Office of Inspector General

Independent Auditors' Report

of the

FMC's FY 2013 Financial Statements

A14-01

December 2013

FEDERAL MARITIME COMMISSION

DERAL MARITIME COMMISSION
Washington, DC 20573

December 12, 2013

Office of Inspector General

Dear Chairman Cordero and Commissioners:

I am pleased to provide you with the attached audit report required by the Accountability for Tax Dollars Act of 2002 (ATDA), which presents an unqualified (clean) opinion on the Federal Maritime Commission's (FMC) fiscal year (FY) 2013 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 unqualified opinion.

The OIG contracted with the independent certified public accounting firm of Regis & Associates, P.C. (Regis) to perform the audit of the FMC's financial statements for the fiscal year ended September 30, 2013; 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 Federal Maritime Commission, Regis 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 in internal control over financial reporting; and no reportable noncompliance issues with the laws and regulations tested.

Regis & Associates is responsible for the attached auditor's report and the conclusions expressed in the report. The OIG does not express opinions on FMC's financial statements or internal control; or conclusions on compliance with laws and regulations.

Respectfully submitted,

/Jon Hatfield/
Interim Inspector General

Enclosure

REPORT ON THE

FINANCIAL STATEMENTS AUDIT

OF FEDERAL MARITIME COMMISSION

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2013 and 2012

REGIS & ASSOCIATES, PC

MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON THE

FINANCIAL STATEMENTS AUDIT

OF FEDERAL MARITIME COMMISSION

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2013 and 2012

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REGIS
ASSOCIATES, PC
MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Honorable Mario Cordero
Chairman
Federal Maritime Commission
Washington, DC

The Accountability of Tax Dollars Act of 2002 made the Federal Maritime Commission subject to the annual financial statement reporting requirements of the Chief Financial Officers' Act of 1990, which requires agencies to report annually to Congress on their financial status; and any other information needed to fairly present the agencies' financial position and results of operations.

We have audited the accompanying balance sheet of the Federal Maritime Commission, as of September 30, 2013 and 2012, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity, for the years then ended (hereinafter referred to as "financial statements" or "basic financial statements"). The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our fiscal year 2013 and 2012 audits, we also considered Federal Maritime Commission's internal control over financial reporting; and tested the agency's compliance with certain provisions of applicable laws, regulations, and contracts that could have a direct and material effect on these financial statements.

Summary

As stated in our opinion on the financial statements, we concluded that Federal Maritime Commission's financial statements as of, and for the years ended, September 30, 2013 and 2012, are presented fairly, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles.

Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined in the Internal Control over Financial Reporting section of this report.

The results of our tests of compliance with certain provisions of laws, regulations, and contracts disclosed no instances of noncompliance or other matters that are required to be reported herein under Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin Number (No.) 14-02, *Audit Requirements for Federal Financial Statements*.

The following sections discuss our opinion on Federal Maritime Commission's financial statements; our consideration of internal control over financial reporting; our tests of the agency's compliance with certain provisions of applicable laws, regulations, and contracts; and management's and our responsibilities.

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Opinion on the Financial Statements

We have audited the accompanying balance sheet of Federal Maritime Commission as of September 30, 2013 and 2012, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Federal Maritime Commission as of September 30, 2013 and 2012, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended, in conformity with U.S. Generally Accepted Accounting Principles.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of Federal Maritime Commission as of, and for the year ended, September 30, 2013 and 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Federal Maritime Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Federal Maritime Commission's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 14-02. We did not test all internal controls relevant to operating objectives, as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*, such as those controls relevant to ensuring efficient operations. The objective of the audit was not to provide assurance on internal control or on the effectiveness on Federal Maritime Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Federal Maritime Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the agency's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described above, and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. The objective of our audit was not to provide assurance on these internal controls. Accordingly, we do not provide an opinion on such controls.

Report on Compliance with Applicable Provisions of Laws, Regulations, and Contracts

As part of obtaining reasonable assurance about whether Federal Maritime Commission's financial statements are free of material misstatements, we performed tests of compliance with selected provisions of applicable laws, regulations, and contracts; noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain laws, regulations, and contracts specified in OMB Bulletin No. 14-02, except for those instances of noncompliance that in the auditor's judgment, are clearly inconsequential. We limited our tests of compliance to these provisions, and did not test compliance with all laws, regulations, and contracts applicable to the Federal Maritime Commission.

The results of our tests of compliance with laws, regulations, and contracts disclosed no instance of noncompliance that would be reportable under U.S. Generally Accepted Government Auditing Standards, or OMB audit guidance.

Providing an opinion on compliance with laws, regulations and contracts was not an objective of our audit, and accordingly, we do not express such an opinion.

Responsibilities

Management's Responsibilities: Management is responsible for the financial statements; establishing and maintaining effective internal control over financial reporting; preparing the Management Discussion and Analysis (MD&A) and Required Supplementary Information (RSI); and complying with laws, regulations, and contracts applicable to Federal Maritime Commission.

Auditors' Responsibilities: Our responsibility is to express an opinion on the fiscal year 2013 and 2012 financial statements of Federal Maritime Commission, based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits, contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Bulletin No. 14-02. Those standards and OMB Bulletin No. 14-02, require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Federal Maritime Commission's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used, and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

Other Accompanying Information

Accounting principles generally accepted in the United States of America, and Government Auditing Standards, issued by the Comptroller General of the United States require that the other accompanying information included in the Required Supplementary Information (RSI) section of the Performance and Accountability Report, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, OMB Bulletin 14-02; and OMB Circular A-136, revised, *Financial Reporting Requirements*, which consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management Discussion and Analysis (MD&A); and Required Supplementary Information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information; and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

This report is intended solely for the information and use of those charged with governance and management of the Federal Maritime Commission, others within the organization, the Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress; and is not intended to be, and should not be, used by anyone other than these specified parties.

Agency Comments and Our Evaluation

The Federal Maritime Commission concurred with the facts and conclusions in our report. See Appendix A.

/Regis & Associates, PC/
Washington, DC

December 2, 2013

FEDERAL MARITIME COMMISSION
BALANCE SHEET
AS OF SEPTEMBER 30, 2013 AND 2012
(IN DOLLARS)

	2013	
Assets:		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	$ 2,620,747	$ 4,254,644
Total Intragovernmental	2,620,747	$ 4,254,644
Accounts Receivable, Net (Note 3)	273	4,031
Property, Equipment, and Software, Net (Note 4)	345,626	420,323
Total Assets	$ 2,966,646	$ 4,678,998
Liabilities:		
Intragovernmental:		
Accounts Payable	$ 150,929	$ 201,490
Employer Contributions and Payroll Taxes Payable (Note 5)	74,318	191,260
Unfunded FECA Liability (Note 5)	200	324
Custodial Liability (Note 5)	273	256
Total Intragovernmental	$ 225,720	$ 393,330
Accounts Payable	233,037	177,008
Federal Employee and Veterans' Benefits (Note 5)	6,912	5,910
Accrued Liabilities	311,832	901,485
Employee Contributions and Payroll Taxes Payable (Note 5)	30,391	24,363
Unfunded Leave (Note 5)	1,249,227	1,276,758
Total Liabilities	$ 2,057,119	$ 2,778,854
Net Position:		
Unexpended Appropriations - Other Funds	$ 1,820,115	$ 2,759,038
Cumulative Results of Operations - Other Funds	(910,588)	(858,894)
Total Net Position	$ 909,527	$ 1,900,144
Total Liabilities and Net Position	$ 2,966,646	$ 4,678,998

The accompanying notes are an integral part of these financial statements

FEDERAL MARITIME COMMISSION
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012
(IN DOLLARS)

Gross Program Costs:		
Operational and Administrative Gross Costs	$ 16,102,932	$ 16,908,154
Less: Earned Revenue	-	(41,676)
Net Program Costs	$ 16,102,932	$ 16,866,478
Formal Proceedings Gross Costs	$ 7,603,646	$ 7,374,383
Net Program Costs	$ 7,603,646	$ 7,374,383
Office of Inspector General Gross Costs	$ 634,730	$ 743,557
Less: Earned Revenue	(20,410)	(12,984)
Net Program Costs	$ 614,320	$ 730,573
Office of Equal Employment Opportunity Gross Costs	$ 195,312	$ 193,612
Net Program Costs	$ 195,312	$ 193,612
Net Cost of Operations (Note 8)	$ 24,516,210	$ 25,165,046

The accompanying notes are an integral part of these financial statements

FEDERAL MARITIME COMMISSION
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012
(IN DOLLARS)

	2013	2012
Cumulative Results of Operations:		
Beginning Balances	$ (858,894)	$ (712,825)
Budgetary Financing Sources:		
Appropriations Used	23,046,477	23,560,395
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 9)	1,418,039	1,458,582
Total Financing Sources	24,464,516	25,018,977
Net Cost of Operations	(24,516,210)	(25,165,046)
Net Change	(51,694)	(146,069)
Cumulative Results of Operations	$ (910,588)	$ (858,894)
Unexpended Appropriations:		
Beginning Balances	$ 2,759,038	$ 2,378,313
Budgetary Financing Sources:		
Appropriations Received	24,100,000	24,100,000
Other Adjustments	(1,992,446)	(158,880)
Appropriations Used	(23,046,477)	(23,560,395)
Total Budgetary Financing Sources	(938,923)	380,725
Total Unexpended Appropriations	$ 1,820,115	$ 2,759,038
Net Position	$ 909,527	$ 1,900,144

The accompanying notes are an integral part of these financial statements

FEDERAL MARITIME COMMISSION
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012
(IN DOLLARS)

	2013	2012
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	$ 1,285,050	$ 1,245,904
Recoveries of Prior Year Unpaid Obligations	228,121	182,051
Other changes in unobligated balance	(783,029)	(158,881)
Unobligated balance from prior year budget authority, net	730,142	1,269,074
Appropriations (discretionary and mandatory)	22,839,425	24,100,000
Spending authority from offsetting collections	23,614	54,660
Total Budgetary Resources	$ 23,593,181	$ 25,423,734
Status of Budgetary Resources:		
Obligations Incurred (Note 11)	$ 23,007,870	$ 24,138,684
Unobligated balance, end of year:		
Apportioned	10,251	86,652
Unapportioned	575,060	1,198,398
Total unobligated balance, end of year	585,311	1,285,050
Total Budgetary Resources	$ 23,593,181	$ 25,423,734
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	$ 2,969,594	$ 2,546,766
Obligations Incurred (Note 11)	23,007,870	24,138,684
Outlays (gross)	(23,713,907)	(23,533,805)
Recoveries of Prior Year Unpaid Obligations	(228,121)	(182,051)
Unpaid Obligated Balance, End of Year	$ 2,035,436	$ 2,969,594
Budget Authority and Outlays, Net:		
Budget authority, gross	$ 22,863,039	$ 24,154,660
Actual offsetting collections	(23,614)	(54,660)
Budget Authority, net	$ 22,839,425	$ 24,100,000
Outlays, gross	$ 23,713,907	$ 23,533,806
Actual offsetting collections	(23,614)	(54,660)
Outlays, net	23,690,293	23,479,146
Distributed Offsetting Receipts	(2,816,990)	664,935
Agency outlays, net	$ 20,873,303	$ 24,144,081

The accompanying notes are an integral part of these financial statements

FEDERAL MARITIME COMMISSION
AS OF SEPTEMBER 30, 2013 AND 2012
STATEMENT OF CUSTODIAL ACTIVITY
(IN DOLLARS)

Revenue Activity:		
Sources of Cash Collections:		
Miscellaneous	$ 3,319,566	$ 1,006,298
Total Custodial Revenue (Note 13)	3,319,566	1,006,298
Disposition of Collections:		
Transferred to Others (by Recipient)	3,319,566	1,006,298
Net Custodial Activity	$ -	$ -

The accompanying notes are an integral part of these financial statements

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Federal Maritime Commission (FMC) was established as an independent regulatory agency on August 12, 1961. The FMC is responsible for the regulation of ocean borne transportation in the foreign commerce of the United States (U.S.). The principal statutes or statutory provisions administered by the FMC are the Shipping Act of 1984, as amended by the Ocean Shipping Reform Act (OSRA) 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 FMC monitors the activities of ocean common carriers, marine terminal operators (MTOs), agreements among ocean common carriers and/or MTOs, ports and ocean transportation intermediaries (OTI), and (nonvessel-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 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 nonrecurring activity, such as fines, penalties, fees, and other miscellaneous receipts for services and benefits.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

The FMC makes custodial collections and holds custodial receivables that are non-entity assets, which 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 agency.

The Statement of Net Cost presents the agency's operating results; the Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency'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, the Government Management Reform Act of 1994, and the Accountability of Tax Dollars Act of 2002. 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.

FMC does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury disburses funds for FMC on demand.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

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 guidelines 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. Intragovernmental 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.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

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. Nonvested 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, effective at 50%, beginning FY 2010; and 100% in 2014.

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 compensation 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 the net present value of estimated future payments calculated by the DOL.

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% 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.

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 recognizes 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, are 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 2013 and 2012 to the extent directed by accounting standards.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

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. 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.

P. Reclassifications

Certain fiscal year 2012 balances have been reclassified, re-titled, or combined with other financial statement line items for consistency with the current year presentation.

NOTE 2- FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2013 and 2012 are as follows:

	2013	2012
Fund Balances:		
Appropriated Funds	$ 2,620,747	$ 4,254,644
Total	$ 2,620,747	$ 4,254,644
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 10,251	$ 86,652
Unavailable	575,060	1,198,398
Obligated Balance Not Yet Disbursed	2,035,436	2,969,594
Total	$ 2,620,747	$ 4,254,644

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.

NOTE 2- FUND BALANCE WITH TREASURY Cont'd

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, 2013 and 2012, are as follows:

With the Public Accounts Receivable	$ 273	$ 4,031
Total Accounts Receivable	$ 273	$ 4,031

The accounts receivable is primarily made up of bills to public for goods and services. Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2013 and 2012.

NOTE 4- PROPERTY, EQUIPMENT, AND SOFTWARE

The Schedule of Property, Equipment, and Software as of September 30, 2013 is as follows:

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Leasehold Improvements	$ 225,000	$ 202,500	$ 22,500
Furniture & Equipment	315,251	202,704	112,547
Software-in-Development	210,579	-	210,579
Total	$ 750,830	$ 405,204	$ 345,626

Schedule of Property, Equipment, and Software as of September 30, 2012 is as follows:

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Leasehold Improvements	$ 225,000	$ 157,500	$ 67,500
Furniture & Equipment	315,250	143,006	172,244
Software-in-Development	180,579	-	180,579
Total	$ 720,829	$ 300,506	$ 420,323

NOTE 5- LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for FMC as of September 30, 2013 and 2012 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.

NOTE 5- LIABILITIES NOT COVERED BY BUDGETARY RESOURCES Cont'd

	2013	2012
Intragovernmental – FECA	$ 200	$ 324
Unfunded Leave	1,249,227	1,276,758
Actuarial FECA	6,912	5,910
Total Liabilities Not Covered by Budgetary Resources	$ 1,256,339	$ 1,282,992
Total Liabilities Covered by Budgetary Resources	800,780	1,495,862
Total Liabilities	$ 2,057,119	$ 2,778,854

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- 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 2013 and 2012 w ere $2,985,156 and $2,965,085, r espectively. The lease locations and terms are listed below:

Location	Term	Lease Expiration Date
Washington, DC	10 years	10/31/2022
Jamaica, NY	5 years	*07/01/2013
Houston, TX	10 years	09/14/2018
Tacoma, WA	10 years	06/30/2019
Hollywood, FL	10 years	05/31/2020
San Pedro, CA	10 years	09/30/2021

*Lease is currently month-to-month until new space in Iselin, NJ is completed.

NOTE 6- OPERATING LEASES Cont'd

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

Fiscal Year	Totals
2014	$ 3,141,257
2015	3,156,813
2016	3,187,748
2017	3,219,611
2018	3,445,105
Thereafter	10,544,535
Total Future Minimum Payments	$ 26,695,069

NOTE 7- 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. There was one legal action pending against FMC, with an estimated possible liability of $300,000 in FY 2012. The FMC has no knowledge of lawsuits/investigations arising from FMC operations in FY 2013.

NOTE 8- INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and revenue represent exchange transactions between FMC and other Federal government entities, and are in contrast to those with non-Federal entities (the public). Such costs and revenue are summarized as follows:

	2013	2012
Operational and Administrative		
Intragovernmental Costs	$ 4,592,510	$ 4,811,649
Public Costs	11,510,422	12,096,505
Total Program Costs	16,102,932	16,908,154
Less: Intragovernmental Earned Revenue	-	(41,676)
Net Program Costs	16,102,932	16,866,478
Formal Proceedings		
Intragovernmental Costs	1,304,358	1,529,477
Public Costs	6,299,288	5,844,906
Total Program Costs	7,603,646	7,374,383
Net Program Costs	7,603,646	7,374,383
Office of Inspector General		
Intragovernmental Costs	115,130	129,247
Public Costs	519,600	614,311
Total Program	634,730	743,558
Less: Intragovernmental Earned Revenue	(20,410)	(12,984)
Net Program Costs	614,320	730,574

NOTE 8- INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE Cont'd

	2013	2012
Office of Equal Employment Opportunity		
Intragovernmental Costs	$ 19,624	$ 28,548
Public Costs	175,688	165,063
Total Program Costs	195,312	193,612
Net Program Costs	195,312	193,612
Net Cost of Operations	$ 24,516,210	$ 25,165,046
Total Intragovernmental costs	6,031,622	6,498,922
Total Public Costs	18,504,998	18,720,784
Total Costs	24,536,620	25,219,706
Less: Total Intragovernmental Earned Revenue	(20,410)	(54,660)
Net Cost of Operations	$ 24,516,210	$ 25,165,046

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 fiscal years ended September 30, 2013 and 2012, imputed financing was as follows:

	2013	2012
Office of Personnel Management	$ 1,418,039	$1,458,582
Total Imputed Financing Sources	$ 1,418,039	$1,458,582

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

The President's budget that will include fiscal year 2013 actual budgetary execution information has not yet been published. The President's budget is scheduled for publication in February 2014, and will be found at the OMB Web site: http://www.whitehouse.gov/omb/. The 2013 Budget of the United States Government, with the "Actual" column completed for 2012, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 11- APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2013 and 2012 consisted of the following:

	2013	2012
Direct Obligations, Category A	$ 22,987,460	$24,084,024
Reimbursable Obligations, Category A	20,410	54,660
Total Obligations Incurred	$ 23,007,870	$24,138,684

Category A apportionments distribute budgetary resources by fiscal quarters.

NOTE 12- UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the fiscal years ended September 30, 2013 and 2012, budge tary resources obligated for undelivered orders amounted to $1,234,929 and $1,473,988, respectively.

NOTE 13- CUSTODIAL ACTIVITY

FMC is an administrative agency collecting funds for another entity or the General Fund. As a collecting entity, FMC measures and reports cash collections and refunds. These collections are reported as custodial activity on t he "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 part of the custodial activity is application for licenses issued to qualified Ocean Transportation Intermediaries (OTI's) in the U.S., Commission reviews, petitions, status changes, and special permission fees.

Custodial receipts are broken out in the following general receipt funds:

	2013	2012
Fines, Penalties, and Forfeitures	$ 3,102,173	$ 665,000
General Fund Proprietary Receipts (user fees)	219,812	341,673
Refund of User Fees	(2,419)	(375)
Total Custodial Collections	$ 3,319,566	$ 1,006,298

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.

Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	$ 23,007,870	$ 24,138,684
Spending Authority from Offsetting Collections and Recoveries	(3,068,725)	428,224
Obligations Net of Offsetting Collections and Recoveries	19,939,145	24,566,908
Other Resources		
Imputed Financing from Costs Absorbed by Others	1,418,039	1,458,582
Net Other Resources Used to Finance Activities	1,418,039	1,458,582
Total Resources Used to Finance Activities	21,357,184	26,025,490
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	3,002,168	(1,009,016)
Total Resources Used to Finance the Net Cost of Operations	24,359,352	25,016,474
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	156,858	148,572
Net Cost of Operations	$ 24,516,210	$ 25,165,046

NOTE 15- SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 2, 2013, which is the date the financial statements are available to be issued.

APPENDIX A -

FEDERAL MARITIME COMMISSION COMMENTS ON DRAFT AUDIT REPORT

Federal Maritime Commission
800 North Capitol Street, N.W.
Washington, D.C. 20573-0001

Office of the
Managing Director

Phone: (202) 523-5800
Fax: (202) 523-3646
E-mail: omd@fmc.gov

December 12, 2013

Regis & Associates, PC
1400 Eye Street, NW, Suite 425
Washington, DC 20005

Dear Mr. Regis:

I have reviewed the financial statements audit report provided to me for the fiscal year ended September 30, 2013. I am pleased to note that there were no weaknesses or reportable findings, and that this audit is the tenth consecutive unqualified opinion that the Federal Maritime Commission has received.

Sincerely,

/Vern W. Hill/
Chief Financial Officer