ACTUAL	n/a	n/a	n/a	89%
	2. Enhance efficiency in the trades through use of asset sharing authority under the Shipping Act of 1984.	Percentage share of U.S. containerized cargo moving on other agreement parties' vessels in major U.S. trades.[1]	**TARGET**	40%	40.5%	41%	n/a
			ACTUAL	49%	51%	51%	n/a
Goal 2. Protect the public from unlawful, unfair, and deceptive ocean transportation practices.	**1.** Identify and take action to end unlawful, unfair, and deceptive practices.	Percentage of enforcement actions taken under the Shipping Act successfully resolved through favorable judgment, settlement, issuance of default judgment, or compliance letter or notice.	**TARGET**	77%	77.5%	77.5%	77.5%
			ACTUAL	83.4%	88.6%	82.8%	85.8%
	2. Prevent public harm through licensing and financial responsibility requirements.	Percentage of decisions on completed OTI license applications rendered within 60 calendar days, facilitating lawful operation of OTIs with the appropriate character and experience requirements.	**TARGET**	75%	75%	75%	75%
			ACTUAL	72%	79.7%	95%	97%
		Percentage of PVOs examined during the year that have the full financial coverage required by regulation to protect against loss from non-performance or casualty.	**TARGET**	95%	95%	95%	95%
			ACTUAL	96%	96%	100%	99%
	3. Enhance awareness of agency resources, remedies, and regulatory requirements through education and outreach.	Percentage of Commission issuances, orders, and reports available through the Commission's website within 5 working days of receipt.	**TARGET**	78%	80%	82%	84%
			ACTUAL	92%	90%	95%	97%
	4. Impartially and timely resolve international shipping disputes through ADR and adjudication.	Percentage of ombuds and ADR matters closed within 6 months of request for assistance.	**TARGET**	n/a	n/a	60%	60.5%
			ACTUAL	n/a	n/a	99%	97%
		Percentage of formal complaints or Commission-initiated orders of investigation completed within two years of filing or Commission initiation.	**TARGET**	58%	60%	62%	64%
			ACTUAL	90%	86%	79%	38%
		Number of cases opened and closed each fiscal year using ombuds and ADR services to assist consumers in recovering goods or funds.[2]	**TARGET**	825	825	n/a	n/a
			ACTUAL	882	778	n/a	n/a

[1] This measure was replaced by the first two new measures listed under strategic Goal No. 1 of the FY 2018-2022 Strategic Plan.

[2] To more accurately reflect the Commission's performance in this area, this measure was replaced in FY 2017 and carried forward in the Commission's current Strategic Plan. For additional historical data on this performance measure, see previously published PARs posted on the Commission's website.

Building upon the success of our prior Strategic Plan, the Commission retains, with slight language modifications:

- Strategic Goal One, *Maintain a competitive and reliable international ocean transportation supply system*, and
- Strategic Goal Two, *Protect the shipping public from unlawful, unfair, and deceptive ocean transportation practices*.

The Commission developed a new objective under Strategic Goal One, *to ensure that actions under filed agreements do not result in unreasonable increases in transportation costs and/or unreasonable decreases in transportation services*. The measures to assess this objective will track modifications made in the review process to mitigate anti-competitive effects, and ensure timely review of monitoring reports.

A brief overview of the agency's successes includes the following:

Strategic Management of Human Capital – In 2018, the FMC continued to implement the strategic goals, objectives, and strategies outlined in its 2012-2017 Human Capital Plan. The Commission's Human Capital Plan was developed under the Office of Personnel Management's (OPM) Human Capital Assessment and Accountability Framework, and provides for recruiting and retaining a talented workforce, and appropriately managing succession in the Commission's relatively small workforce. Currently, a new 2018-2022 Human Capital Operating Plan is being constructed to reflect the results and changes of strategies and goals in alignment with the FMC's Strategic Plan for FY 2018-2022.

Consistent with OMB's April 17, 2017 guidance, *Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce*, the Commission implemented several initiatives under its 5-year Agency Reform and Long-Term Workforce Plan FY 2018–2022 during the fiscal year, including:

- reducing the number of SES and supervisory positions;
- establishing a new two-tier SES structure to realign and control SES salary and costs;
- realigning and combining functions within the Commission; and
- continuing to emphasize the achievement of operational efficiencies and improvement of customer service through automation projects.

To recruit and retain a highly qualified and diverse workforce, the Human Capital Operating Plan includes improved marketing of the FMC; streamlining and automating the application process; targeting recruitment tools and areas of consideration to increase the diversity of applicants; and incorporating organizational needs based on the annual OPM Federal Employee Viewpoint Survey results.

Strong leadership is a critical asset, and at the close of FY 2018, 43 percent of the FMC's executives were eligible for optional retirement. The Commission continues to engage in succession management and projecting its future needs by using training needs assessments, establishing and conducting an agency Stay Interview process, offering leadership development opportunities, and realigning and combining functions across the Commission to allow for greater career development opportunities. Staff are being trained and developed to assume greater levels of responsibility, and to allow the agency to continue to maintain talented and knowledgeable leadership to meet the challenges of the future. Continuous training and development in leadership competencies will prepare the next generation of leaders at the Commission.

Competitive Sourcing – The FMC submitted its FY 2018 Federal Activities Inventory Reform Act (FAIR Act) Inventory to OMB in June 2018. The Inventory identified 68 of the agency's 127 authorized Full-Time Equivalent employees (FTEs) as commercial activity FTEs. No challenges to its commercial inventories have ever been received.

Improved Financial Performance – The FMC again received an unmodified ("clean") opinion on its FY 2018 financial statements, and will continue its ongoing efforts to improve operations and achieve unmodified audit opinions in the future.

Expanded E-Government – The Commission continued to monitor public usage trends and leverage user feedback during FY 2018. Public feedback was used to refine and improve users' experience with the Commission's website (www.fmc.gov), and enhance the organization, quality, clarity, and accessibility of content provided to the shipping public. Notable achievements included:

- archiving and streamlining content to improve delivery and accuracy of information;
- continuing work on a major platform migration and extensive improvements to the information architecture of its public-facing website which will be launched in FY 2019;
- improving access to Commission resources by revising content using Plain Language principles;
- migrating all content to a mobile responsive platform to meet new government-wide website requirements; and
- enhancing technological capabilities to caption and live stream over the world wide web the FMC's public meetings under the Government in the Sunshine Act.

The Commission remains committed to a multiyear enhancement of its IT systems, which will make it faster and easier for the public and regulated companies doing business with the FMC to find information and complete required filings. The Commission's new Information Technology Strategic Plan covering FY 2018-2022 (IT Strategic Plan) identifies several overarching challenges including: consolidation and upgrade of legacy applications and infrastructure with relevant technologies; implementation of automation to streamline workflow processes and improve efficiency; and integrating security standards and frameworks to protect from cybersecurity risks all agency-owned/issued assets and commercially sensitive data collected from the shipping public.

Efforts to advance the IT Strategic Plan and the IT Capital Plan were made during the fiscal year, and significant upgrades were made to the agency's IT infrastructure. Critical applications and the Commission's disaster recovery server were moved to the cloud in FY 2017 to ensure regular and effective data backups, to assist in effectively continuing operations during emergency events, and continue to save the Commission the operating costs of maintaining a physical disaster recovery location. The FMC is compliant with FEDRAMP and with Department of Homeland Security (DHS) continuous monitoring requirements for network security. Internal security tools were deployed to effectively monitor and address network operations, including file integrity, password sufficiency, and probing for open ports and other externally visible points of attack.

Performance Improvement – The Commission's Strategic Plan is the foundation for Agency-wide planning and budgeting activities. Funding and FTE levels are integrated into the Commission's performance budget planning document by strategic goal to clearly identify the budgetary and staff resources committed to the performance of each goal.

Fiscal Year 2018 begins a new five-year performance cycle under the Commission's Strategic Plan for FY 2018-2022.

FINANCIAL PERFORMANCE OVERVIEW

The FMC's financial condition as of September 30, 2018, is sound, and internal controls are in place to ensure that funds are used efficiently and effectively, and that its budget authority is not exceeded. The FMC's accounting services provider, the Bureau of the Fiscal Service (BFS), prepared the financial statements as required by the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of the FMC in accordance with Federal Generally Accepted Accounting Principles (GAAP), standards approved by the Federal Accounting Standards Advisory Board (FASAB), and OMB Circular A-136, *Financial Reporting Requirements.*

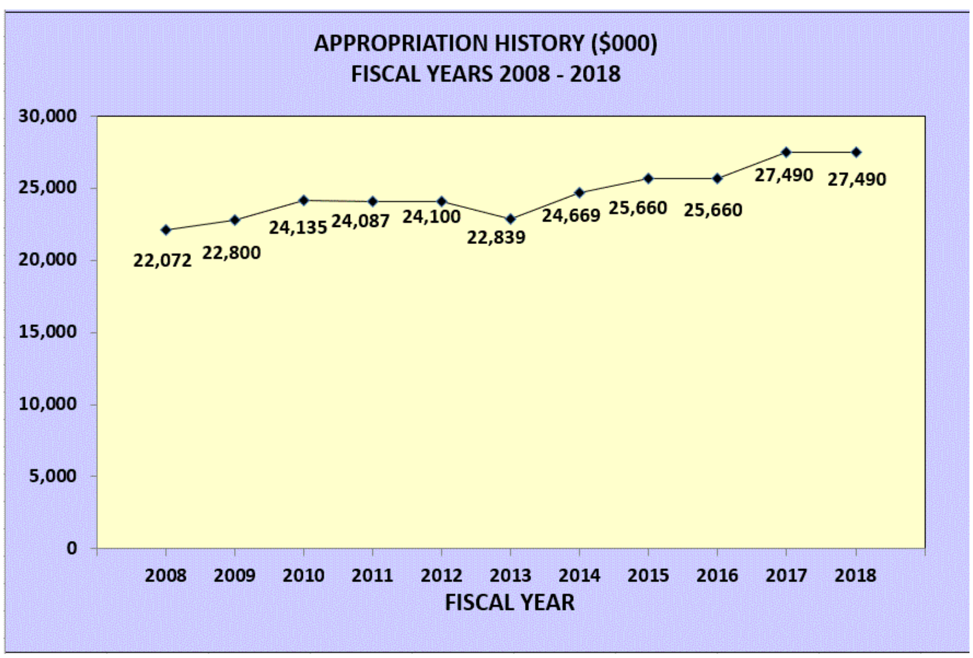
The principal financial statements provided in this document are prepared to report the financial position and results of the operations of the FMC, pursuant to the requirements of 31 U.S.C. § 3515(b). Reports used to monitor and control budgetary resources are prepared from the same books and records. The financial statements should be read with the understanding that they are for a component of the U.S. Government.

SOURCE OF FUNDS

The FMC has single source funding, Salaries and Expenses, funded by an annual appropriation available for commitments and obligations incurred during the fiscal year in which the authority was granted. Congress approved FY 2018 appropriations for the FMC in the amount of $27,490,000 through P.L. 115-141, a straight line from the FY 2017 final appropriation level. Additionally, the Commission had reimbursable budget authority of $55,034 for work performed by FMC staff at other government agencies.

The FMC collects remittances for user fees and penalties, however, it is not authorized to offset any of its budget authority by using these funds. Collections are deposited directly into the Treasury General Fund. This information is captured in the Statement of Custodial Activity which can be found in the *Financial Information* section of this report.

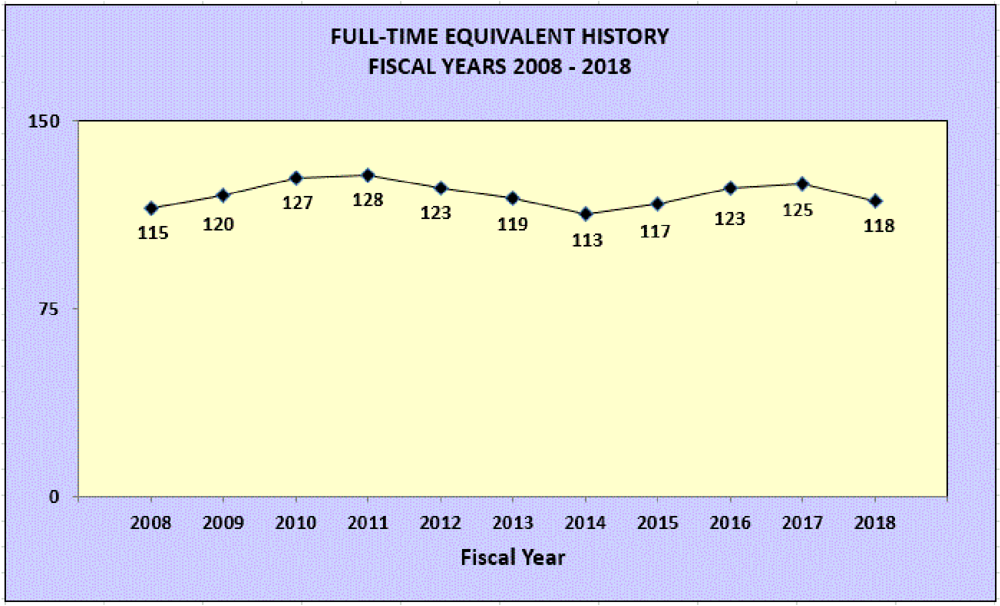
APPROPRIATION HISTORY



FULL-TIME EQUIVALENT HISTORY

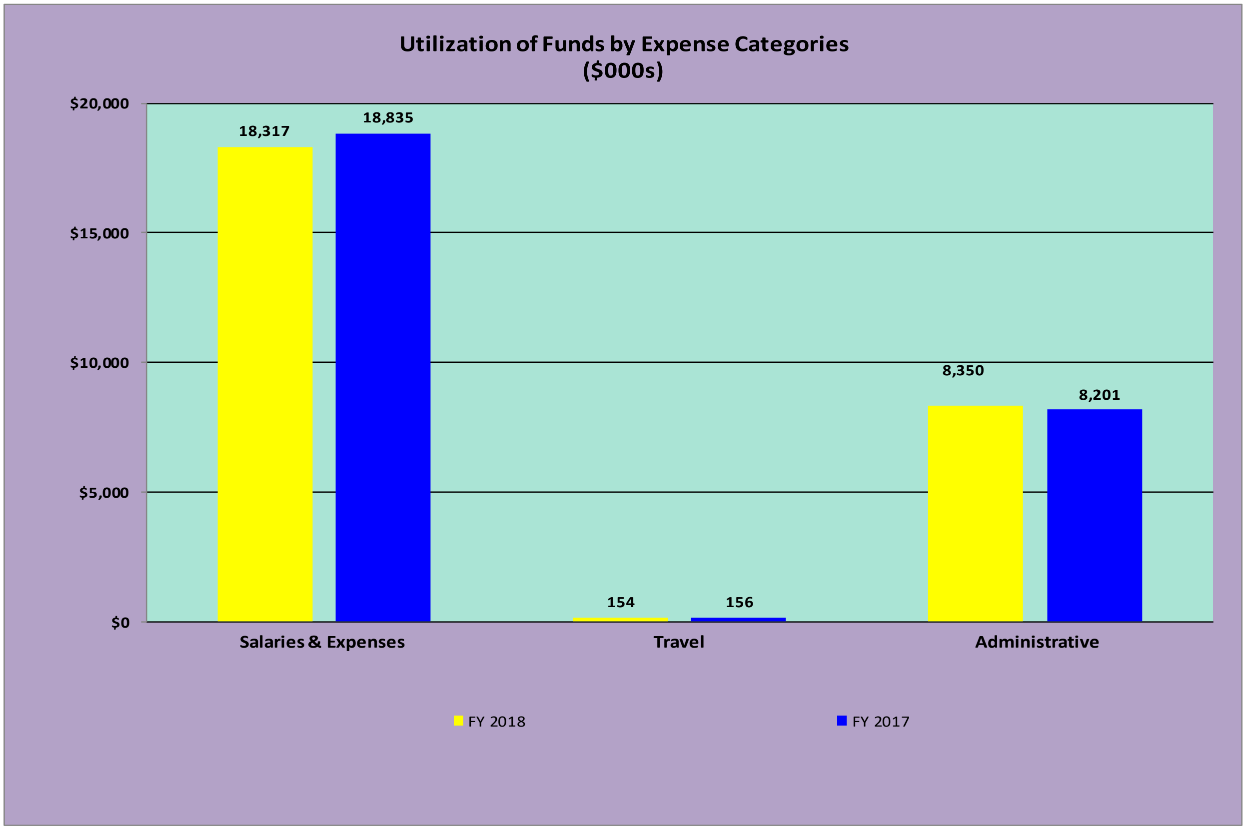
The FMC's FTE level is largely driven by its annual appropriation level. The FMC currently has onboard two of its statutorily authorized five Commissioners.

A number of retirements and separations in 2018 resulted in a lower than anticipated FTE level. The actual FTE level for 2018 was 118, with 114 employees on board at fiscal year's end. The Commission continues to endeavor to develop the appropriate mix of staffing and other available resources to ensure effective accomplishment of its mission.



USES OF FUNDS BY EXPENSE CATEGORY

During FY 2018, obligations against the FMC's appropriation totaled $26,821,172, representing 97.57 percent of the funding level. The Commission spent $26.821 million as follows: 68.30 percent for salaries and benefits, 0.57 percent for official travel expenses, and 31.13 percent for administrative expenses (e.g., rent, government and commercial contracts, telephones, and IT services and equipment). The unexpended balance of $668,828 will be allocated to legitimate increases to existing FY 2018 obligations.



AUDIT RESULTS

The FMC again received an unmodified ("clean") opinion on its FY 2018 financial statements from the auditing firm of Dembo Jones, P.C., under contract through the FMC's OIG. Comparative statements may be found in the *Financial Information* section of this report.

FINANCIAL STATEMENT HIGHLIGHTS

The financial statements were prepared to report the financial position and results of operations of the Commission pursuant to the requirements of 31 U.S.C. § 3515(b). The statements were prepared from the books and records of the Commission in accordance with the formats prescribed by OMB. The statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated absent legislation that provides resources to do so.

The FMC's financial statements summarize the financial position and financial activity of the agency. The financial statements, footnotes, and the remainder of the required supplementary information appear in their entirety in the *Financial Information* section of this report. A brief analysis of the principal statements follows.

SUMMARY OF ASSETS

The FMC's assets were $6,351,453 as of September 30, 2018. This represents an increase from FY 2017 of $334,811. The FMC's assets reported in the balance sheet are summarized in the accompanying table.

The Fund Balance with Treasury of $6,234,624 represents the FMC's largest asset and comprises 98.16 percent of the agency's total assets. The Fund Balance with Treasury is comprised only of annual appropriations maintained by the Department of the Treasury to address current liabilities.

Summary of Assets as of September 30		
	FY 2018	FY 2017
Fund Balance with Treasury	$6,234,624	$5,614,138
Accounts Receivable	$10,462	$2,856
Capital Assets	$106,367	$399,648
Other	$0	$0
Total Assets	**$6,351,453**	**$6,016,642**

Accounts Receivable as of September 30, 2018, was $10,462 for outstanding receivables billed to both Federal and non-Federal entities. This accounts for 0.16 percent of the FMC's assets.

Capital Assets, also known as Property, Equipment and Software, accounts for 1.68 percent of the FMC's total assets as of September 30, 2018. The net value of $106,367 accounts for the depreciation of all assets and represents the current book value of those assets.

SUMMARY OF LIABILITIES

The FMC's liabilities totaled $2,211,709 as of September 30, 2018, a decrease of $199,340 from FY 2017. The majority of the decrease is related to a reduction in accrued liabilities.

Summary of Liabilities as of September 30		
	FY 2018	FY 2017
Accounts Payable	$105,107	$153,972
Payroll Taxes	$146,929	$168,533
Federal Employee Benefits	$3,334	$3,307
Custodial Liabilities	$0	$0
Accrued Liabilities	$1,956,339	$2,085,237
Total Liabilities	**$2,211,709**	**$2,411,049**

The FMC's accounts payable as of September 30, 2018, was $105,107. This represents the funds owed for goods and services received from vendors. Accrued liabilities represent future costs such as accrued annual and sick leave balances and workman's compensation that are not covered by current budgetary resources. Accumulated leave costs are recognized as they are taken and workman's compensation costs are recognized as they are paid out.

ANALYSIS OF CHANGES IN NET POSITION SUMMARY

The Changes in Net Position Summary is a summary of two factors, Unexpended Appropriations and Cumulative Results of Operations. The total net position for FY 2018 is an increase of $534,151 from FY 2017.

Changes in Net Position Summary as of September 30		
	FY 2018	FY 2017
Unexpended Appropriations	$5,326,391	$4,483,892
Cumulative Results of Operations	($1,186,647)	($878,299)
Total Net Position	**$4,139,744**	**$3,605,593**

Unexpended Appropriations represent the amount of unobligated and unexpended budget authority for the 5-year period ending on September 30, 2018. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation for the same period. The Cumulative Results of Operations (the cumulative excess of financing resources over expenses) is the net result of FMC's operations for all active fiscal years.

ANALYSIS OF NET COST SUMMARY

The analysis of Net Cost Summary presents the net cost of FMC's Programs as identified in the Annual Report. The four agency programs are Operational and Administrative, Formal Proceedings, Inspector General, and Equal Employment Opportunity. The Statement of Net Costs shows the net cost of operations for the agency as a whole and its sub-organizations and/or programs. Net Costs compared to Budgetary Resources can be found in the *Financial Information* section of this report. This table reflects costs attributable to all active fiscal years (2014-2018).

Net Cost Summary as of September 30		
	FY 2018	**FY 2017**
Operational and Administrative	$20,632,539	$16,890,163
Formal Proceedings	$7,077,950	$8,003,303
Office of the Inspector General	$394,371	$284,734
Equal Employment Opportunity	$109,923	$141,325
Total Net Cost	**$28,214,783**	**$25,319,525**

ANALYSIS OF THE STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources (SBR) shows the source of the agency's budgetary resources, the status of those resources at the end of the reporting period, and the relationship between the two. Total budgetary resources must be equal to the status of budgetary resources at all times. A more detailed SBR can be found in the *Financial Information* section of this report. During FY 2018, the FMC had a total of $28,008,233 available, representing an increase of $261,120 from 2017 in budgetary resources. The budgetary resources represent financial activity during the accounting period for the five active fiscal years.

Statement of Budgetary Resources as of September 30		
	FY 2018	**FY 2017**
Obligations Incurred	$27,138,443	$27,331,928
Unobligated Balance Unavailable	$200,962	$150,838
Unobligated Balance Available	$668,828	$264,347
Total Status of Budgetary Resources	**$28,008,233**	**$27,747,113**

ANALYSIS OF ENTITY'S SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

The Commission's internal controls are fundamental to the systems and processes used in managing its operations and achieving its strategic goals. The Acting Chairman's Statement of Assurance in the following section notes that there are no material weaknesses or instances of nonconformance to report for FY 2018.

Additionally, in line with the requirements of OMB Circular A-123*, Management's Responsibility for Enterprise Risk Management and Internal Control*, the Commission formed an Enterprise Risk Management Committee to engage all agency management in collaborating to identify, measure, and assess risk points across the agency. The Committee developed a risk profile, which when used in conjunction with existing internal controls, will serve to improve the Commission's accountability and effectiveness.

MANAGEMENT ASSURANCES

The Federal Managers' Financial Integrity Act (FMFIA) mandates that agencies establish controls that reasonably ensure that:

- obligations and costs comply with applicable laws,
- assets are safeguarded against waste, loss, unauthorized use, or misappropriation, and
- revenues and expenditures are properly recorded and accounted for.

This Act encompasses program, operational, and administrative areas as well as accounting and financial management. The FMFIA requires that the Acting Chairman provide an assurance statement of the adequacy of management controls and conformance of financial systems with Government-wide standards, that FMC managers are held accountable for efficient and effective performance of their duties in compliance with applicable laws and regulations, and for maintenance of the integrity of their activities through the use of controls.

Acting Chairman Khouri has provided his annual assurance statement in this report based on various sources, including knowledge of the daily operation of Commission programs and reviews, regular discussions with the Managing Director and the Directors of the Offices of Budget and Finance and Management Services, audits of the financial statements, and the Commission's strategic plan. Additionally, the Acting Chairman meets regularly with the Commission's Senior Management, and receives regularly scheduled reports from the FMC's Inspector General and OEEO Director.

Identified deficiencies in management control would be addressed at the highest management levels within the FMC. For instance, corrective actions for significant deficiencies identified in the information technology area would be overseen directly by the agency's Chief Information Officer (CIO).

During the fiscal year, the IG identified no significant deficiencies and there were no significant management decisions made on which the IG disagreed. During FY 2018, management and the OIG reached agreement on all OIG audit recommendations. Management resolved or worked to address a number of recommendations from these reviews, and it is expected that progress will be made to address the remaining open recommendations during FY 2019.

DEBT COLLECTION IMPROVEMENT ACT OF 1996

The Debt Collection Improvement Act enhances the ability of the government to service and collect debts as it centralized the collection of non-tax delinquent debt owed to the government. Federal agencies are required to refer delinquent accounts in excess of 180 days to Treasury for collection. Collection of the Commission's delinquent debts is conducted by the Bureau of the Fiscal Service through the Cross-Servicing Program and Treasury Offset Program, where the names and taxpayer identification numbers (TIN) of the delinquent entities are matched against the TINs of recipients of government payments. The balance owed to the government is deducted or offset from the payment to the entity to satisfy the debt. The goal is to minimize the amount of delinquent debt owed to the government.

DIGITAL ACCOUNTABILITY AND TRANSPARENCY ACT OF 2014

The Digital Accountability and Transparency Act of 2014 (DATA Act) is an amendment to the Federal Funding Accountability and Transparency Act of 2006 (Public Law No. 109-282), and required the establishment of government-wide data standards for spending information that agencies report to Treasury, OMB, and the General Services Administration. The Commission began reporting standardized spending information as required, on May 9, 2017.

Additionally, the DATA Act required Treasury and OMB to publish standardized spending information for free access and download on the government's USASpending.gov website by May 9, 2018.

The Commission uses the infrastructure and financial system maintained by its Federal Shared Service Provider, the Administrative Resource Center (ARC), Bureau of the Fiscal Service (BFS). The Commission continued to work closely with ARC during the fiscal year to ensure that it was on target with DATA Act requirements.

Fiscal Year 2018 was the first full year of DATA Act implementation. Working with our financial services provider, the FMC complied with all requirements and timely submitted all DATA Act certifications.

PROMPT PAYMENT ACT OF 1982

The Prompt Payment Act requires agencies to make timely payments to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts when they are economically justified. In FY 2018, the FMC maintained a 97.6 percent of on-time payments.

In FY 2018, the FMC paid $22.00 in interest payments as a result of three late payments. The FMC will continue to work towards maintaining 100 percent on-time vendor payments in future years.

PERFORMANCE MEASURE SUMMARY

The FMC does not have an in-house financial accounting system, and does not receive a Performance Measure Summary from the Department of the Treasury. The agency acquires travel, procurement, accounting, and financial services from Treasury's Bureau of the Fiscal Service. The Commission verifies and reconciles all financial statements and reports prior to submission.

INSPECTOR GENERAL ACT OF 1978, AS AMENDED IN 1988, AND THE INSPECTOR GENERAL REFORM ACT OF 2008

Section 5(b) of the Inspector General Act of 1978 requires agencies to report on final actions taken on OIG audit recommendations. Action was taken to close all audit recommendations during the year. No significant deficiencies or material weaknesses were identified during FY 2018.

Inspector General Issued Audits, Reports, and Evaluations -- FY 2018		
A18-01: Independent Auditors' Report of the FMC's FY 2017 Financial Statements		
Date Issued	Recommendations Issued	Remediated in FY 2018
11/2017	None, and no management letter	--
A18-02: Evaluation of the FMC's Compliance with the Federal Information Security Management Act FY 2017		
Date Issued	Recommendations Issued	Remediated in FY 2018
10/2017	Two	One
A18-03: DATA Act Audit, 2017		
Date Issued	Recommendations Issued	Remediated in FY 2018
11/2017	One	One
A-18-04: Evaluation of the FMC's Information Technology Inventory		
Date Issued	Recommendations Issued	Remediated in FY 2018
5/2018	Eight	Eight, pending IG review

TREASURY ASSURANCE STATEMENT – USA SPENDING RECONCILIATION

The FMC has implemented its plan to ensure data completeness and accuracy on www.USAspending.gov by using control totals with financial statement data, and comparing samples of financial data to actual award documents. The prime Federal award financial data reported on www.USAspending.gov is correct at the reported percentage of accuracy, and the FMC has adequate internal controls over the underlying spending.

ACTING CHAIRMAN'S STATEMENT OF ASSURANCE

The Federal Maritime Commission managers are responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of Sections 2 and 4 of the *Federal Managers' Financial Integrity Act of 1982* (FMFIA). The FMC provides an unqualified statement of assurance that its internal controls and financial management systems meet the objectives of the FMFIA with no material weaknesses.

The FMC conducted its annual assessment of internal control over programmatic operations in accordance with the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (A-123) guidelines. Based on the results of this assessment, the Commission can provide reasonable assurance that its internal control over operations, reporting, and compliance were operating in compliance with applicable laws and guidance, and no material weaknesses were found as of September 30, 2018.

Additionally, the FMC conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of A-123. Based on the results of that evaluation, the FMC can provide reasonable assurance that its internal control over financial reporting as of September 30, 2018 was operating effectively, and no material weaknesses were found in the design or operation of the internal control over financial reporting.

In accordance with the guidance established in A-123, Appendix D, the CFO reviewed audit reports and other sources of information, and as of September 30, 2018, can provide reasonable assurance that the FMC's financial systems substantially comply with Federal financial system requirements, applicable Federal accounting standards, and the U.S. Treasury standard general ledger at the transaction level, as required by the *Federal Financial Management Improvement Act of 1996*.

These assessments ensure effectiveness and efficiency of operations, reliability of reporting for internal and external use, and compliance with applicable laws and regulations.

/s/
Michael A. Khouri
Acting Chairman
November 15, 2018

PROGRAM PERFORMANCE INFORMATION

Fiscal Year 2018

ANNUAL PERFORMANCE REPORT

INTRODUCTION

The Commission's performance management system includes specific strategic goals, performance measures, and targets. Strategic goals represent the FMC's mission and reflect the overall outcomes and objectives the agency is working to achieve. This report describes progress towards performance targets in 2018 in furtherance of the Commission's mission to ensure a competitive and reliable international ocean transportation supply system that supports the U.S. economy and protects the public from unfair and deceptive practices.

During 2017, the FMC engaged in a systematic strategic planning process that included reviewing the FY 2014-2018 Strategic Plan; assessing and revising the mission statement; conducting a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis; and assessing whether measures and targets under the FY 2014-2018 Strategic Plan continued to provide appropriate performance measures. Based on that comprehensive process, which included opportunity for public and Congressional comment, the FMC developed and issued a new Strategic Plan covering fiscal years 2018-2022. This new Strategic Plan provides the framework to address existing and anticipated challenges in the ocean transportation industry over the next five years by developing new performance measures and continuing calibration of previous measures to ensure the Commission meets its statutory mission and the needs of a rapidly changing industry.

With minor language modifications, both Strategic Goals from the FMC's previous 5-year plan were retained. A new objective and two new measures to support Strategic Goal One replace the previous objective and measure under this Strategic Goal. The four objectives and associated measures under Strategic Goal Two were brought forward and included in the Commission's current Strategic Plan covering FY 2018-2022. The current strategic goals and objectives are:

- **Maintain a Competitive and Reliable International Ocean Transportation Supply System.**
    - Ensure that actions under filed agreements do not result in unreasonable increases in transportation costs and/or unreasonable decreases in transportation services.
- **Protect the Public from Unlawful, Unfair, and Deceptive Ocean Transportation Practices.**
    - Identify and take action to end unlawful, unfair, and deceptive practices.
    - Prevent public harm through licensing and financial responsibility requirements.
    - Enhance public awareness of agency resources, remedies, and regulatory requirements through education and outreach.
    - Impartially and timely resolve international shipping disputes through alternative dispute resolution and adjudication.

Eight performance goals were quantitatively measured during the fiscal year. All but one measure reached and exceeded FY 2018 targets. Each measure, target, and actual result is reported in Table 1 below and includes a description of data used to measure performance, and an explanation of procedures used to validate and ensure integrity of the reported result.

Trend data for performance measures is shown in Table 2 and reflects continuous increases in agency efficiency and productivity – a result of both improved and streamlined processes, and enhanced focus on improving the critical processes being measured.

The agency has forwarded this report to the President, the OMB Director, appropriate Congressional committees, and others as dictated by OMB Circular A-136, Revised. Additionally, this report has been placed on the FMC's public website to ensure that it is accessible to interested parties. All Commission employees have been advised to review this report.

TABLE 1: SUMMARY OF PERFORMANCE MEASURE RESULTS – FY 2018

Targeted performance compared to actual results.

Strategic Goal No. 1: Maintain a competitive and reliable international ocean transportation supply system.		
Performance Measure	**FY 2018 Target**	**FY 2018 Actual**
Measure: Percentage of FMC-filed agreements reviewed at Commission level which are modified through negotiation to mitigate anti-competitive effects. **2018 Target:** 50% **Validation:** This outcome goal is measured using data from the eAgreements electronic filing system that identifies agreements requiring Commission level review. Each of those filings is then examined to determine whether any changes were made to the originally filed agreement that mitigated anticompetitive effects of the agreement. This measure is tracked on an ongoing basis.	50%	100%
Measure: Percentage of agreement monitoring reports reviewed within 30 days of receipt to detect actionable information including market-distorting behavior. **2018 Target:** 65% **Validation:** This outcome goal is measured using data contained in the eMonitoring system used for the electronic filing of agreement monitoring submissions. Performance is measured by comparing the file receipt date to the date that the filing was reviewed by staff analyst. The data is constantly under review and frequently updated.	65%	89%
Strategic Goal No. 2: Protect the public from unlawful, unfair, and deceptive ocean transportation practices.		
Performance Measure	**FY 2018 Target**	**FY 2018 Actual**
Measure: Percentage of enforcement actions taken under the Shipping Act of 1984 successfully resolved through favorable judgment, settlement, issuance of default judgment, or compliance letter or notice. **2018 Target:** 77.5% **Validation:** This outcome goal is measured by examining enforcement case inventory and physically counting the number of cases resolved. The inventory is maintained for case load management, and monthly and quarterly reporting purposes. The data is constantly under review and frequently updated.	77.5%	85.8%
Measure: Percentage of decisions on completed OTI license applications rendered within 60 calendar days of receipt, facilitating lawful operation of OTIs with the appropriate character and experience requirements. **2018 Target:** 75% **Validation:** This outcome goal is measured by comparing data fields in an internal database that contains, among other data points, the date the OTI license application is accepted for processing and the date a licensing determination is made or the application process has been completed. The difference between these two dates is the length of time to render a decision on an OTI application accepted for processing. The database is maintained for daily case load management, and monthly and quarterly reporting purposes. The data is constantly under review and frequently updated.	75%	97%

Measure: Percentage of PVOs examined during the year that have the full financial coverage required by regulation to protect against loss from non-performance or casualty. **2018 Target:** 95% **Validation:** This outcome goal is measured by comparing reported financial coverage amounts against required coverage amounts. Approximately 200 cruise vessels are registered and monitored by the Commission's Passenger Vessel (Cruise) Operator program. Operators covered by this program file semi-annual, monthly, and weekly unearned passenger revenue reports. This information is used to compare reported coverage against required coverage amounts.	95%	99%
Measure: Percentage of Commission issuances, orders and reports available through the Commission's website within 5 working days of receipt. **2018 Target:** 84% **Validation:** This outcome goal is measured by reviewing the workflow processes for posting documents to the Commission's website docket activity logs. The date that each docket activity log is updated with new filings or issuances is compared to the date the document is filed with or issued by the Commission in a particular proceeding. The case logs are used on a daily basis by agency staff and by the public, therefore, any discrepancies are discovered and remedied quickly.	84%	97%
Measure: Percentage of ombuds and ADR matters closed within 6 months of request for assistance. **2018 Target:** 60.5% **Validation:** This outcome goal is measured using data maintained by the Commission on each ombuds and ADR matter opened. Cases are opened upon the request of the public for assistance and are subject to the normal fluctuations in businesses and consumers seeking help from the Commission. Cases are closed upon resolution, voluntary termination by the parties, or when the CADRS mediator determines that particular issues prevent the possibility for successful negotiation.	60.5%	97%
Measure: Percentage of formal complaints or Commission-initiated orders of investigation completed within two years of filing or Commission initiation. **2018 Target:** 64% **Validation:** This outcome goal is measured by using docket activity logs maintained by the Commission for docket management, and monthly/annual reporting purposes. The logs are used on a daily basis by agency staff and the public. For FY 2018, 38 percent of the 13 private-party formal adjudications and FMC-initiated investigations commenced in FY 2016 were completed within the two-year measurement period. The subject of this measure include four relatively complex formal, private-party complaints that were brought as putative class actions, involve multiple parties, and concurrent federal court proceedings, necessitating unusual protracted proceedings. In FY 2017, a fifth companion case was filed. Parties to several of the other private-party cases used to calculate the FY 2018 performance result engaged in more numerous and aggressive litigation tactics than is customarily seen in Commission proceedings. As a result of these factors, the pace of closure of the 13 cases has been slower than in previous years. Historically, the Commission has easily met or exceeded its target goals for closure of private-party case and FMC-initiated investigations.	64%	38%

TABLE 2: PERFORMANCE MEASURE TRENDS, FY 2014-2018

Strategic Goal No. 1: Maintain a competitive and reliable international ocean transportation supply system.					
Performance Measure	**FY 2014**	**FY 2015**	**FY2016**	**FY 2017**	**FY 2018**
Measure: Percentage of FMC-filed agreements reviewed at Commission level which are modified through negotiation to mitigate anti-competitive effects.					
TARGET	N/A	N/A	N/A	N/A	50%
ACTUAL	N/A	N/A	N/A	N/A	100%
TARGET MET/UNMET	N/A	N/A	N/A	N/A	MET
Measure: Percentage of agreement monitoring reports reviewed within 30 days of receipt to detect actionable information including market-distorting behavior.					
TARGET	N/A	N/A	N/A	N/A	65%
ACTUAL	N/A	N/A	N/A	N/A	89%
TARGET MET/UNMET	N/A	N/A	N/A	N/A	MET
Measure: Percentage share of U.S. containerized cargo moving on other agreement parties' vessels in major U.S. trades.[1]					
TARGET	39.5%	40%	40.5%	41%	N/A
ACTUAL	45.6%	49%	51%	51%	N/A
TARGET MET/UNMET	MET	MET	MET	MET	N/A
Strategic Goal No. 2: Protect the public from unlawful, unfair, and deceptive ocean transportation practices.					
Measure: Percentage of enforcement actions taken under the Shipping Act successfully resolved through favorable judgment, settlement, issuance of default judgment, or compliance letter or notice.					
TARGET	76.5%	77%	77.5%	77.5%	77.5%
ACTUAL	83.8%	83.4%	88.6%	82.8%	85.8%
TARGET MET/UNMET	MET	MET	MET	MET	MET
Measure: Percentage of decisions on completed OTI license applications rendered within 60 calendar days, facilitating lawful operation of OTIs with the appropriate character and experience requirements.					
TARGET	75%	75%	75%	75%	75%
ACTUAL	71.3%	72%	79.7%	95%	97%
TARGET MET/UNMET	UNMET	UNMET	MET	MET	MET
Measure: Percentage of PVOs examined during the year that have the full financial coverage required by regulation to protect against loss from non-performance or casualty.					
TARGET	94%	95%	95%	95%	95%
ACTUAL	96.7%	96%	96%	100%	99%
TARGET MET/UNMET	MET	MET	MET	MET	MET
Measure: Percentage of Commission issuances, orders, and reports available through the Commission's website within 5 working days of receipt.					
TARGET	76%	78%	80%	82%	84%
ACTUAL	93%	92%	90%	95%	97%
TARGET MET/UNMET	MET	MET	MET	MET	MET
Measure: Percentage of Ombuds and ADR matters closed within 6 months of request for assistance.					
TARGET	N/A	N/A	N/A	60%	60.5%
ACTUAL	N/A	N/A	N/A	99%	97%
TARGET MET/UNMET	N/A	N/A	N/A	MET	MET
Measure: Percentage of formal complaints or Commission-initiated orders of investigation completed within two years of filing or Commission initiation.					
TARGET	58%	58%	60%	62%	64%
ACTUAL	88%	90%	86%	79%	38%
TARGET MET/UNMET	MET	MET	MET	MET	UNMET
Measure: Number of cases opened and closed each fiscal year using Ombuds and ADR services assisting consumers to recover goods or funds.[2]					
TARGET	825	825	825	N/A	N/A
ACTUAL	994	882	778	N/A	N/A
TARGET MET/UNMET	MET	MET	UNMET	N/A	N/A

[1] This measure was replaced by the first 2 new measures listed under Strategic Goal No. 1 in the Commission's FY 2018-2022 Strategic Plan. For additional historical data on this performance measure, see published Commission Performance and Accountability Reports posted on its website.
[2] To more accurately reflect the Commission's performance in this area, this measure was replaced in FY 2017. For additional historical data on this performance measure, see published Commission Performance and Accountability Reports posted on its website.

FINANCIAL INFORMATION

Fiscal Year 2018

MESSAGE FROM THE CHIEF FINANCIAL OFFICER / MANAGING DIRECTOR

I am pleased to present the Financial Information portion of this Performance and Accountability Report, and the FMC's Financial Statements for Fiscal Year 2018. For the fifteenth consecutive year, an independent auditor has rendered an unmodified opinion on the FMC's financial statements. The auditor did not identify any deficiencies in internal control over financial reporting that they consider to be material weaknesses. Further, the auditor's tests for compliance with selected provisions of applicable laws, regulations and contracts disclosed no instances of noncompliance for fiscal year 2018 that would be reportable under U.S. generally accepted government auditing standards. This demonstrates that the Federal Maritime Commission has continued its record of strong fiscal stewardship on behalf of the American people and that the agency is committed to maintaining high standards for the financial management of the resources entrusted to it.

The following financial statements and related notes, prepared in conformity with accounting principles generally accepted in the U.S., and requirements set forth in OMB Circular No. A-136, *Financial Reporting Requirements,* revised July 30, 2018, fairly present the Commission's financial position.

The FMC's financial condition is sound, sufficient internal controls are in place to ensure that its budget authority is not exceeded, and funds are used efficiently and effectively. The following key accomplishments demonstrate the effectiveness and efficiency of the FMC's acquisition and financial functions during Fiscal Year 2018:

- A continuous record of no material weaknesses, significant control deficiencies, or noncomformance with the Federal Managers' Financial Integrity Act and other applicable laws and regulations;
- Collecting, in civil enforcement proceedings and user fees, more than $1,354,000 on behalf of the American public;
- Continued focus on internal controls and risk management, as mandated by OMB Circular A-123, providing budget information in concise, reliable, and understandable formats;
- Accurate and timely issuance of financial statements as required by the Accountability of Tax Dollars Act of 2002, which are prepared from, and fully supported by, the books and records of the FMC in accordance with Generally Accepted Accounting Principles (GAAP), standards approved by the Federal Accounting Standards Advisory Board (FASAB), and OMB Circular A-136; and
- Successful implementation of the Digital Accountability and Transparency Act of 20 2014 (DATA Act), which provides detailed information on the FMC's careful stewardship of resources on the USASpending.gov website.

The Commission strives to exhibit exemplary financial management of its limited resources, and to enhance operational efficiency while continuing to protect the interest of the American shipping public. I am confident that the FMC will continue its high level of quality financial management in the coming fiscal years.

/s/

Karen V. Gregory
Chief Financial Officer/Managing Director
November 15, 2018

PRINCIPAL FINANCIAL STATEMENTS

The principal financial statements presented include:

- Balance Sheet – Presents the combined amounts the agency had to use or distribute (assets) versus the amounts the agency owed (liabilities), and the difference between the two (net position);
- Statement of Net Cost – Presents the annual cost of agency operations. The gross cost less any offsetting revenue is used to determine the net cost;
- Statement of Changes in Net Position – Reports the accounting activities that caused the change in net position during the reporting period;
- Statement of Budgetary Resources – Reports how budgetary resources were made available and the status of those resources at fiscal year-end; and
- Statement of Custodial Activity – Reports collections and their disposition by the agency on behalf of the Treasury General Fund. The FMC acts as custodian and does not have use of these funds.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements have been prepared to report the financial position and results of operations of the FMC, pursuant to the requirements of 31 U.S.C. § 3515(b). While the statements have been prepared from the books and records of the agency in accordance with GAAP for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. Therefore, liabilities not covered by budgetary resources cannot be liquidated without the enactment of an appropriation, and the payment of all liabilities other than for contracts can be abrogated by the sovereign entity. Other limitations are included in the footnotes to the principal statements. The accompanying notes are an integral part of these statements.

The Federal Maritime Commission's financial statements were audited by Dembo Jones, P.C., under contract to the FMC's Office of the Inspector General.

REPORT ON THE

FINANCIAL STATEMENTS AUDIT

OF THE

FEDERAL MARITIME COMMISSION

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2018 and 2017

FEDERAL MARITIME COMMISSION
Washington, DC 20573

November 7, 2018

Office of Inspector General

Dear Acting Chairman Khouri and Commissioner Dye:

I am pleased to provide the attached audit report required by the Accountability for Tax Dollars Act of 2002 (ATDA), which presents an unmodified (clean) opinion on the Federal Maritime Commission's (FMC) fiscal year (FY) 2018 and 2017 financial statements. The audit results indicate that the FMC has established an internal control structure that facilitates the preparation of reliable financial and performance information. The Office of Inspector General (OIG) commends the FMC for the noteworthy accomplishment of attaining an unmodified opinion.

The OIG contracted with the independent certified public accounting firm of Dembo Jones, P.C. to: perform the audit of the FMC's financial statements for the fiscal years ending September 30, 2018 and 2017; consider internal control over financial reporting; and test the agency's compliance with certain provisions of applicable laws, regulations, and contracts that could have a direct and material effect on the financial statements. The contract required that the audit be performed in accordance with U.S. Generally Accepted Government Auditing Standards and Office of Management and Budget (OMB) audit guidance.

In its audit of the FMC, Dembo Jones found: the financial statements were fairly presented, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles; there were no material weaknesses or significant deficiencies in internal control over financial reporting; and no reportable noncompliance issues with the laws and regulations tested.

In connection with the OIG's contract, the OIG reviewed Dembo Jones' report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. Generally Accepted Government Auditing Standards, was not intended to enable the OIG to express, and we do not express, opinions on FMC's financial statements or internal control; or conclusions on compliance with laws and regulations. Dembo Jones is responsible for the attached auditors' report dated November 15, 2018 and the conclusions expressed in the report. However, our review disclosed no instances where Dembo Jones did not comply, in all material respects, with Generally Accepted Government Auditing Standards.

The OIG would like to thank FMC staff; especially the Office of Budget and Finance, for their assistance in helping Dembo Jones and the OIG meet the audit objectives.

Respectfully submitted,

/s/
Jon Hatfield
Inspector General

Attachment

cc: Office of the Managing Director
Office of the General Counsel
Office of Budget and Finance

INDEPENDENT AUDITORS' REPORT

DEMBO·JONES
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Independent Auditor's Report

To Acting Chairman Khouri
Federal Maritime Commission

In our audits of the fiscal years 2018 and 2017 financial statements of Federal Maritime Commission (FMC) we found:

a) FMC's financial statements as of and for the fiscal years ended September 30, 2018 and 2017, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;

b) no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and

c) no reportable noncompliance for fiscal year 2018 with provisions of applicable laws, regulations and contracts we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI), such as "Management's Discussion and Analysis"; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations and contracts; and (4) agency comments.

Report on the Financial Statements

In accordance with Generally Accepted Government Auditing Standards (GAGAS) and Office of Management and Budget (OMB) Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*, we have audited FMC's financial statements. FMC's financial statements comprise the balance sheets as of September 30, 2018, and 2017; the related statements of net cost, changes in net position, budgetary resources and custodial activity for the fiscal years then ended; and the related notes to the financial statements.

We conducted our audits in accordance with U.S. generally accepted government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Rockville, MD 20852
P 301.770.5100 • F 301.770.5202

Dembo Jones, P.C.
A Member of Allinial Global
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8850 Stanford Blvd • Suite 2000
Columbia, MD 21045
P 410.290.0770 • F 410.290.0774

Management's Responsibility for the Financial Statements

FMC's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, FMC's financial statements present fairly, in all material respects, FMC's financial position as of September 30, 2018 and 2017, and its net costs of operations, changes in net position, budgetary resources and custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

FMC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on FMC's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audits of the FMC's financial statements, we considered the FMC's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to the FMC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

FMC management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

In planning and performing our audit of FMC's financial statements as of and for the year ended September 30, 2018, in accordance with U.S. generally accepted government auditing standards, we considered the FMC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the FMC's internal control over financial reporting. Accordingly, we do not express an opinion on the FMC's internal control over financial reporting. We are required to report all deficiencies that are considered significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations and contracts, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of the FMC's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of the FMC's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the FMC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations and Contracts

In connection with our audits of FMC's financial statements, we tested compliance with selected provisions of applicable laws, regulations and contracts, consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

FMC management is responsible for complying with laws, regulations and contracts applicable to FMC.

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations and contracts applicable to FMC that have a direct effect on the determination of material amounts and disclosures in FMC's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations and contracts applicable to FMC.

Results of Our Tests for Compliance with Laws, Regulations and Contracts

Our tests for compliance with selected provisions of applicable laws, regulations and contracts disclosed no instances of noncompliance for fiscal year 2018 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations and contracts applicable to FMC. Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws, Regulations and Contracts

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations and contracts, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations and contracts is not suitable for any other purpose.

Dembo Jones, P.C.

Rockville, Maryland
November 15, 2018

APPENDIX A

FEDERAL MARITIME COMMISSION COMMENTS ON AUDIT REPORT

Federal Maritime Commission
Washington, DC 20573

Office of the
Managing Director

November 15, 2018

Donald K. Marshall, CPA
Dembo Jones, P.C.
6010 Executive Boulevard, Suite 900
Rockville, MD 20852

Dear Mr. Marshall:

I have reviewed the financial statements audit report for the Federal Maritime Commission for fiscal year 2018. I concur with the audit report's findings that the financial statements fairly present the Commission's financial position during the fiscal year ending September 30, 2018, and that the financial statements are in conformity with U.S. Generally Accepted Accounting Principles; that the FMC has maintained, in all material respects, effective internal control over financial reporting; and that there were no instances of reportable noncompliance with laws and regulations tested by the auditors.

The Commission appreciates Dembo Jones' work over the past fiscal year.

Sincerely,

/s/
Karen V. Gregory
Chief Financial Officer / Managing Director

APPENDIX B

FEDERAL MARITIME COMMISSION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2018 and 2017

The accompanying notes are an integral part of these financial statements.

FEDERAL MARITIME COMMISSION FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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FEDERAL MARITIME COMMISSION

BALANCE SHEET

AS OF SEPTEMBER 30, 2018 AND 2017

(In Dollars)

	2018	2017
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	$ 6,234,624	$ 5,614,138
Total Intragovernmental	6,234,624	5,614,138
Accounts Receivable, Net (Note 3)	10,462	2,856
Property, Equipment, and Software, Net (Note 4)	106,367	399,648
Total Assets	$ 6,351,453	$ 6,016,642
Liabilities:		
Intragovernmental		
Accounts Payable	$ 28,145	$ 2,100
Other (Note 6)	146,929	168,533
Total Intragovernmental	175,074	170,633
Accounts Payable	76,962	151,872
Federal Employee and Veterans' Benefits (Note 5)	3,334	3,307
Other (Note 6)	1,956,339	2,085,237
Total Liabilities	$ 2,211,709	$ 2,411,049
Net Position:		
Unexpended Appropriations - Other Funds	$ 5,326,391	$ 4,483,892
Cumulative Results of Operations - Other Funds	(1,186,647)	(878,299)
Total Net Position	$ 4,139,744	$ 3,605,593
Total Liabilities and Net Position	$ 6,351,453	$ 6,016,642

FEDERAL MARITIME COMMISSION

STATEMENT OF NET COST

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

(In Dollars)

	2018	2017
Program Costs:		
Operational and Administrative		
Gross Costs	$ 20,632,539	$ 16,890,163
Net Program Costs	$ 20,632,539	$ 16,890,163
Formal Proceedings		
Gross Costs	$ 7,077,950	$ 8,017,250
Less: Earned Revenue	-	(13,947)
Net Program Costs	$ 7,077,950	$ 8,003,303
Office of Inspector General		
Gross Costs	$ 394,371	$ 284,734
Net Program Costs	$ 394,371	$ 284,734
Office of Equal Employment Opportunity		
Gross Costs	$ 167,957	$ 141,325
Less: Earned Revenue	(58,034)	-
Net Program Costs	$ 109,923	$ 141,325
Net Cost of Operations	$ 28,214,783	$ 25,319,525

FEDERAL MARITIME COMMISSION

STATEMENT OF CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

(In Dollars)

		2018
Unexpended Appropriations:		
Beginning Balances	$	4,483,892
Budgetary Financing Sources:		
Appropriations Received		27,490,000
Other Adjustments		(55,651)
Appropriations Used		(26,591,850)
Total Budgetary Financing Sources		842,499
Total Unexpended Appropriations	$	5,326,391
Cumulative Results of Operations:		
Beginning Balances	$	(878,299)
Budgetary Financing Sources:		
Appropriations Used		26,591,850
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 9)		1,314,585
Total Financing Sources		27,906,435
Net Cost of Operations		(28,214,783)
Net Change		(308,348)
Cumulative Results of Operations	$	(1,186,647)
Net Position	$	4,139,744

FEDERAL MARITIME COMMISSION

STATEMENT OF CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

(In Dollars)

		2017	
Unexpended Appropriations:			
Beginning Balances	$	1,520,851	
Budgetary Financing Sources:			
Appropriations Received		27,490,000	
Other Adjustments			(297,273)
Appropriations Used			(24,229,686)
Total Budgetary Financing Sources		2,963,041	
Total Unexpended Appropriations	$	4,483,892	
Cumulative Results of Operations:			
Beginning Balances	$	(715,389)	
Budgetary Financing Sources:			
Appropriations Used		24,229,686	
Other Financing Sources (Non-Exchange):			
Imputed Financing Sources (Note 9)		926,929	
Total Financing Sources		25,156,615	
Net Cost of Operations		(25,319,525)	
Net Change		(162,910)	
Cumulative Results of Operations	$	(878,299)	
Net Position	$	3,605,593	

FEDERAL MARITIME COMMISSION

STATEMENT OF BUDGETARY RESOURCES

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

(In Dollars)

		2018		2017
Budgetary Resources:				
Unobligated balance from prior year budget authority, net	$	460,199	$	243,166
Appropriations		27,490,000		27,490,000
Spending authority from offsetting collections		58,034		13,947
Total Budgetary Resources	$	28,008,233	$	27,747,113
Memorandum (non-add) Entries:				
Net adjustments to unobligated balance brought forward, Oct. 1	$	(4,744,348)	$	(3,301,168)
Status of Budgetary Resources:				
New obligations and upward adjustments (total) (Note 11)	$	27,138,443	$	27,331,928
Unobligated balance, end of year:				
Apportioned, unexpired account (Note 2)		668,828		264,347
Expired unobligated balance, end of year (Note 2)		200,962		150,838
Unobligated balance, end of year (total)		869,790		415,185
Total Budgetary Resources	$	28,008,233	$	27,747,113
Outlays, net:				
Outlays, net, (total)	$	26,813,862	$	25,294,941
Distributed Offsetting Receipts		(251,562)		(234,968)
Agency outlays, net	$	26,562,300	$	25,059,973

The accompanying notes are an integral part of these financial statements.

FEDERAL MARITIME COMMISSION

STATEMENT OF CUSTODIAL ACTIVITY

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

(In Dollars)

		2018		2017
Revenue Activity:				
Sources of Cash Collections:				
Miscellaneous	$	1,354,016	$	2,115,237
Total Cash Collections (Note 13)		1,354,016		2,115,237
Accrual Adjustments		(337)		2,161
Total Custodial Revenue		1,353,679		2,117,398
Disposition of Collections:				
Transferred to Others (by Recipient)		1,354,016		2,115,237
Increase/(Decrease) in Amounts Yet to be Transferred		(337)		2,161
Total Disposition of Collections		1,353,679		2,117,398
Net Custodial Activity	$	-	$	-

The accompanying notes are an integral part of these financial statements.

FEDERAL MARITIME COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Federal Maritime Commission (FMC or Commission) was established as an independent regulatory agency on August 12, 1961. The FMC is responsible for the regulation of oceanborne transportation in the foreign commerce of the United States. The principal statutes or statutory provisions administered by the Commission are the Shipping Act of 1984, as amended by the Ocean Shipping Reform Act of 1998, the Foreign Shipping Practices Act of 1988 (FSPA), section 19 of the Merchant Marine Act of 1920, and sections 2 and 3 of Public Law No. 89-777.

The Commission monitors the activities of ocean common carriers, marine terminal operators (MTOs), agreements among ocean common carriers and/or MTOs, ports and ocean transportation intermediaries (non-vessel-operating common carriers and ocean freight forwarders) operating in the U.S. foreign commerce to ensure they maintain just and reasonable practices; maintains trade monitoring, enforcement and dispute resolution programs designed to assist regulated entities in achieving compliance and to detect and remedy malpractices and violations of the 1984 Act; monitors the laws and practices of foreign governments which could have a discriminatory or otherwise adverse impact on shipping conditions in U.S. trades, and imposes remedial action, as appropriate, pursuant to section 19 of the 1920 Act or FSPA; enforces special regulatory requirements applicable to carriers owned or controlled by foreign governments; processes and reviews agreements, service contracts, and service arrangements pursuant to the 1984 Act for compliance with statutory requirements; and reviews common carriers' privately published tariff systems for accessibility and accuracy, as required by OSRA.

The FMC also issues licenses to qualified ocean transportation intermediaries (OTIs) in the U.S., ensures that all OTIs are bonded or maintain other evidence of financial responsibility, and ensures that passenger vessel operators (PVOs) demonstrate adequate financial responsibility in case of nonperformance of voyages or death or injury occurring to passengers.

The FMC is composed of five Commissioners appointed for five-year terms by the President with the advice and consent of the Senate. The President designates one of the Commissioners to serve as Chairman, who is the chief executive and administrative officer of the FMC.

The FMC reporting entity is comprised of General Funds and General Miscellaneous Receipts. General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. General Fund Miscellaneous Receipts are accounts established for receipts of non-recurring activity, such as fines, penalties, fees and other miscellaneous receipts for services and benefits.

The FMC makes custodial collections and holds custodial receivables that are non-entity assets and are transferred to Treasury at fiscal year-end. The FMC has rights and ownership of all assets reported in these financial statements. FMC does not possess any non-entity assets.

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations of FMC. The Balance Sheet presents the financial position of the Commission. The Statement of Net Cost presents the Commission's operating results; the Statement of Changes in Net Position displays the changes in the Commission's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the Commission's resources and follows the rules for the Budget of the United States Government.

The statements are a requirement of the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. They have been prepared from, and are fully supported by, the books and records of FMC in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended, and FMC accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control FMC's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Basis of Accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements on the use of federal funds.

D. Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of the FMC's funds with Treasury in expenditure and receipt accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

E. Accounts Receivable

Accounts receivable consists of amounts owed to FMC by other Federal agencies and the general public. Amounts due from Federal agencies are considered fully collectible. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

F. Property, Equipment, and Software

Property, equipment and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred. FMC's capitalization threshold is $25,000 for individual purchases. Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guide-lines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

Description	Useful Life (years)
Leasehold Improvements	5
Office Furniture	5
Computer Equipment	5
Office Equipment	5
Software	5

G. Advances and Prepaid Charges

Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable agreements, subscriptions and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

H. Liabilities

Liabilities represent the amount of funds likely to be paid by the FMC as a result of transactions or events that have already occurred.

The FMC reports its liabilities under two categories, Intragovernmental and With the Public. Intra-governmental liabilities represent funds owed to another government agency. Liabilities with the Public represent funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year.

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave, actuarial Federal Employees' Compensation Act (FECA), and the amounts due to Treasury for collection and accounts receivable of civil penalties.

I. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Non-vested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees.

J. Accrued and Actuarial Workers' Compensation

The FECA administered by the U.S. Department of Labor (DOL) addresses all claims brought by the FMC employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that the FMC terminates without cause may receive unemployment compen-sation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

K. Retirement Plans

FMC employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of FMC matching contribution, equal to 7% of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund.

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. Both CSRS and FERS employees may participate in the federal Thrift Savings Plan (TSP). FERS employees receive an automatic agency contribution equal to 1% of pay and FMC matches any employee contribution up to an additional 4% percent of pay. For FERS participants, FMC also contributes the employer's matching share of Social Security.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, FMC remits the employer's share of the required contribution.

The FMC recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to FMC for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. FMC recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

FMC does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits,

and related unfunded liabilities, if any, is the responsibility of the OPM, as the administrator.

L. Other Post-Employment Benefits

FMC employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGLIP) may continue to participate in these programs after their retirement. The OPM has provided the FMC with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The FMC recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by the FMC through the recognition of an imputed financing source.

M. Use of Estimates

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

N. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. FMC recognized imputed costs and financing sources in fiscal years 2018 and 2017 to the extent directed by accounting standards.

O. Contingencies

Liabilities are deemed contingent when the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. FMC recognizes contingent liabilities in the accompanying balance sheet and statement of net cost, when it is both probable and can be reasonably estimated.

The FMC discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met or when a loss from the outcome of future events is more than remote. In some cases, once losses are certain, payments may be made from the Judgment Fund maintained by the U.S. Treasury rather than from the amounts appropriated to FMC for agency operations. Payments from the Judgment Fund are recorded as an "Other Financing Source" when made.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2018, and 2017 were as follows:

	2018	2017
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 668,828	$ 264,347
Unavailable	200,962	150,838
Obligated Balance Not Yet Disbursed	5,364,834	5,198,953
Total	$ 6,234,624	$ 5,614,138

No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts.

The available unobligated fund balances represent the current-period amount available for obligation or commitment. At the start of the next fiscal year, this amount will become part of the unavailable balance, as described in the following paragraph.

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations. The obligated balance not yet disbursed, includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand (see also Note 12).

NOTE 3. ACCOUNTS RECEIVABLE

ACCOUNTS RECEIVABLE BALANCES AS OF SEPTEMBER 30, 2018, AND 2017, WERE AS FOLLOWS:

	2018	2017
With the Public		
Miscellaneous Accounts Receivable	$ 10,320	$ 2,731
Interest Receivable	12	7
Penalties and Fines Receivable	130	118
Total Accounts Receivable	$ 10,462	$ 2,856

The accounts receivable is primarily made up of services provided to the public. Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2018 and 2017.

NOTE 4. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2018

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Leasehold Improvements	$ 225,000	$ 225,000	$ -
Furniture & Equipment	316,289	209,922	106,367
Total	$ 541,289	$ 434,922	$ 106,367

Schedule of Property, Equipment, and Software as of September 30, 2017

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Leasehold Improvements	$ 225,000	$ 225,000	$ -
Furniture & Equipment	614,777	445,153	169,624
Software-in-Development	230,024	-	230,024
Total	$ 1,069,801	$ 670,153	$ 399,648

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for FMC as of September 30, 2018 and 2017 include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2018	2017
Intragovernmental – FECA	$ 474	$ 813
Intragovernmental – Unemployment Insurance	-	1,754
Unfunded Leave	1,297,843	1,272,767
Actuarial FECA	3,334	3,307
Other Liabilities	25	25
Total Liabilities Not Covered by Budgetary Resources	$ 1,301,676	$ 1,278,666
Total Liabilities Covered by Budgetary Resources	910,033	1,132,383
Total Liabilities	$ 2,211,709	$ 2,411,049

FECA and the Unemployment Insurance liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on FMC's behalf and payable to the DOL. FMC also records an actuarial liability for future workers compensation claims based on the liability to benefits paid (LBP) ratio provided by DOL and multiplied by the average of benefits paid over three years.

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

NOTE 6. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2018 were as follows:

	Current		Non Current		Total	
Intragovernmental						
FECA Liability	$	-	$	474	$	474
Payroll Taxes Payable		144,632		-		144,632
Custodial Liability		1,823		-		1,823
Total Intragovernmental Other Liabilities	$	146,455	$	474	$	146,929
With the Public						
Payroll Taxes Payable	$	22,406	$	-	$	22,406
Accrued Funded Payroll and Leave		636,064		-		636,064
Unfunded Leave		1,297,844		-		1,297,844
Other Liabilities with Related Budgetary Obligations		-		25		25
Total Public Other Liabilities	$	1,956,314	$	25	$	1,956,339

Other liabilities account balances as of September 30, 2017 were as follows:

	Current		Non Current		Total	
Intragovernmental						
FECA Liability	$	-	$	813	$	813
Unemployment Insurance Liability		1,754		-		1,754
Payroll Taxes Payable		163,805		-		163,805
Custodial Liability		2,161		-		2,161
Total Intragovernmental Other Liabilities	$	167,720	$	813	$	168,533
With the Public						
Payroll Taxes Payable	$	20,991	$	-	$	20,991
Accrued Funded Payroll and Leave		791,454		-		791,454
Unfunded Leave		1,272,767		-		1,272,767
Other Liabilities with Related Budgetary Obligations		25		-		25
Total Public Other Liabilities	$	2,085,237	$	-	$	2,085,237

NOTE 7. OPERATING LEASES

FMC occupies office space in seven locations, of which six of the lease agreements are required to be accounted for as operating leases. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. The total operating lease expense for fiscal years 2018 and 2017 were $3,491,970 and $3,036,110, respectively. The lease locations and terms are listed below:

Location	Term	Lease Expiration Date
Tacoma, WA	10 years	6/30/2019
Hollywood, FL	10 years	5/31/2020
San Pedro, CA	10 years	9/30/2021
Washington, DC	10 years	10/31/2022
Iselin, New Jersey	10 years	3/15/2024
Houston, TX	15 years	10/1/2033

The operating lease amount does not include estimated payments for leases with annual renewal options. The schedule of future payments for the term of the leases is as follows:

Fiscal Year	Totals
2019	$ 3,227,340
2020	3,227,318
2021	3,221,978
2022	3,228,252
2023	324,838
Thereafter	149,696
Total Future Minimum Payments	$ 13,379,422

NOTE 8. CONTINGENT LIABILITIES

FMC records commitments and contingent liabilities for legal cases in which payment has been deemed probable, and for which the amount of potential liability has been estimated, including certain judgments that have been issued against the agency. The FMC has no knowledge of any lawsuits/investigations in which payment is deemed probable.

NOTE 9. IMPUTED FINANCING SOURCES

FMC recognizes as imputed financing the costs of future benefits which include health benefits, life insurance, pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the years ended September 30, 2018 and 2017 imputed financing was as follows:

	2018	2017
Office of Personnel Management	$ 1,314,585	$ 926,929
Total Imputed Financing Sources	$ 1,314,585	$ 926,929

NOTE 10. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include fiscal year 2018 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2019 and can be found at the OMB Web site: *http://www.whitehouse.gov/omb/*. The 2019 Budget of the United States Government, with the "Actual" column completed for 2017, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

In Millions

FY2017	Budgetary Resources	Obligations Incurred	Net Outlays
Statement of Budgetary Resources	$ 28	$ 27	$ 25
Difference - Due to Rounding	1		
Budget of the U.S. Government	$ 27	$ 27	$ 25

NOTE 11. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2018 and 2017 consisted of the following:

	2018	2017
Direct Obligations, Category A	$ 27,080,409	$ 27,316,025
Reimbursable Obligations, Category A	58,034	15,903
Total Obligations Incurred	$ 27,138,443	$ 27,331,928

Category A apportionments distribute budgetary resources by fiscal quarters.

NOTE 12. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the years ended September 30, 2018 and 2017, budgetary resources obligated for undelivered orders were as follows:

Current Year

	Federal	Non-Federal	Total
Unpaid Undelivered Orders	$ 1,360,299	$ 3,096,302	$ 4,456,601
Total Undelivered Orders	$ 1,360,299	$ 3,096,302	$ 4,456,601

Prior Year

	Federal	Non-Federal	Total
Unpaid Undelivered Orders	$ 1,166,631	$ 2,902,076	$ 4,068,707
Total Undelivered Orders	$ 1,166,631	$ 2,902,076	$ 4,068,707

NOTE 13. CUSTODIAL REVENUES

FMC is an administrative agency, collecting for another entity or the General Fund of the Treasury. As a collecting entity, FMC measures and reports cash collections and refunds. These collections are reported as custodial revenue on the Statement of Custodial Activity. The type of cash collected is for fines, penalties and administrative fees. A small portion is for interest on the past due fines. Another component of the custodial revenue is general proprietary receipts (User Fees) for the application of licenses issued to qualified Ocean Transportation Intermediaries (OTI's) in the U.S., FMC reviews petitions, status changes and special permission fees. FMC believes that all fines, penalties, administrative fees and user fees will be collected in full. There are no material uncollectible accounts as of September 30, 2018 and 2017.

Custodial collections are reported on the Statement of Custodial Activity. The miscellaneous receipts are broken out in the general receipt funds as follows:

		2018		2017
Fines, Penalties, and Forfeitures	$	1,108,194	$	1,887,513
General Proprietary Receipts (User fees)		251,524		234,886
Refunds of Proprietary Receipts (User fees)		(5,740)		(7,244)
Interest		38		82
Total Custodial Collections	$	1,354,016	$	2,115,237

NOTE 14. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

FMC has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

		2018		2017
Resources Used to Finance Activities				
Budgetary Resources Obligated				
Obligations Incurred	$	27,138,443	$	27,331,928
Spending Authority from Offsetting Collections and Recoveries		(158,697)		(158,548)
Offsetting Receipts		(251,562)		(234,968)
Obligations Net of Offsetting Collections and Recoveries		26,728,184		26,938,412
Other Resources				
Imputed Financing from Costs Absorbed by Others		1,314,585		926,929
Total Resources Used to Finance Activities		28,042,769		27,865,341
Resources Used to Finance Items Not Part of the Net Cost of Operations				
Total Resources Used to Finance Items Not Part of the Net Cost of Operations		91,597		(2,707,733)
Total Resources Used to Finance the Net Cost of Operations		28,134,366		25,157,608
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period				
Total Components of Net Cost of Operations That will not or Generate Resources in the Current Period		80,417		161,917
Net Cost of Operations	$	28,214,783	$	25,319,525

OTHER INFORMATION

Fiscal Year 2018

OFFICE OF INSPECTOR GENERAL
FISCAL YEAR 2018 MANAGEMENT CHALLENGE

FEDERAL MARITIME COMMISSION

Washington, DC 20573

October 12, 2018

Office of Inspector General

TO: Acting Chairman Khouri
Commissioner Dye

FROM: Inspector General

SUBJECT: Inspector General's Statement on the Federal Maritime Commission's Management and Performance Challenge

The Reports Consolidation Act of 2000 (Public Law 106-531) requires inspectors general to provide a summary and assessment of the most serious management and performance challenges facing Federal agencies, and their progress in addressing these challenges. The attached document responds to the requirements and provides the annual statement to be included in the Federal Maritime Commission's (FMC) Performance and Accountability Report (PAR) for fiscal year (FY) 2018.

This year, the Office of Inspector General (OIG) has identified one management and performance challenge, ***information technology (IT) security***. The Commission has continued to make progress on this challenge since last year; IT security remains a government-wide challenge and the FMC's continued focus is critical to ensure an effective security program. This assessment is based on information derived from a combination of sources, including OIG evaluation work; Commission reports; Federal government reports; and a general knowledge of the Commission's programs.

The Reports Consolidation Act of 2000 permits agency comment on the inspector general's statements. Agency comments, if applicable, are to be included in the final version of the FMC PAR that is due by November 15, 2018.

/s/
Jon Hatfield

Attachment

Cc: Karen V. Gregory, Managing Director
Peter J. King, Deputy Managing Director
Kathie L. Keys, Special Assistant to the Managing Director

Office of Inspector General (OIG)
Fiscal Year 2018 Management Challenge

***The Management Challenge* - Information Technology Security**

Information technology (IT) security continues to be a key risk in the Federal government, and as is the case for most Federal agencies, the Federal Maritime Commission (FMC) shares this challenge. While the OIG has found the FMC to be focused on maintaining an effective IT security program, IT security continues to evolve based on new risks and threats. In a report[1] dated September 28, 2017, the Government Accountability Office (GAO) points out that as computer technology has advanced, Federal agencies have become dependent on computerized information and electronic data to carry out operations and to process, maintain, and report essential information. Further, GAO acknowledges that agencies would find it difficult, if not impossible, to carry out their missions and account for their resources without these information assets. Therefore, securing these systems and data is critical.

The GAO maintains a high-risk program to focus attention on government operations that GAO identifies as high-risk due to their greater vulnerabilities to fraud, waste, abuse, and mismanagement or the need for transformation to address economy, efficiency, or effectiveness challenges. GAO first designated Federal information security as a government-wide high-risk area over 20 years ago. In 2003, GAO expanded this area to include computerized systems supporting the nation's critical infrastructure and, in 2015, GAO further expanded this area to include protecting the privacy of personally identifiable information. GAO continues to identify Federal information security as a government-wide high-risk area in their February 2017 high-risk update report.

The Office of Management and Budget's (OMB) 2018 Annual Report to Congress on the Federal Information Security Modernization Act of 2014 (FISMA) provides details for fiscal year (FY) 2017 on both the progress and the challenges the Federal government faces to protect computer information systems and data. Specifically, the report states that the President has made strengthening the Nation's cybersecurity a priority from the outset of the administration. For example, among other policies and guidelines, the President issued executive orders in 2017 and 2018 to promote the secure and efficient use of information technology, and reinforcing the FISMA by holding agency heads accountable for managing cybersecurity risks.

OMB's 2018 annual FISMA report to Congress also provides information on the number of cybersecurity incidents that were reported across the Federal government in FY 2017. The

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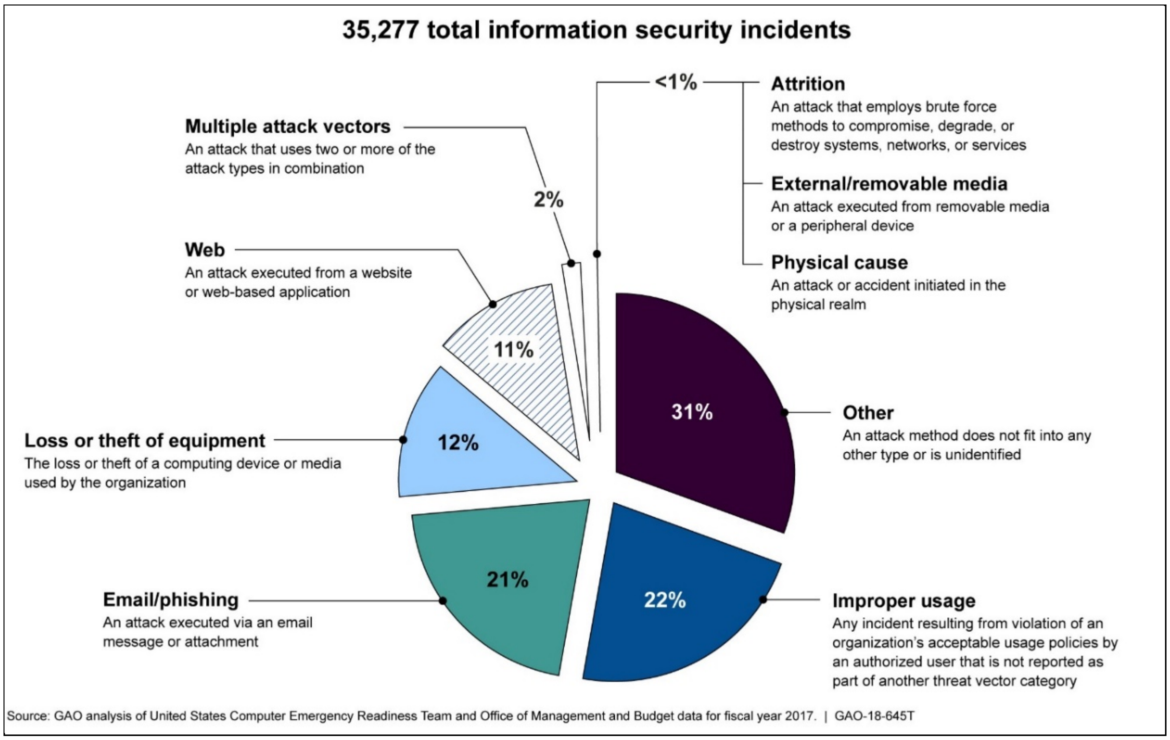
[1] Government Accountability Office, GAO-17-549, Federal Information Security, *Weaknesses Continue to Indicate Need for Effective Implementation of Policies and Practices*, (September 28, 2017).

OMB reports that 35,277 incidents were reported[1] by agencies in FY 2017, a 14% increase from FY 2016, as detailed on the following page in figure 1. The report states that e-mail/phishing continues to be a highly-targeted attack, with a 122% increase in reported incidents from FY 2016 to 2017. Phishing is a digital form of social engineering that uses authentic-looking, but fake, emails to request information from users or direct them to a fake website that requests information.

Figure 1: Federal Information Security Incidents by Threat Vector[2] Category, Fiscal Year 2017



Agency Progress in Addressing the Challenge

The *Federal Information Security Modernization Act of 2014* (FISMA) establishes information security program and evaluation requirements for Federal agencies in the executive branch, including the FMC. Each year, the FMC OIG performs an independent evaluation of the information security program and practices of the agency. The results of the evaluation are reported

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[1] US-CERT, a branch of the Department of Homeland Security's National Cybersecurity and Communications Integration Center, is a central Federal information security incident center that compiles and analyzes information about incidents that threaten information security. Federal agencies are required to report such incidents to US-CERT.

[2] A threat vector (or avenue of attack) specifies the conduit or means used by the source or attacker to initiate a cyberattack. US-CERT's Federal Incident Notification Guidelines specify nine potential attack vectors agencies should use to describe incident security incidents during reporting.

annually to the Office of Management and Budget; selected congressional committees; the Comptroller General; and the FMC's Commission and management.

In the OIG's *Evaluation of the FMC's Compliance with the Federal Information Security Modernization Act (FISMA) FY 2017*, the OIG found the FMC had effectively implemented all six of the prior year FISMA recommendations. Further, the FY 2017 FISMA evaluation contained two new recommendations to address two findings. The two recommendations involved the timely disabling of computer accounts for separated users, and proper physical controls for the agency's computer server room.

The Challenge Ahead

Significant cybersecurity incidents in recent years highlight that continued advancements in computer and communication technologies will likely result in ongoing challenges protecting Federal systems, to include the FMC. Particularly because of the FMC's small size and limited resources, it is critical for the FMC to prioritize security controls and enhancements based on risk, and continue to properly plan and partner with Federal agencies to protect vital agency resources.

COMMENTS ON INSPECTOR GENERAL-IDENTIFIED MANAGEMENT AND PERFORMANCE CHALLENGE

The Commission appreciates the Inspector General's essential role in keeping up-to-date on the significant risks and challenges facing the Federal government as a whole, and in reviewing the Commission's work to ensure that it maintains accountability and compliance with Federal laws and mandates. The Inspector General's Management and Performance Challenge – information technology security – poses a significant risk in today's Federal government. A response to the challenge is outlined below:

1. Information Technology Security

The Commission is aware of the increasing number and sophistication of cybersecurity incidents and threats government-wide, and appreciates working proactively with the Office of the Inspector General to strengthen the Commission's security posture. Protecting our information and information systems against cybersecurity threats and unauthorized access remains a priority at the Commission. Numerous steps have been taken at the Commission to combat the ever-present cybersecurity risk faced by most federal agencies such as viruses, malware, intrusion, and compromised credentials, among other things.

The FMC has moved to a Managed Trusted Internet Protocol Services (MTIPS) certified internet service provider to comply with the Trusted Internet Connection (TIC) initiative, an OMB mandate. This reduces the number of Internet gateways on the Commission's network and ensures that all external connections are routed through a government agency designated as an approved TIC Access Provider.

The FMC has moved all email services to Microsoft 365, which provides built-in malware and spam filtering capabilities that help protect inbound and outbound messages from malicious software and helps to protect the Commission's network from spam and other malicious files transferred through email.

The FMC is compliant with DHS BOD 18-01, *Trustworthy Email Cyber Hygiene Assessment,* created by the National Cybersecurity Assessments and Technical Services (NCATS) team in DHS National Cybersecurity and Communications Integration Center (NCCIC). This directive's requirements increase the security of emails in transit and make it easier to detect emails that attempt to spoof .gov domains.

The FMC also employs several other types of software which continuously monitor the network looking for the tell-tale signs of virus/malware activity.

To supplement this technology, the FMC provides yearly Security Awareness Training to educate FMC staff and contractors about the different tactics and methods intruders can use to attempt to infiltrate the agency's network. Well-educated FMC staff and contractors are essential to create a culture of accountability and awareness to mitigate risk.

The Commission will continue to focus on this high-risk challenge with careful planning, by making the best use of available resources, and prioritizing our IT security controls.

FINANCIAL STATEMENT AUDIT SUMMARY

Table 1 is a summary of the results of the independent audit of the FMC's financial statements by the agency's auditors in connection with the FY 2018 audit.

Table 1. Summary of Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	**Beginning balance**	**New**	**Resolved**	**Consolidated**	**Ending Balance**
None	n/a	n/a	n/a	n/a	n/a
Total Material Weaknesses	None	None	n/a	n/a	None

MANAGEMENT ASSURANCES SUMMARY

Table 2 is a summary of management assurances related to the effectiveness of internal control over the FMC's financial reporting and operations, and its conformance with financial management system requirements under Sections 2 and 4, respectively, of the Federal Managers' Financial Integrity Act (FMFIA) of 1982. The last portion of this table summarizes compliance with the Federal Financial Management Improvement Act (FFMIA), which is not applicable to the Commission.

Table 2. Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total Material Weaknesses	None	n/a	n/a	n/a	n/a	None
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
[name of weakness]	None	n/a	n/a	n/a	n/a	None
Total Material Weaknesses	None	n/a	n/a	n/a	n/a	None
Compliance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Unmodified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
[name of non-compliance]	None	n/a	n/a	n/a	n/a	None
Total non-compliances	None	n/a	n/a	n/a	n/a	None
Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)						
	Agency	**Auditor**				
1. Federal Financial Management System Requirements	FFMIA does not apply to the FMC	n/a				
2. Applicable Federal Accounting Standards	FFMIA does not apply to the FMC	n/a				
3. USSGL at Transaction Level	FFMIA does not apply to the FMC	n/a				

IMPROPER PAYMENTS INFORMATION ACT

NARRATIVE SUMMARY OF IMPLEMENTATION EFFORTS FOR FY 2018

The FMC has fully complied with the requirements of OMB Circular A-123 (Appendix C), Requirements for Payment Integrity Improvement, which implements the provisions of the *Improper Payments Information Act of 2002*, as amended by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA), and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA), and directs federal agencies to review and assess all programs and activities they administer and identify those determined to be susceptible to significant improper payments.

In 2017 the FMC completed a risk assessment analysis in accordance with guidance received from OMB in Circular Number A-123. OMB Circular No. A-123 defines significant erroneous payments to be annual erroneous payments in a program that exceed both $10 million and 1.5 percent or $100 million of total annual disbursements. The assessment considered certain risk factors that would likely cause improper payments. It covered all disbursement programs including travel, payroll, intragovernmental transactions, and vendor payments. It was determined that the FMC does not meet the baseline criteria (both 1.5 percent and $10,000,000 of the total program) to trigger a quantitative risk assessment as stated in OMB Circular No. A-123 (Appendix C).

Federal Maritime Commission IPERIA Risk Assessment 2018					
Classification of Payment Activities: Fiscal Year 2018	**Appropriation Baseline Reported to Congress**	**Improper Payments Identified in PAR**	**Improper Payments Percent of TP**	**Significant Improper Payment Test (1) both 1.5% and $10M of TP**	**Significant Improper Payment Test (2) $100M/Program**
Payroll	$18,317,425.00	$0.00	0.0000%	No	No
Travel	$153,703.00	$0.00	0.0000%	No	No
Adminstrative Expenses:					
Government Vendors*	$5,023,642.00	$89,639.62	1.7844%	No	No
Commercial Vendors	$3,326,402.00	$0.00	0.0000%	No	No
Total	**$26,821,172.00**	**$89,639.62**	**0.3342%**		

* Government vendors includes rental payments to GSA.

The FMC's authorized budget for FY 2018 was $27,490,000. Obligations against the FMC's appropriation totaled $26,821,172, representing 97.57 percent of the funding level. The largest annual disbursements were related to salaries and benefits and represent 68.30 percent of the annual budget. The next largest allocation of funds, 31.13 percent, was for administrative expenses which include GSA rent, utilities, communications, and IT services and equipment. Based on the results of testing a sample of transactions, our assessment of risk factors, and our reliance on internal controls, including an appropriate segregation of duties, performed at both the service provider level and FMC, we have determined that no FMC programs or activities were susceptible to significant erroneous payments in FY 2018. The following chart denotes the FMC's qualitative risk analysis for FY 2018.

Fiscal Year 2018 Systematic Method: Qualitative Risk Assessment Questionnaire										
	Program	Total Annual Expenditures	Activity	Annual Expenditures	Activity	Annual Expenditures	Activity	Annual Expenditures	Activity	Annual Expenditures
	FMC	$26,821,172.00	Payroll	$18,317,425.00	Administrative*	$8,109,596.00	Travel - CBA	$153,703.00	Purchase Card*	$240,448.00
Risk (High, Med, or Low)	Low		Low		Med		Low		Low	
Criteria	No (1), Somewhat (2), Yes (3)		No (1), Somewhat (2), Yes (3)		No (1), Somewhat (2), Yes (3)		No (1), Somewhat (2), Yes (3)		No (1), Somewhat (2), Yes (3)	
Is the program new?	1.00		1		1		1		1	
Is the process to determine correct payment amounts complex?	1.00		1		1		1		1	
Is there a high volume of payments?	2.50		3		3		1		3	
Are payments or eligibility decisions made outside the agency (i.e., State or local governments or regional Federal field office)?	1.00		1		1		1		1	
Have there been recent changes in program funding, authorities, practices or procedures?	2.00		2		2		2		2	
Are the personnel responsible for making program eligibility determinations or certifying that payments are accurate inexperienced or lacking in training?	1.25		1		2		1		1	
Are there any programs that pose an inhernt risk due to the nature of the program?	1.00		1		1		1		1	
Are there significant deficiencies in the audit reports of the agency that might hinder accurate payment	1.00		1		1		1		1	
Are there any indicators from prior years' improper payment work that would indicate potential risk?	1.00		1		1		1		1	
Score	**11.75**		**12**		**13**		**10**		**12**	

Risk:		Scoring:	
Low	8 - 12	No	1
Medium	13 - 20	Somewhat	2
High	21 - 24	Yes	3

* Total administrative costs are $8,350,044 (administrative + purchase cards).

We are confident that the FMC has an efficient and effective process which provides a reasonable assurance that payments are made for legitimate and proper expenses of the FMC. The FMC maintains a very low erroneous payment percentage and continually strives to reduce those payments. We plan to continuously review, monitor, and evaluate our programs and activities.

The Federal Maritime Commission has not identified any program that in and of itself constitutes a high-risk for improper payments. Therefore, the FMC considers all payments to fall within the realm of low risk.

The National Finance Center (NFC) became the agency's payroll provider in 2002 and is responsible for monitoring and reporting on any payroll-related payments. Any overpayments made to an FMC employee by the NFC on behalf of the FMC, would be offset by NFC. In FY 2018, the FMC processed 15 overpayments for a total of $89,639.62. The FMC did not identify any improper collections through the Intergovernmental Payments and Collections (IPAC).

Efforts to recover the overpayments were conducted by the contracting officer's representative, and finance and procurement staff through communication with the vendors through GSA and directly contacting the vendors. The FMC has since received credits for the overpayments.

I. The FMC used a statistical sample conducted by BFS to determine its improper payment rate.

II. The FMC will continue to monitor payments to effect a zero-dollar improper payment figure and ensures that there is sufficient segregation of duties pertaining to all payments. The process entails an aggressive level of scrutiny of all IPAC collections made against the Commission. The FMC will continue to monitor all disbursements made on its behalf to ensure payments are valid and proper.

III. The table below represents the improper payments made by the FMC in FY 2018 with percentage forecasts through FY 2021.

Improper Payments Information Act Reduction Outlook FY 2018 – 2021 (millions)						
Program	FY 18 Outlays	FY 18 IP %	FY 19 IP $	FY 19 %	FY 20 %	FY 21 %
Formal Proceedings	$0.00	0.00	$0.00	0.00	0.00	0.00
Inspector General	$0.00	0.00	$0.00	0.00	0.00	0.00
Equal Employment Opportunity	$0.00	0.00	$0.00	0.00	0.00	0.00
Operational and Administrative	$0.00	0.00	$0.00	0.00	0.00	0.00
Totals	**$0.00**	**0.00**	**$0.00**	**0.00**	**0.00**	**0.00**

IV. The FMC has a segregation of duties in place to ensure that all invoices processed for payment are legitimate expenses of the agency. All IPAC invoices are received by BFS and forwarded to OBF electronically for internal processing and payment authorization. When an invoice is received, it is first verified as a valid invoice belonging to the agency. OBF matches the invoice to documentation provided by the Contracting Officer's Representative (COR) indicating that goods/services have been received by the Commission and approves the invoice for payment. BFS is advised of the purchase order the invoice is being paid against and the payment amount. OBF also ensures that sufficient funds have been obligated to make the payment and provides BFS with the period of performance. Once OBF staff has processed the payment authorization, the payment information is verified by a second OBF staff member. At that point, the invoice is electronically returned to BFS for processing. When the payment is loaded into the Oracle database, a final funds availability check is made by the financial system against the fund controls set for the FMC. OBF audits the payment information posted in the financial system.

V. The Acting Chairman, as the Chief Administrative Officer of the FMC, is ultimately responsible for the efficient and effective utilization of spending authority granted the agency by Congress. The Acting Chairman has delegated administrative funds control to the Director, OBF. The Director, OBF, has the responsibility to ensure that disbursements made by BFS on behalf of the FMC are legitimate expenses of the Commission and that there are sufficient funds available to pay the agency's expenses. The OBF is responsible for reducing and recovering improper payments and keeps senior agency officials apprised of all relevant activities.

VI. a. The FMC does not have an in-house information system to help reduce improper payments. The agency utilizes the infrastructure and financial system maintained by BFS in Parkersburg, WV.

b. In 2018, the FMC requested funding to maintain the contract between the FMC and BFS for financial support and platform access to the Oracle database through Oracle's Discoverer portal.

There are no statutory or regulatory barriers that limit the agency's ability to take corrective actions to address any improper payments.

REDUCE THE FOOTPRINT

Consistent with Section 3 of OMB Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations,* and Management Procedures Memorandum 2013-02, "Freeze the Footprint" policy implementation guidance, the FMC reports that it does not own any real property and leases space through General Services Administration (GSA).

Although not a CFO Act agency, the FMC works closely with GSA to better steward government resources. In previous fiscal years, the FMC realigned the size of its leased space with actual program needs. For example, in FY 2017, the FMC reconfigured its headquarters space and returned approximately 1,395 square feet of space, providing an annual cost savings of approximately $66,000.

The FMC's current office portfolio of properties total 54,249 usable square feet (USF), which is consistent with GSA occupancy agreements, and remains unchanged from the 2017 Reduce the Footprint baseline. In FY 2018, the FMC budgeted $3.427 million for rental payments to the GSA.

Table 1: Reduce the Footprint Policy Baseline Comparison

	FY 2017 (Baseline)	FY 2018	Change (FY 2017 Baseline – FY 2018)
Square Footage (SF in millions)	0.054*	0.054	0.000

*In the FY 2017 PAR, this figure was reported as rentable square footage, 0.063. Usable square footage for FY 2017 was 0.054.

Table 2: Reporting of O & M Cost – Owned and Direct Lease Buildings

	FY 2015 Reported Cost	FY 2018 Reported Cost	Change in Baseline 2015-2018
Operation and Maintenance (O&M) Costs	N/A*	N/A*	N/A*

*The FMC does not directly lease or own any space, but has occupancy agreements with GSA.

The FMC's current space meets program needs. As the FMC works to develop requirements when its current lease expires in FY 2023, it will look to best uses of space to meet its program needs.

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

The Federal Civil Penalties Inflation Adjustment Act of 1990, Pub. L. 104-410, as amended by the Debt Collection Improvement Act of 1996, Pub. L. 104-134, and the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Pub. L. 114-74, requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties to maintain their deterrent effect. Below are the civil penalties that the FMC may impose, authority for imposing the penalty, dates of inflation adjustments, and current penalty levels. The Federal Register notice (83 FR 1304) may be viewed at: https://www.federalregister.gov/documents/2018/01/11/2018-00319/inflation-adjustment-of-civil-monetary-penalties.

Penalty	Statutory Authority	Date of Previous Adjustment	Date of Current Adjustment	Maximum Penalty
Adverse impact on U.S. carriers by foreign shipping practices	46 U.S.C. 42304	January 15, 2017	January 15, 2018	$2,052,107
Knowing and Willful violation / Shipping Act of 1984, or Commission regulation or order	46 U.S.C. 41107(a)	January 15, 2017	January 15, 2018	$58,562
Violation of Shipping Act of 1984, Commission regulation or order, not knowing and willful	46 U.S.C. 41107(b)	January 15, 2017	January 15, 2018	$11,712
Operating in foreign commerce after tariff suspension	46 U.S.C. 41108(b)	January 15, 2017	January 15, 2018	$117,125
Failure to provide required reports, etc. / Merchant Marine Act of 1920	46 U.S.C. 42104	January 15, 2017	January 15, 2018	$9,239
Adverse shipping conditions / Merchant Marine Act of 1920	46 U.S.C. 42106	January 15, 2017	January 15, 2018	$1,847,663
Operating after tariff or service contract suspension / Merchant Marine Act of 1920	46 U.S.C. 42108	January 15, 2017	January 15, 2018	$92,383
Failure to establish financial responsibility for non-performance of transportation*	46 U.S.C. 44102	January 15, 2017	January 15, 2018	$23,335 $778
Failure to establish financial responsibility for death or injury*	46 U.S.C. 44103	January 15, 2017	January 15, 2018	$23,335 $778
Program Fraud Civil Remedies Act / makes false claim	31 U.S.C. 3802(a)(1)	January 15, 2017	January 15, 2018	$11,181
Program Fraud Civil Remedies Act / giving false statement	31 U.S.C. 3802(a)(2)	January 15, 2017	January 15, 2018	$11,181

*These amounts are based on the penalties established in § 44104 for violations of §§ 44102 and 44103: $5,000, plus $200 for each passage sold. These penalties were established in 1966 and, applying the statutory inflation adjustment formula, amount to $23,335, plus $778 for each passage sold, in current dollars.

GRANTS OVERSIGHT & NEW EFFICIENCY (GONE) ACT REQUIREMENTS

The FMC does not issue Federal grants or cooperative agreement awards.

Category	2-3 Years	3-5 Years	>5 Years
Number of Grants / Cooperative Agreements with Zero Dollar Balances	0	0	0
Number of Grants / Cooperative Agreements with Undisbursed Balances	0	0	0
Total Amount of Undisbursed Balances	0	0	0
NOTE: The Federal Maritime Commission does not issue grants or cooperative agreement awards.			

BIENNIAL REVIEW OF USER FEES

Agencies are required by the Chief Financial Officers Act of 1990 to conduct biennial reviews of fees and other charges that they impose, and to revise these fees and charges to cover program and administrative costs incurred as necessary. The Commission published notice of its final rule, *Update of Existing User Fees*, on October 5, 2018, 83 FR 50290. New user fee rates will take effect on December 19, 2018.