Office of Inspector General

Independent Auditors' Report of the FMC's FY 2014 Financial Statements

A15-01

November 2014

FEDERAL MARITIME COMMISSION

FEDERAL MARITIME COMMISSION
Washington, DC 20573

November 14, 2014

Office of Inspector General

Dear Chairman Cordero and Commissioners:

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) 2014 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 Regis & Associates, P.C. (Regis) to perform the audit of the FMC's financial statements for the fiscal year ended September 30, 2014; 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, 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 or significant deficiencies in internal control over financial reporting; and no reportable noncompliance issues with the laws and regulations tested.

In connection with the contract, the OIG reviewed Regis & Associates' 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. Regis & Associates is responsible for the attached auditors' report dated November 12, 2014 and the conclusions expressed in the report. However, our review disclosed no instances where Regis & Associates 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 Regis & Associates and the OIG meet the audit objectives.

Respectfully submitted,

Jon Hatfield
Inspector General

Attachment

cc: Vern W. Hill, Managing Director and Chief Financial Officer
Tyler J. Wood, Deputy General Counsel
Karon E. Douglass, Director, Office of Budget and Finance
Leonard L. Ballard, Senior Financial Specialist

REPORT ON THE

FINANCIAL STATEMENTS AUDIT

OF FEDERAL MARITIME COMMISSION

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 and 2013

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, 2014 and 2013

TABLE OF CONTENTS

REGIS
ASSOCIATES, PC
MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Honorable Mario Cordero
Chairman
Federal Maritime Commission
Washington, DC

Report on the Financial Statements

We have audited the accompanying Financial Statement Report of the Federal Maritime Commission, which comprise the Balance Sheet as of September 30, 2014 and 2013, and the related Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, Statement of Custodial Activity, and the related notes to the financial statements as of September 30, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements, in accordance with U.S. generally accepted accounting principles. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements, 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 U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements.* Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit 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 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 agency'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 agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the

1400 Eye Street, NW, Suite 425, Washington, DC 20005 Tel 202-296-7101 Fax 202-296-7284

financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federal Maritime Commission as of September 30, 2014 and 2013; and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Accompanying Information

Required Supplementary Information
U.S. generally accepted accounting principles require that the information in the other accompanying information 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, which considers 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 required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the 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.

Restriction on Use of the Report on the Financial Statements
This report is intended solely for the information and use of the management of the Federal Maritime Commission, the U.S. Department of the Treasury, OMB, and the U.S. Government Accountability Office, in connection with the preparation and audit of the Financial Report of the U.S. Government, and is not intended to be, and should not be, used by anyone other than these specified parties.

Internal Control over Financial Reporting Specific to the Financial Statements
In planning and performing our audit of the financial statements as of, and for the years ended September 30, 2014 and 2013, we also considered Federal Maritime Commission' s internal control over the financial reporting (internal control) to determine the 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 of the effectiveness of Federal Maritime Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in their 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance. There were no deficiencies in the accompanying financial statements considered to be significant deficiencies.

Compliance and Other Matters Specific to the Financial Statements

As part of obtaining reasonable assurance about whether Federal Maritime Commission's financial statements are free from material misstatement, we also performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements. However, 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 disclosed no instances of non-compliance with laws, regulations, contracts, and agreements; or other matters that are required to be reported herein, under *Government Auditing Standards* and OMB Bulletin No. 14-02.

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.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication provided in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the agency's internal control or on compliance. This communication is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control and compliance with provisions of laws, regulations, contracts, and agreements that have a material effect on the financial statements. Accordingly, this communication is not suitable for any other purpose.

Agency Comments and Our Evaluation

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

Regis + Associates, PC

Regis & Associates, PC
Washington, DC

November 12, 2014

FEDERAL MARITIME COMMISSION
BALANCE SHEET
AS OF SEPTEMBER 30, 2014 AND 2013
(IN DOLLARS)

	2014	2013
Assets:		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	$ 4,105,128	$ 2,620,747
Total Intragovernmental	4,105,128	2,620,747
Accounts Receivable, Net (Note 3)	1,520	273
Property, Equipment, and Software, Net (Note 4)	404,706	345,626
Total Assets	$ 4,511,354	$ 2,966,646
Liabilities:		
Intragovernmental:		
Accounts Payable	$ 104,117	$ 150,929
Employer Contributions and Payroll Taxes Payable	84,279	74,318
Unfunded FECA Liability (Note 5)	-	200
Custodial Liability	1,753	273
Total Intragovernmental	$ 190,149	$ 225,720
Accounts Payable	425,648	233,037
Employee Contributions and Payroll Taxes Payable	12,022	30,391
Unfunded Leave (Note 5)	1,123,416	1,249,227
Federal Employee and Veterans' Benefits (Note 5)	787	6,912
Accrued Liabilities	349,623	311,832
Total Liabilities	$ 2,101,645	2,057,119
Net Position:		
Unexpended Appropriations - Other Funds	$ 3,129,440	$ 1,820,115
Cumulative Results of Operations - Other Funds	(719,731)	(910,588)
Total Net Position	$ 2,409,709	$ 909,527
Total Liabilities and Net Position	$ 4,511,354	$ 2,966,646

The accompanying notes are an integral part of these financial statements

FEDERAL MARITIME COMMISSION
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(IN DOLLARS)

	2014	2013
Gross Program Costs:		
Operational and Administrative		
Gross Costs	$ 16,120,903	$ 16,102,932
Net Program Costs	$ 16,120,903	$ 16,102,932
Formal Proceedings		
Gross Costs	$ 7,505,802	$ 7,603,646
Less: Earned Revenue	(29,030)	-
Net Program Costs	$ 7,476,772	$ 7,603,646
Office of Inspector General		
Gross Costs	$ 314,541	$ 634,730
Less: Earned Revenue	-	(20,410)
Net Program Costs	$ 314,541	$ 614,320
Office of Equal Employment Opportunity		
Gross Costs	$ 193,139	$ 195,312
Net Program Costs	$ 193,139	$ 195,312
Net Cost of Operations (Note 8)	$ 24,105,355	$ 24,516,210

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, 2014 AND 2013
(IN DOLLARS)

	2014	2013
Cumulative Results of Operations:		
Beginning Balances	$ (910,588)	$ (858,894)
Budgetary Financing Sources:		
Appropriations Used	22,988,907	-
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 9)	1,307,305	-
Total Financing Sources	24,296,212	24,464,516
Net Cost of Operations	(24,105,355)	(24,516,210)
Net Change	190,857	(51,694)
Cumulative Results of Operations	$ (719,731)	$ (910,588)
Unexpended Appropriations:		
Beginning Balances	$ 1,820,115	$ 2,759,038
Budgetary Financing Sources:		
Appropriations Received	24,669,000	24,100,000
Other Adjustments	(370,768)	(1,992,446)
Appropriations Used	(22,988,907)	(23,046,477)
Total Budgetary Financing Sources	1,309,325	(938,923)
Total Unexpended Appropriations	$ 3,129,440	$ 1,820,115
Net Position	$ 2,409,709	$ 909,527

The accompanying notes are an integral part of these financial statements

FEDERAL MARITIME COMMISSION
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(IN DOLLARS)

	2014	2013
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	$ 585,311	$ 1,285,050
Recoveries of Prior Year Unpaid Obligations	268,870	228,121
Other changes in unobligated balance	(370,768)	(783,029)
Unobligated balance from prior year budget authority, net	483,413	730,142
Appropriations (discretionary and mandatory)	24,669,000	22,839,425
Spending authority from offsetting collections	29,117	23,614
Total Budgetary Resources	$ 25,181,530	$ 23,593,181
Status of Budgetary Resources:		
Obligations Incurred (Note 11)	$ 24,794,326	$ 23,007,870
Unobligated balance, end of year:		
Apportioned	18,211	10,251
Unapportioned	368,993	575,060
Total unobligated balance, end of year	387,204	585,311
Total Budgetary Resources	$ 25,181,530	$ 23,593,181
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	$ 2,035,436	$ 2,969,594
Obligations Incurred (Note 11)	24,794,326	23,007,870
Outlays (gross)	(22,842,968)	(23,713,907)
Recoveries of Prior Year Unpaid Obligations	(268,870)	(228,121)
Obligated Balance, End of Year	$ 3,717,924	$ 2,035,436
Budget Authority and Outlays, Net:		
Budget authority, gross	$ 24,698,117	$ 22,863,039
Actual offsetting collections	(29,117)	(23,614)
Budget Authority, net	$ 24,669,000	$ 22,839,425
Outlays, gross	$ 22,842,968	$ 23,713,907
Actual offsetting collections	(29,117)	(23,614)
Outlays, net	22,813,851	23,690,293
Distributed Offsetting Receipts	(220,316)	(219,812)
Agency Outlays, net	$ 22,593,535	$ 23,470,481

The accompanying notes are an integral part of these financial statements

FEDERAL MARITIME COMMISSION
STATEMENT OF CUSTODIAL ACTIVITY
AS OF SEPTEMBER 30, 2014 AND 2013
(IN DOLLARS)

	2014	2013
Revenue Activity:		
Sources of Cash Collections:		
Miscellaneous		
Fines, Penalties and Forfeitures	$ 2,968,132	$ 3,102,188
User Fees	221,665	217,393
Total Cash Collections	3,189,797	3,319,581
Accrual Adjustments	(1,248)	(15)
Total Custodial Revenue (Note 13)	3,188,549	3,319,566
Disposition of Collections:		
Transferred to Others (by Recipient)	3,188,414	3,321,712
Increase/(Decrease) in Amounts Yet to be Transferred	1,480	-
Refunds and Other Payments	(2,825)	(2,419)
Retained by the Reporting Entity	1,480	273
Total Disposition of Collections	3,188,549	3,319,566
Net Custodial Activity	$ -	$ -

The accompanying notes are an integral part of these financial statements

FEDERAL MARITIME COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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 (non vessel-operating common carriers and ocean freight forwarders) operating in the U.S. foreign commerce, to ensure that 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 by 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), 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, 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 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 (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.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

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 of 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.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

FMC recognized imputed costs and financing sources in fiscal years 2014 and 2013 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. 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 2013 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, 2014 and 2013 are as follows:

	2014	2013
Fund Balances:		
General Funds	$ 4,105,128	$ 2,620,747
Total	$ 4,105,128	$ 2,620,747
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 18,211	$ 10,251
Unavailable	368,993	575,060
Obligated Balance Not Yet Disbursed	3,717,924	2,035,436
Total	$ 4,105,128	$ 2,620,747

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.

NOTE 2- FUND BALANCE WITH TREASURY Cont'd

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, 2014 and 2013, are as follows:

	2014	2013
With the Public		
Miscellaneous Accounts Receivable	$ 1,389	$ 233
Interest Receivable	-	6
Penalties and Fines Receivable	131	34
Total Accounts Receivable	$ 1,520	$ 273

The accounts receivable is primarily made up of fines and penalties assessed for violations of shipping regulations. Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2014 and 2013.

NOTE 4- PROPERTY, EQUIPMENT, AND SOFTWARE

The Schedule of Property, Equipment, and Software as of September 30, 2014 is as follows:

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Software-in-Development	$ 325,307	$ -	$ 325,307
Leasehold Improvements	225,000	225,000	-
Furniture & Equipment	341,800	262,401	79,399
Total	$ 892,107	$ 487,401	$ 404,706

NOTE 4- PROPERTY, EQUIPMENT, AND SOFTWARE Cont'd

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

NOTE 5- LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities of FMC as of September 30, 2014 and 2013 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.

	2014	2013
Intragovernmental – FECA	$ -	$ 200
Unfunded Leave	1,123,416	1,249,227
Actuarial FECA	788	6,912
Custodial Liabilities	1,753	273
Total Liabilities Not Covered by Budgetary Resources	$ 1,125,957	$ 1,256,612
Total Liabilities Covered by Budgetary Resources	975,688	800,507
Total Liabilities	$ 2,101,645	$ 2,057,119

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 2014 and 2013 were $3,433,323 and $2,985,156, respectively. The lease locations and terms are listed below:

Location	Term	Lease Expiration Date
Washington, DC	10 years	10/31/2022
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
Iselin, New Jersey	10 years	03/15/2024

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 are as follows:

Fiscal Year	Totals
2015	$ 3,279,642
2016	3,313,304
2017	3,347,341
2018	3,552,070
2019	3,589,939
Thereafter	10,939,500
Total Future Minimum Payments	$ 28,021,796

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 2013. The FMC has no knowledge of lawsuits/investigations arising from FMC operations in FY 2014.

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:

	2014	2013
Operational and Administrative		
Intragovernmental Costs	$ 3,793,654	$ 4,592,510
Public Costs	12,327,249	11,510,422
Net Program Costs	16,120,903	16,102,932
Formal Proceedings		
Intragovernmental Costs	1,021,862	1,304,358
Public Costs	6,483,940	6,299,288
Total Program Costs	7,505,802	7,603,646
Less: Intragovernmental Earned Revenue	(29,030)	-
Net Program Costs	7,476,772	7,603,646
Office of Inspector General		
Intragovernmental Costs	67,586	115,130
Public Costs	246,955	519,600
Total Program Costs	314,541	634,730
Less: Intragovernmental Earned Revenue	-	(20,410)
Net Program Costs	314,541	614,320
Office of Equal Employment Opportunity		
Intragovernmental Costs	20,323	19,624
Public Costs	172,816	175,688
Net Program Costs	193,139	195,312
Total Intragovernmental Costs	4,903,425	6,031,622
Total Public Costs	19,230,960	18,504,998
Total Costs	24,134,385	24,536,620
Less: Total Intragovernmental Earned Revenue	(29,030)	(20,410)
Net Cost of Operations	$ 24,105,355	$ 24,516,210

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, 2014 and 2013, imputed financing was as follows:

	2014	2013
Office of Personnel Management	$ 1,307,305	$ 1,418,039
Total Imputed Financing Sources	$ 1,307,305	$ 1,418,039

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

The President's budget that will include fiscal year 2014 actual budgetary execution information has not yet been published. The President's budget is scheduled for publication in February 2015, and will be found at the OMB Web site: http://www.whitehouse.gov/omb/. The 2015 Budget of the United States Government, with the "Actual" column completed for 2014, 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 2014 and 2013 consisted of the following:

	2014	2013
Direct Obligations, Category A	$ 24,765,296	$ 22,987,460
Reimbursable Obligations, Category A	29,030	20,410
Total Obligations Incurred	$ 24,794,326	$ 23,007,870

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, 2014 and 2013, budgetary resources obligated for undelivered orders amounted to $2,742,237 and $1,234,929, 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 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 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:

	2014	2013
Fines, Penalties, and Forfeitures	$ 2,968,132	$ 3,102,188
General Fund Proprietary Receipts (user fees)	221,665	217,393
Accrual Adjustments	(1,248)	(15)
Total Custodial Collections	$ 3,188,549	$ 3,319,566

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.

	2014	2013
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	$ 24,794,326	$ 23,007,870
Spending Authority from Offsetting Collections and Recoveries	(297,987)	(251,735)
Offsetting Receipts	(220,316)	(219,812)
Obligations Net of Offsetting Collections and Recoveries	24,276,023	22,536,323
Other Resources		
Imputed Financing from Costs Absorbed by Others	1,307,305	1,418,039
Net Other Resources Used to Finance Activities	1,307,305	1,418,039
Total Resources Used to Finance Activities	25,583,328	23,954,632
Resources Used to Finance Items Not Part of the Net Cost of Operations	(1,560,406)	404,990
Total Resources Used to Finance the Net Cost of Operations	24,022,922	24,359,352
Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	82,433	156,858
Net Cost of Operations	$ 24,105,355	$ 24,516,210

NOTE 15- SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 12, 2014, 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

November 12, 2014

Peter Regis
Engagement Partner
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 fiscal year 2014. I concur with the audit report's findings that the Federal Maritime Commission's financial statements fairly present the agency's financial position during the fiscal year. This audit report is the FMC's eleventh consecutive unmodified/unqualified or "clean" audit opinion, which means that the audit found the FMC's financial statements are in conformity with U.S. generally accepted accounting principles; that the FMC 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 Regis & Associates' work over the past fiscal year.

Sincerely,

Vern W. Hill
Chief Financial Officer