Federal Maritime Commission

Performance and Accountability Report
Fiscal Year 2013

The United States
Federal Maritime Commission

Our Mission:

To foster a fair, efficient, and reliable international ocean transportation system and to protect the public from unfair and deceptive practices

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Please refer any questions concerning this report to the Office of the Managing Director, Federal Maritime Commission, at (202) 523-5800

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December 16, 2013

About this Report

The Federal Maritime Commission's Performance and Accountability Report provides program and financial information that enables the President, Congress, and the public to assess the performance of the agency relative to its mission and the resources entrusted to it. This PAR satisfies the following legislation:

- The Federal Manager's Financial Integrity Act of 1982 requires continuous evaluations and reporting of the adequacy of the systems of internal accounting and administrative controls. The Act can be found at the following URL:

  http://www.whitehouse.gov/omb/financial/fmfia1982.html

- The Chief Financial Officers Act of 1990 provides for the production and submission of complete, reliable, timely, and consistent financial information for the use of the Executive Branch of the government and the Congress in the financing, management and evaluation of Federal programs. The Act can be found at the following URL:

  http://www.gao.gov/special.pubs/af12194.pdf

- The Reports Consolidation Act of 2000 authorizes agencies to consolidate several reports in order to provide performance, financial, and other related information in a more useful manner. The Act can be found at the following URL:

  http://www.gpo.gov/fdsys/pkg/PLAW-106publ531/html/PLAW-106publ531.htm

- The Inspector General Reform Act of 2008 amends the Inspector General Act of 1978 to enhance the independence of the Inspectors General, to create a Council of the Inspectors General on Integrity and Efficiency, and for other purposes. The Act can be found at the following URL:

  http://www.govtrack.us/congress/billtext.xpd?bill=s110-2324

- The Government Performance and Results Modernization Act of 2010 (GPRA Modernization Act) requires an annual report that measures the performance results of the agency against the established agency goals. The Act can be found at the following URL:

  http://www.whitehouse.gov/omb/performance/gprm-act

- The Government Management Reform Act of 1994 requires the submission of audited financial statements. The Act can be found at the following URL:

  http://govinfo.library.unt.edu/npr/library/misc/s2170.html

- The Improper Payments Elimination and Recovery Act of 2010 provides for estimates and reports of improper payments by Federal agencies. The Act can be found at the following URL:

  http://www.govtrack.us/congress/billtext.xpd?bill=h111-3393

There are four chapters in this report. The first, *Management's Discussion and Analysis* (MD&A), provides an overview of financial results, a high-level discussion of program performance, management assurances on internal control and financial management systems compliance; and other management information, initiatives, and issues. The second chapter, *Program Performance Information*, provides data on the agency's progress toward meeting its strategic goals and targets during fiscal year 2013. The third, *Financial Information*, provides financial details including a message from the Chief Financial Officer, the independent auditor's report, and the audited financial statements. The fourth chapter, *Other Information*, includes a statement prepared by the IG summarizing what the Office of the Inspector General considers to be the most serious management and performance challenges facing the Agency; a report on improper payments, and a table summarizing the financial statement audit.

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A MESSAGE FROM THE CHAIRMAN

I am pleased to submit this Performance and Accountability Report (PAR) for fiscal year 2013. This report reflects the Federal Maritime Commission's program performance and financial activities over the past year. I am also very pleased to report that, due to the diligence, dedication, and hard work of the Commission's staff, all of this agency's performance goals were met or exceeded during the past year even in the face of sequestration, limited budget, and furlough.

The Commission carries out important, statutorily-mandated programs guided by a twofold strategic focus: maintaining an efficient and competitive international ocean transportation system; and protecting the public from unlawful, unfair and deceptive ocean transportation practices. These key initiatives allow the Commission to resolve issues that have an impact on importers and exporters, as well as to increase U.S. exports and further the interests of the greater shipping community. A fair, efficient, and adequate ocean transportation system depends on the FMC's ability to evaluate carrier and terminal agreements for anti-competitive impact and to license ocean transportation intermediaries to protect the shipping public and facilitate international trade. In addition, this Commission's oversight of ocean common carriers, ocean transportation intermediaries, and marine terminal operators is an important element in the effort to protect our Nation's seaports.

The Commission is charged with the regulation of U.S. oceanborne foreign commerce valued at $930 billion annually and accounting for 29.3 million twenty-foot equivalent units (TEUs) of import and export cargo. The FMC continues to cultivate a regulatory system that ensures competition, facilitates commerce, encourages reliable service to U.S. exporters and importers, minimizes government intervention and costs, and remains alert to foreign activities that have the potential to harm the U.S. maritime industry.

Unique among Federal agencies, the FMC regulates virtually all entities involved in liner shipping, receiving, handling, and transporting cargo and passengers in foreign commerce. In today's global economy, efficient and reliable maritime transportation is critical to sustainable economic growth. The FMC's unique mission affords it the opportunity to assist front-line security efforts by providing information regarding the backgrounds of parties using our Nation's supply chain, including those with direct access to our seaports. As detailed in this report, the Commission took a number of steps during fiscal year (FY) 2013 to ensure that it would be fully successful in its mission to foster a fair, efficient, and reliable international ocean transportation system and to protect the public from unfair and deceptive practices.

The FMC's activities are driven by the goals and objectives of its Strategic Plan. Accomplishing our strategic goals is essential to ensuring a competitive ocean transportation system, facilitating America's international commerce, and encouraging reliable liner service for U.S. exporters and importers. The implementation of those goals also directly supports the President's commitment to economic growth and job creation. Commission programs related to monitoring international oceanborne trade conditions directly and indirectly advance the President's National Export Initiative by promoting access to foreign markets for American exports and efficient supply chains for the importation of goods for domestic production and consumption.

The FMC's Strategic Plan for 2010-2015 embraces our statutory mandate and agency objectives referenced above. Fiscal year 2013 was the fifth year in which there has been a quantitative measurement of performance goals, employing measures and targets. The Commission's actual performance is compared with the targeted levels of performance established in the Strategic Plan. During the year, we focused on seven performance goals, while continuing our various ongoing day-to-day activities.

The fiscal year 2013 independent financial audit resulted in our tenth consecutive unqualified opinion. In the Management Assurances section (see page 20), I provide my assurance that the FMC has no material weaknesses, significant deficiencies, or instances of non-compliance with laws and regulations to report. The performance data described in this PAR were compiled and evaluated using the techniques described in this report for achieving the required level of credibility for the verification and validation of performance data relative to its intended use, and I have no reason to doubt the completeness or reliability of our performance data. Additionally, the financial and performance data presented in this report are complete, reliable, and accurate in keeping with the guidance from the Office of Management and Budget.

The efforts described in this report reflect the hard work and dedication of the Federal Maritime Commission's staff. The aforementioned is notable in light of the Commission's budget challenges given the sequester environment. I would be remiss not to comment on my concerns as to continued and sustainable operations.

I look forward to continuing to work with staff and my fellow Commissioners to build on our achievements in the coming years.

Sincerely,

/s/

Mario Cordero
Chairman

December 16, 2013

Chapter One
MANAGEMENT'S DISCUSSION and ANALYSIS

Fiscal Year 2013

Introduction

This Performance and Accountability Report (Report or PAR) represents the completion of the Federal Maritime Commission's program and financial management process for fiscal year (FY) 2013, which began with mission and program planning, continued with the formulation and justification of FMC's budget submission to the President and Congress, through budget execution, and ended with a report of our program performance and the use of resources. This report was prepared pursuant to the requirements of the Chief Financial Officers Act, as amended by the Reports Consolidation Act, and the Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements* (Revised August 3, 2012), and covers the Commission's activities from October 1, 2012 through September 30, 2013.

Chapter One provides an overview of the Commission. It consists of eight sections: *Introduction* describes the agency, its mission and structure; *Regulatory Responsibility* describes its regulatory mandate; *Future Challenges* includes information regarding changes in the maritime industry; *Program Performance Overview* reports on the FMC's success in achieving its strategic goals and describes activities related to relevant initiatives; *Financial Performance Overview* discusses the FMC's financial position and audit results; *Financial Statement Highlights* gives an overview of the major financial statements; *Systems, Controls, and Legal Compliance* discloses the FMC's compliance with certain legal and regulatory requirements; and the *Chairman's FMFIA Statement of Assurance*, which provides assurance that the financial management system utilized (via a Federal shared-services provider) conforms to applicable financial systems requirements, and that no material weaknesses were found in the design or operation of internal controls.

About the FMC

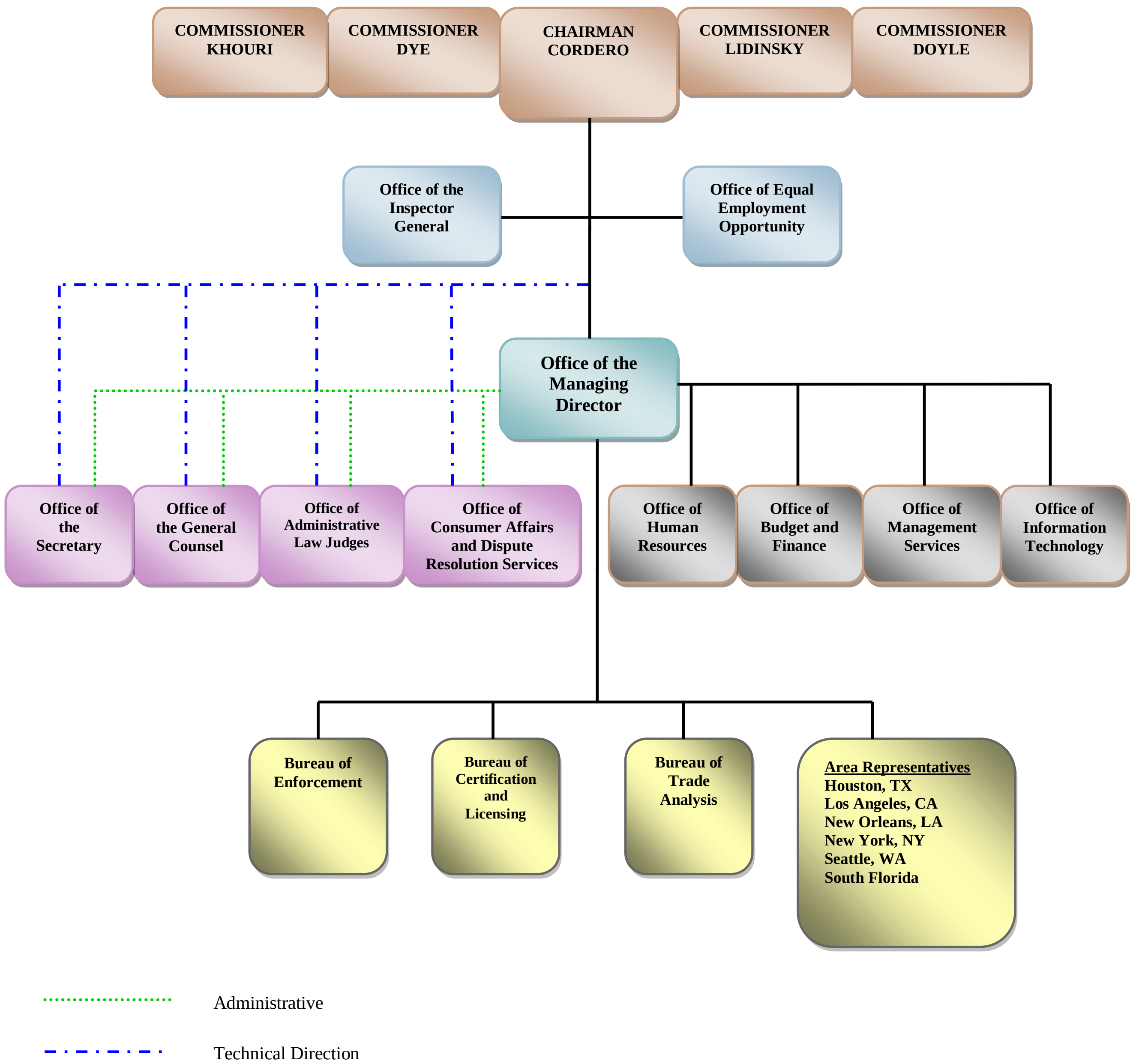
The Federal Maritime Commission (FMC, agency or Commission) is an independent agency which regulates oceanborne transportation in the foreign commerce of the United States. The Commission administers the Shipping Act of 1984 (1984 Act) as amended by the Ocean Shipping Reform Act of 1998 (OSRA); section 19 of the Merchant Marine Act, 1920 (1920 Act); the Foreign Shipping Practices Act of 1988 (FSPA); and sections 2 and 3 of Public Law (P.L.) 89-777 (46 U.S.C. §§ 44102 and 44103). The Commission monitors the activities of ocean common carriers, marine terminal operators (MTOs), ports and ocean transportation intermediaries (OTIs) (non-vessel-operating common carriers and ocean freight forwarders) who operate 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 appropriately remedy malpractices and violations of the prohibited acts set forth in section 10 of the 1984 Act; reviews competitive activities of common carrier alliances and other agreements among common carriers and/or terminal operators; 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, accuracy, and reasonable terms. 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, pursuant to 46 U.S.C. §§ 44102 and 44103, ensures that passenger vessel operators (PVO) demonstrate adequate financial responsibility to indemnify passengers in the event of nonperformance of voyages or passenger injury or death.

Organization

The FMC is composed of five Commissioners appointed for five-year terms by the President with the advice and consent of the Senate. No more than three members of the Commission may belong to the same political party. The President designates one Commissioner to serve as Chairman, the Chief Executive and Administrative Officer of the agency.

The FMC's organizational units consist of: Offices of the Commissioners; Offices of the General Counsel (OGC), Secretary (OS), Consumer Affairs and Dispute Resolution Services (CADRS), Administrative Law Judges (OALJ), Equal Employment Opportunity (EEO), Inspector General (OIG), Managing Director (OMD), Budget and Finance (OBF), Human Resources (OHR), Information Technology (OIT), and Management Services (OMS); the Bureaus of Certification and Licensing (BCL), Enforcement (BOE), and Trade Analysis (BTA); and Area Representatives (ARs). The majority of FMC personnel are located in Washington, D.C., with ARs stationed in New York, New Orleans, Los Angeles, Seattle, Houston, and South Florida.

FEDERAL MARITIME COMMISSION ORGANIZATION CHART
as of
SEPTEMBER 30, 2013



Regulatory Responsibility

The Commission's principal regulatory responsibilities include:

- monitoring the activities of ocean common carriers, marine terminal operators (MTOs), ports and ocean transportation intermediaries (OTIs) who operate in the U.S. foreign commerce to ensure just and reasonable practices;
- reviewing competitive activities of rate discussion agreements, carrier alliances, and other agreements among common carriers and/or MTOs;
- licensing qualified OTIs in the U.S. and ensuring that all OTIs (including foreign OTIs) are bonded or maintain other evidence of financial responsibility;
- maintaining trade monitoring, enforcement, and dispute resolution programs to assist regulated entities in achieving compliance and to detect and remedy malpractices and violations of the prohibited acts set forth in section 10 of the 1984 Act;
- providing dispute resolution services to the industry and consumers;
- monitoring the laws and practices of foreign governments for any discriminatory or otherwise adverse impact on shipping conditions in U.S. trades, and impose appropriate remedial action pursuant to section 19 of the 1920 Act or FSPA;
- enforcing special regulatory requirements applicable to carriers owned or controlled by foreign governments;
- ensuring that passenger vessel operators (PVOs) demonstrate adequate financial responsibility to indemnify passengers in the event of nonperformance of voyages or passenger injury or death pursuant to 46 U.S.C. §§ 44102 and 44103; and
- processing and reviewing agreements, service contracts, and service arrangements pursuant to the 1984 Act for compliance with statutory requirements; and reviewing common carriers' privately published tariff systems for accessibility, accuracy, and reasonable terms.

The FMC is authorized by the FSPA, the 1920 Act, and 1984 Act as amended by OSRA to take action to ensure that the foreign commerce of the U.S. is not burdened by non-market barriers to ocean shipping. The FMC may take countervailing action to correct unfavorable shipping conditions in U.S. foreign commerce and may impose penalties. The FMC may address actions by carriers or foreign governments that adversely affect shipping in the U.S. foreign oceanborne trades including the intermodal operations of carriers or the operations of OTIs, or that impair access of U.S.-flag vessels to ocean trade between foreign ports.

The 1984 Act is applicable to the operations of common carriers and other persons engaged in U.S. foreign commerce. It exempts agreements that have become effective under the 1984 Act from the U.S. antitrust laws, as contained in the Sherman and Clayton Acts. The FMC reviews and evaluates agreements to ensure that they do not exploit the grant of antitrust immunity, and to ensure that agreements do not otherwise violate the 1984 Act or result in an unreasonable increase in transportation cost or unreasonable reduction in service.

In addition to monitoring relationships among carriers, the FMC is responsible for ensuring that individual carriers, as well as those permitted by agreement to act in concert, fairly treat shippers and other members of the shipping public in accordance with the 1984 Act's prohibition against undue discrimination. The 1984 Act requires all carriers to make their rates, charges, and practices available in automated tariff systems available electronically to the public. Non-vessel-operating common carriers (NVOCCs) may assess the rates and charges published in their tariffs or may offer service arrangements or negotiated rate agreements with shipping customers. Ocean common carriers are permitted to enter into service contracts with their shipper customers. Such contracts are filed electronically with the FMC in an Internet-based system, and are provided confidential treatment by the FMC as required by the Act. The FMC does not have the authority to approve or disapprove general rate increases (GRIs) or individual commodity rate levels in the U.S. foreign commerce, except with regard to certain foreign government-owned or -controlled carriers.

Sections 2 and 3 of P.L. 89-777 require the operators of passenger vessels with 50 or more berths who embark passengers at U.S. ports to establish financial coverage to indemnify passengers in cases of death, injury, or nonperformance of transportation. The FMC certifies such operators upon the submission of satisfactory evidence of financial responsibility.

The FMC ensures that all OTIs operating in the foreign commerce of the U.S. have established the required financial responsibility to protect shippers from financial loss. Additionally, the FMC licenses all U.S. OTIs and requires registration of all foreign NVOCCs serving U.S. trades.

The FMC carries out its regulatory responsibilities by conducting informal and formal investigations, holding hearings, considering evidence, rendering decisions, issuing appropriate orders, and implementing regulations. A vigorous enforcement program is carried out – assessing civil penalties for Shipping Act violations. The FMC also adjudicates and mediates disputes involving the regulated community, the general shipping public, and other affected individuals or interest groups.

All of the above activities are supported by the FMC's management and support functions of information technology, financial management, human resources, and management services.

The FMC oversees more than 6,600 regulated persons (PVOs, vessel-operating common carriers (VOCCs), MTOs, conferences, OTIs, etc.).

Future Challenges

In the coming fiscal years, the Commission's policy and funding priorities will continue to center on fostering a viable and vibrant liner shipping environment critical to the nation's international trade and economic growth. We will enforce the Commission's governing statutes and regulations when necessary to protect the shipping public, but stress voluntary compliance and use of dispute resolution techniques to resolve issues quickly with minimal cost. In the current climate of serious budgetary constraints, the Commission is ever mindful of the importance of investing in information technology that can improve efficiency and provide greater public access, while reducing costs over time, and improvement of, and investment in, the FMC's information technology capability is currently the urgent priority for the Commission.

The FMC's regulatory processes are under constant review. As economic conditions alter the state of our trades, regulations are revised to respond to new conditions. As part of an ongoing *Plan for Retrospective Review of Existing Rules*, the FMC will review, evaluate, and make recommendations concerning the filing and processing of agreements, quarterly monitoring reports, agreement meeting minutes, regulations governing service contracts, and NVOCC service arrangements. In fiscal years 2014 and 2015, the Commission will implement the recent rule changes to the passenger vessel program and seek alternative ways to enhance PVO monitoring procedures; review suggested amendments to the regulations regarding OTI licensing and financial responsibility requirements in light of changed industry circumstances; and continue efforts to develop and implement an improved electronic application process for both OTIs and PVOs. A review of Marine Terminal Operator Schedule regulations is planned to begin in FY 2015.

The Commission will not only continue to monitor key U.S. trade lanes but also will review and analyze the competitive impact of agreements with particular emphasis on issues of adequate vessel capacity and equipment availability. With increasing pressure on consolidation in the industry, environmental concerns, port congestion and rising energy costs, the Commission is particularly sensitive to the impact on the nation's exporters and their need for efficient ocean transportation in reaching foreign markets. The FMC will continue to monitor service contracts and tariffs in key trades as barometers of market cycles and shifts in the balance of supply and demand. The FMC will continue to expand and promote its compliance-focused program to monitor and audit ocean common carrier, NVOCC, and ocean freight forwarder operations.

The FMC will continue to expand its participation in security initiatives as they relate to U.S. ocean commerce, specifically working to coordinate the use of available database systems with other agencies engaged in homeland security to improve identification of entities providing and utilizing maritime transportation services. It is anticipated that requests for facilitation and commercial arbitration will increase due to outreach efforts to encourage provisions within service contracts that identify the FMC as an ADR provider in the event of disputes. Efforts to further expand awareness of the Commission's ADR services will continue through internal and external education programs, training, and other appropriate methods. Use of mediation will be promoted to assist in resolving formal proceedings, service contract matters, and other significant disputes. Further, the Commission is working to launch an educational webinar series to educate consumers and regulated entities regarding regulations, shipping trends and best practices, and the effective use of FMC services to resolve shipping disputes.

The use of technology and dissemination of public information is increasingly important; web-based and social media-based accessibility to Commission services and information will facilitate public interaction, while adding greater efficiencies to internal business processes. Overall emphasis will be placed on facilitating the commercial flow of exports and imports, and the FMC will continue to provide services and outreach to the shipping public to assist in the implementation of industry practices that can improve the ocean transportation system. These actions and more will provide the means for the FMC to accomplish its stated mission to foster a fair, efficient, and reliable international ocean transportation system and to protect the public from unfair and deceptive practices.

The accomplishment of the Commission's strategic goals is critical to the President's goals to encourage economic growth, invest in the future, and responsibly govern the nation. The smooth flow of international commerce is vital to the national economy in both providing access to foreign markets for our exports and ensuring the availability of imported goods for domestic production and consumption.

Overall, the Commission will focus on actions that will facilitate and support the President's National Export Initiative by promoting access to foreign markets for American exports and efficient supply chains for the importation of goods for domestic production and consumption.

Program Performance Overview

The FMC, like other Federal agencies, provides a performance plan to Congress, pursuant to the Government Performance and Results Act (GPRA). The FMC has organized its performance goals to achieve its strategic goals. The FMC's Strategic Plan Fiscal Years 2010-2015 (Revised) is available on the FMC's website. The complete FY 2013 Program Performance Report is contained in *Chapter 2, Program Performance*.

During FY 2013, the Commission continued to refine its business practices. As economic conditions alter the state of our trades, regulations are revised to respond to new conditions. As part of an ongoing *Plan for Retrospective Review of Existing Rules*, the FMC reviewed, evaluated, and made recommendations concerning the filing and processing of agreements, quarterly monitoring reports, and agreement meeting minutes. A review of the regulations governing service contracts and NVOCC service arrangements was also begun.

Achieving Strategic Goal Results

The FMC has a specific process in place for measuring performance. Performance goals were developed to promote both of the FMC's strategic goals, and the processes or activities required to achieve the goals were identified. The agency then specified the outcome it believes will result from accomplishing each stated goal, and agreed on performance indicators as the quantifiers of performance. Fiscal year 2013 was the fifth year in which the FMC undertook to quantify and measure performance goals. The Commission's actual performance in FY 2013 is compared with the targeted levels of performance established in the agency's *Strategic Plan Fiscal Years 2010-2015 (Revised)*. Taken together, performance measures and targets under each strategic goal were designed to enhance and further those goals each fiscal year, bringing the agency closer to its ideal of full achievement of its strategic goals. Our experience in the years 2010 through 2012 enabled us to set realistic targets for FY 2013 in the revised strategic plan.

Historical Performance of Strategic Goals and Objectives

Strategic Goal	Objective	Performance Measures	2011	2012	2013
Goal 1. Maintain an Efficient and Competitive International Ocean Transportation System	**1.** Identify and take action to address substantially anti-competitive conduct or unfavorable conditions in U.S. trades.	Percentage share of total U.S. international ocean-borne trade moved by containership, as an indicator of liner shipping efficiency.	**TARGET**		
			18.5%	19%	19.5%
			ACTUAL		
			17.9%	18.7%	19.5%
Goal 2. Protect the public from unlawful, unfair and deceptive ocean transportation practices and resolve shipping disputes.	**1.** Identify and take action to end unlawful, unfair and deceptive practices.	Percentage of enforcement actions taken under the 1984 Act successfully resolved through favorable judgment, settlement, issuance of default judgment, or compliance letter or notice.	**TARGET**		
			72%	74%	76%
			ACTUAL		
			82%	88%	78.9%
	2. Prevent public harm through licensing and financial responsibility requirements.	Percentage of decisions on completed OTI license applica-tions rendered within 60 calendar days of receipt, facili-tating lawful operation of OTIs with the appropriate character and experience requirements.	**TARGET**		
			60%	70%	75%
			ACTUAL		
			77%	90.2%	87.6%
		Percentage of cruise line operators examined during the year that have the full financial coverage required by regulation to protect against loss from non-performance or casualty.	**TARGET**		
			91%	92%	93%
			ACTUAL		
			91%	100%	100%
	3. Enhance public awareness of agency resources, remedies and regulatory require-ments through educa-tion and outreach.*	Percentage of key Commission issuances, orders, and reports are available through the Commission's website within 5 working days of receipt.	**TARGET**		
			72%	74%	76%
			ACTUAL		
			72%	79%	86%
	4. Impartially resolve international shipping disputes through ADR and adjudication.	Number of cases opened and closed each fiscal year using *ombuds* and ADR services assisting consumers to recover goods or funds.	**TARGET**		
			625	700	800
			ACTUAL		
			631	893**	800
		Percentage of formal complaints or Commission initiated orders of investigation completed within 2 years of filing or Commission initiation.	**TARGET**		
			52%	54%	56%
			ACTUAL		
			60%	73%	91%

* This measure was revised for FY 2011-2015. In FY 2010, the measure was: Percentage of decisions on completed OTI license applications rendered within 90 business days, facilitating lawful operation of OTIs with the appropriate character and experience requirements. The target for FY 2010 was 55%.
** The FY 2012 actual number of cases includes cases resolved by the Commission's Area Representatives. This is a new adjustment for this fiscal year.

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

Strategic Management of Human Capital – The FMC continues to implement the strategic goals, strategies, and measures of results outlined in the 2012-2017 Human Capital Plan, Workforce Plan, and Accountability Plan in accordance with OPM's Human Capital Assessment and Accountability Framework during FY 2013.

The Human Capital and Workforce Plans include strategies to recruit and retain a highly qualified and diverse workforce. The Human Capital Plan includes improved marketing of the FMC; streamlining of the application process in alignment with Hiring Reform; targeting recruitment pools and areas of consideration to increase the diversity of applicants; and incorporates organizational needs based on the annual OPM Federal Employee Viewpoint Survey results. The Workforce Plan incorporates workforce diversity and succession planning strategies and goals. In order to meet mission objectives, the FMC is actively working to define and plan for the workforce of the future, consistent with the current Administration's programs and reform initiatives.

Additionally, FMC streamlined human resources functions through various human resources information systems, including a new electronic employee official personnel file, electronic questionnaires for background investigations, and enhanced self-service personnel actions available online.

Leadership is recognized as a critical asset, and at the close of FY 2013, three-fourths of the FMC's executives were eligible for optional retirement. A systematic succession management process will be followed to allow the projection of our needs, prepare individuals to assume greater levels of responsibility, and to allow the agency to continue to maintain talented and knowledgeable leadership to meet the challenges of the future. As funds become available, training and development in leadership competencies within a technical context will be provided to prepare the next generation of leaders at the Commission.

Competitive Sourcing - The FMC submitted its FY 2013 Federal Activities Inventory Reform Act (FAIR Act) Inventory to OMB in June 2013. The Inventory identified 71 of the agency's 132 FTEs as commercial activity FTEs. No challenges to its commercial inventories have ever been received.

Improved Financial Performance - For the tenth straight year, the FMC received an unqualified opinion on its financial statements in FY 2013. The FMC will continue to strive to achieve unqualified audit opinions.

Expanded E-Government - The FMC continues to expand electronic government (e-government). During FY 2013, improvements were made to the quality, clarity, and accessibility of information provided to the shipping public via a redesigned website. A new website search engine was implemented that significantly improved the site's usability for online searches – this initiative had no associated cost, as an existing GSA contract was leveraged. In addition, a new ZIP code geo-search tool was developed and launched to help the shipping public locate FMC-licensed and bonded ocean transportation intermediaries.

During FY 2013, the Commission prepared the 2014-2018 Information Resources Management (IRM) Strategic Plan in support of the Strategic Plan covering the same time period. The IRM plan describes how IRM activities help accomplish agency missions, and ensure IRM decisions are integrated with organizational planning, budget, procurement, financial management, human resources management, and program decisions. A major element of the plan is to significantly upgrade internal IT systems through the implementation of an enterprise content management (ECM) solution to improve data support for all Commission programs and research projects, as well as make the stakeholder filing processes easier.

Information technology capabilities were enhanced in a number of areas, including undergoing a multiyear transition to use ECM technology for managing business activities and information needs. Important IT activities included completing a requirements review and planning to determine technology requirements for the adoption of an ECM solution to consolidate the Commission's fractured information applications and technology systems; completing the FMC-18 Application system enhancements and enterprise data store; migrating/converting staff to a new cloud-based email and collaborative service; and completing business process reengineering assessment to identify requirements for the transition to ECM-based tools for records/document management, workflow and content management and collaboration.

Performance Improvement – The Strategic Plan continues to represent the fundamental framework for the agency's planning and budgeting activities. Funding and Full-time Equivalent (FTE) levels are integrated into the agency's performance budget planning document by strategic goal, to identify clearly the budgetary and staff resources that are committed to each goal.

Financial Performance Overview

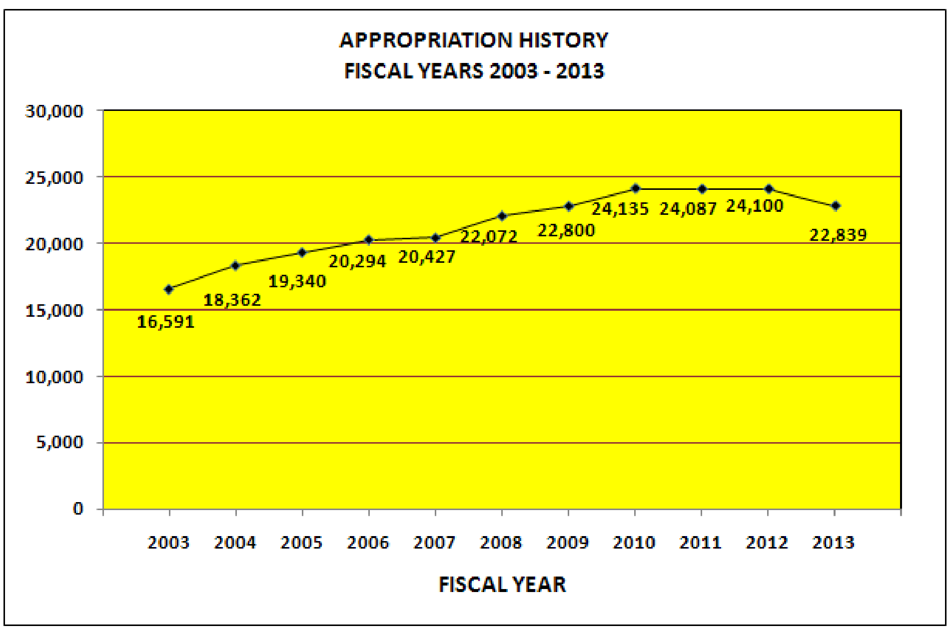
The FMC's financial condition as of September 30, 2013 is sound, and the Commission has sufficient internal controls in place to ensure its budget authority is not exceeded and that funds are utilized efficiently and effectively. The FMC's accounting services provider, the Bureau of the Fiscal Services (BFS), prepared the financial statements as required by the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of FMC in accordance with Generally Accepted Accounting Principles (GAAP) recognized in the USA, standards approved by the Federal Accounting Standards Advisory Board (FASAB), and OMB Circular A-136, *Financial Reporting Requirements.*

Source of Funds

The FMC has single source funding, Salaries and Expenses, funded by an annual appropriation available for commitments and obligations incurred during the fiscal year in which the authority was granted. Congress approved FY 2013 appropriations for the FMC in the amount of $24,100,000 through P.L. 113-6. In accordance with a sequestration order pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the FMC's funding level was reduced by $1,212,375. Funding was further reduced by $48,200 through a rescission of funds, resulting in a final funding level of $22,839,425, which is a reduction of $1,260,575 below the FY 2012 appropriation level. Additionally, the Commission had reimbursable budget authority of $20,500 for work performed by FMC staff at other government entities.

Although the FMC collects remittances for user fees and penalties, the agency is not authorized to offset any of its budget authority by utilizing these funds. Collections are deposited directly into the Treasury General Fund. This information is captured in the Statement of Custodial Activity which can be found in *Chapter Three, Auditor's Reports and Financial Statements.*

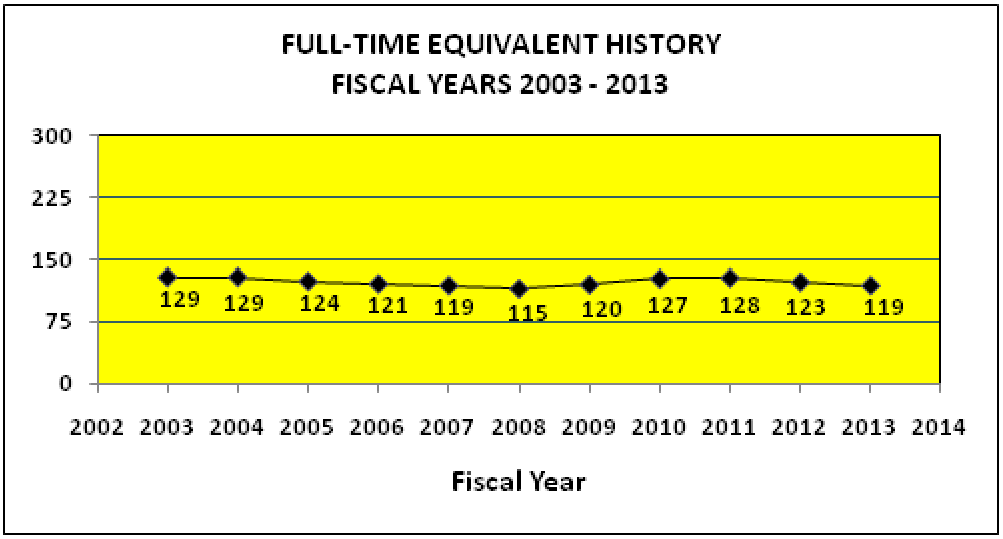
Appropriation History



Full-time Equivalent History

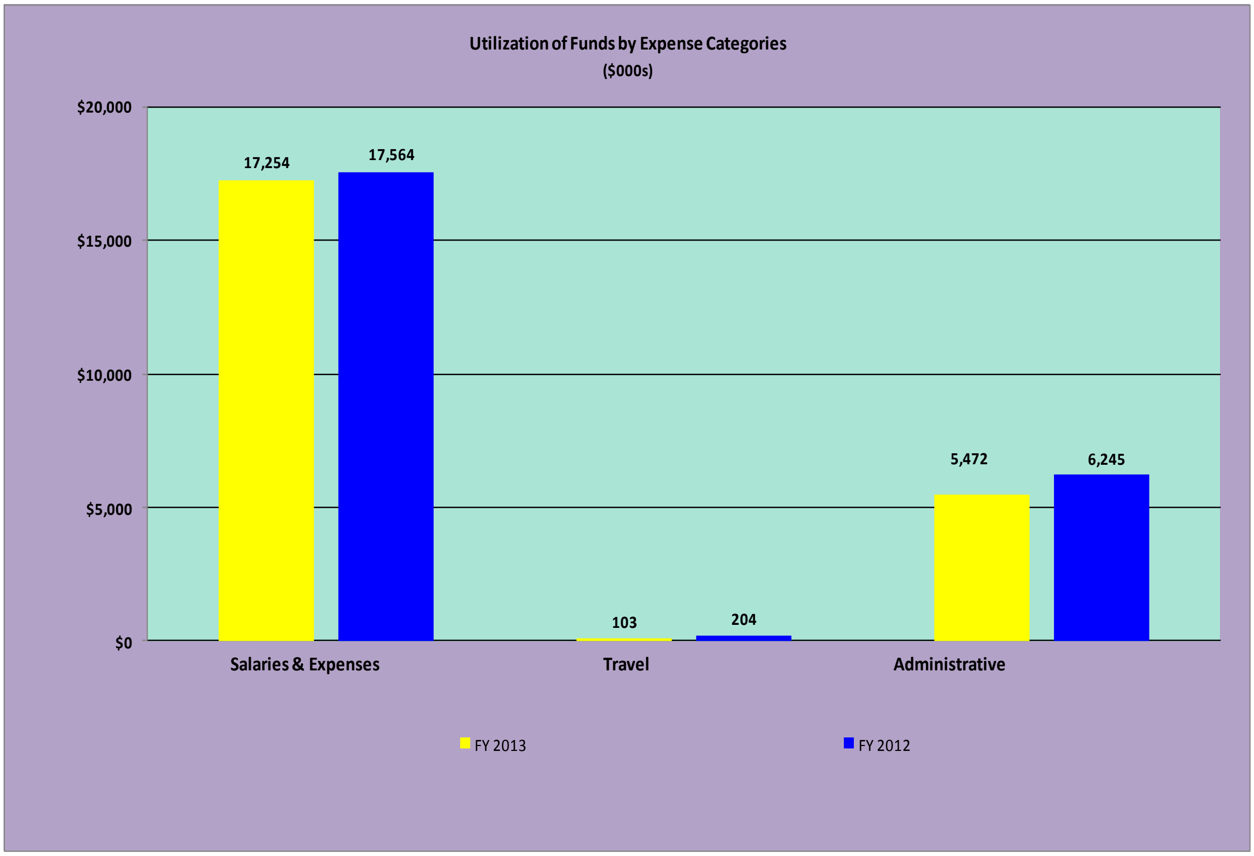
The FMC's Full-time Equivalent (FTE) level is largely driven by our annual appropriation level; however, unanticipated vacancies in such offices as the Offices of the Commissioners have sometimes remained unfilled for lengthy periods of time, awaiting Presidential and Congressional action. The FMC has maintained a full complement of Commissioners since June, 2011.

The FTE level declined annually from 2004 through 2008, followed by increases in 2009 through 2011. In 2012, the Commission's FTE level dropped and in 2013, it dropped further, mirroring our 2007 FTE level. The agency has endeavored to develop the appropriate mix of staffing and other available means to ensure effective accomplishment of our mission.



Uses of Funds by Expense Category

During FY 2013, obligations against the post sequestration/rescission appropriation totaled $22,829,174, representing 99.96% of the funding level. The Commission spent $22.829 million as follows: 75.6% for salaries and benefits, .4% for official travel expenses, and 24% for administrative expenses (e.g., rent, government and commercial contracts, telephones, printing, and supplies). The unobligated balance of $10,251 will remain available for legitimate increases to existing FY 2013 obligations.



Audit Results

The FMC again received an unqualified opinion on its FY 2013 financial statements from the auditing firm of Regis & Associates, P.C. under contract through the FMC's OIG. Comparative statements are located in *Chapter Three, Auditor's Reports and Financial Statements.*

Financial Statement Highlights

The financial statements have been prepared to report the financial position and results of operations of the Commission pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the Commission in accordance with the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

The FMC's financial statements summarize the financial position and financial activity of the agency. The financial statements, footnotes, and the remainder of the required supplementary information appear in their entirety in *Chapter Three*, *Auditor's Report and Financial Statements.* A brief analysis of the principal statements follows.

Summary of Assets

The FMC's assets were $2,966,646 as of September 30, 2013. This represents a decrease from FY 2012 of $1,712,352. The FMC's assets reported in the balance sheet are summarized in the accompanying table.

Summary of Assets as of September 30, 2013		
	FY 2013	**FY 2012**
Fund Balance with Treasury	$2,620,747	$4,254,644
Accounts Receivable	$273	$4,031
Capital Assets	$345,626	$420,323
Other	$0	$0
Total Assets	**$2,966,646**	**$4,678,998**

The Fund Balance with Treasury of $2,620,747 represents the FMC's largest asset and represents 88.3% of the agency's total assets. This is a decrease of $1,633,897 from FY 2012. The Fund Balance with Treasury is comprised only of annual appropriations maintained by the Department of the Treasury to address current liabilities.

Accounts Receivable as of September 30, 2013 was $273 for outstanding receivables billed to non-Federal entities. This accounts for .01 % of the FMC's total assets.

Capital Assets, also known as Property, Equipment and Software, accounts for 11.6% of the FMC's total assets as of September 30, 2013. The net value of $345,626 accounts for the depreciation of all assets and represents the current book value of those assets.

Summary of Liabilities

The FMC's Liabilities totaled $2,057,119 as of September 30, 2013, a decrease of $721,735 total liabilities from FY 2012. The majority of the decrease is related to a reduction in accrued liabilities for payroll and unfunded leave.

Summary of Liabilities as of September 30, 2013		
	FY 2013	FY 2012
Accounts Payable	$383,966	$378,498
Payroll Taxes	$104,709	$215,623
Federal Employee Benefits	$7,112	$6,234
Custodial Liabilities	$273	$256
Accrued Liabilities	$1,561,059	$2,178,243
Total Liabilities	**$2,057,119**	**$2,778,854**

The FMC's accounts payable as of September 30, 2013 was $383,966. This represents the funds owed for goods and services received from vendors. Federal employee benefits represent accrued salaries and liabilities that are not funded by budgetary resources. These liabilities represent future workers' compensation and accrued annual leave that remains on the books. The Federal budget process does not recognize future benefits for today's employees; however, these liabilities will be recognized in future budget cycles as they are paid.

Analysis of Changes in Net Position Summary

The Changes in Net Position Summary reports the change in the agency's net position during the reporting period. The statement is a summary of two factors, Unexpended Appropriations - the amount of spending authority that remains unused at the end of the fiscal year and Cumulative Results of Operations - the cumulative excess of financing resources over expenses. The total net position for FY 2013 is a decrease of $990,617 from FY 2012. The decrease is attributed to a reduction in imputed financing sources as well as reduced funds availability due to reductions from sequestration and rescission.

Changes in Net Position Summary as of September 30, 2013		
	FY 2013	FY 2012
Unexpended Appropriations	$1,820,115	$2,759,038
Cumulative Results of Operation	($910,588)	($858,894)
Total Net Position	**$909,527**	**$1,900,144**

Net position is the residual difference between assets and liabilities and is comprised of Unexpended Appropriations and Cumulative Results of Operations. Unexpended Appropriations represent the amount of unobligated and unexpended budget authority. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. The Cumulative Results of Operations is the net result of FMC's operations of all active fiscal years.

Analysis of Net Cost Summary

The analysis of Net Cost Summary presents the net cost of FMC's Programs as identified in the Annual Report. The four agency programs are Operational and Administrative, Formal Proceedings, Inspector General and Equal Employment Opportunity. The Statement of Net Costs shows the net cost of operations for the agency as a whole and its sub-organizations and/or programs. Net Costs compared to Budgetary Resources can be found in *Chapter Three, Auditor's Report and Financial Statements.*

Net Cost Summary as of September 30, 2013		
	FY 2013	**FY 2012**
Operational and Administrative	$16,102,932	$16,866,478
Formal Proceedings	$7,603,646	$7,374,383
Office of the Inspector General	$614,320	$730,573
Office of Equal Employment Opportunity	$195,312	$193,612
Total Net Cost	**$24,516,210**	**$25,165,046**

Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources (SBR) shows the source of the agency's budgetary resources, the status of those resources at the end of the reporting period and the relationship between the two. Total budgetary resources must be equal to the status of budgetary resources at all times. A more detailed SBR can be found in *Chapter Three, Auditor's Report and Financial Statements*. During FY 2013, the FMC had total budgetary resources available of $23,593,181, representing a decrease of $1,830,553 below 2012. The FMC incurred total obligations during FY 2013 of $23,007,870. The budgetary resources represent financial activity during the accounting period for the five active fiscal years.

Statement of Budgetary Resources as of September 30, 2013		
	FY 2013	**FY 2012**
Total Budgetary Resources	**$23,593,181**	**$25,423,734**
Obligations Incurred	$23,007,870	$24,138,684
Unobligated Balance Unavailable	$575,060	$1,198,398
Unobligated Balance Available	$10,251	$86,652
Total Status of Budgetary Resources	**$23,593,181**	**$25,423,734**

Systems, Controls, and Legal Compliance

This section provides information on FMC's compliance with the:

Federal Managers' Financial Integrity Act
Prompt Payment Act
Debt Collection Improvement Act
Biennial Review of User Fees
Performance Measure Summary
Inspector General Act

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA) requires that agencies establish controls that reasonably ensure that obligations and costs comply with applicable law; assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for. It requires the agency head to provide an assurance statement of the adequacy of management controls and conformance of financial systems with Government standards.

The Chairman has provided his annual assurance statement on the following page. This statement was based on various sources and included management knowledge gained from the daily operation of agency programs and reviews, discussions with the Managing Director and the Directors of the Offices of Budget and Finance and Management Services, audits of financial statements, annual performance plans, and OIG reports, among other sources. Additionally, the Chairman meets regularly with, and receives regular reports from, the FMC's OIG.

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

During the fiscal year, the IG identified no significant deficiencies and there were no significant management decisions made on which the IG disagreed. Management and the OIG reached agreement on all recommendations made. At the conclusion of the fiscal year, management and the OIG agreed as to the actions that management needs to take on 18 recommendations from 2013 and prior years. Management has taken action to close five of these recommendations, but the actions are pending review during FY 2014 before OIG closure.

Debt Collection Improvement Act of 1996

The Debt Collection Improvement Act enhances the ability of the government to service and collect debts. The Act centralized the collection of non-tax delinquent debt owed to the government. The collection of delinquent debts is conducted by the Financial Management Service through the Treasury Offset Program where the names and taxpayer identification numbers (TIN) are matched against the TINs of recipients of government payments. The balance owed to the government is deducted or offset from the payment to the entity to satisfy the debt.

All Office of Personnel Management (OPM) retirement, vendor, Internal Revenue Service refunds, Social Security benefits, and some Federal salary payments are being offset. Federal agencies are required to refer delinquent accounts in excess of 180 days to Treasury for collection. The goal of the FMC is to minimize the amount of delinquent debt owed to the agency.

Prompt Payment Act of 1982

The Prompt Payment Act requires agencies to make timely payments to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts when they are economically justified. In FY 2013, the FMC maintained a percentage of on-time payments of 99%.

In FY 2013, the FMC paid no interest payments. The FMC will continue to strive towards maintaining 100% on-time vendor payments in future years.

Biennial Review of User Fees

The Chief Financial Officers Act requires agencies to conduct biennial reviews of fees and other charges imposed by agencies, and to make revisions to cover program and administrative costs incurred. During FY 2008, the Commission completed its biennial review of user fees. The OIG subsequently conducted a review of the methodology used to calculate the updated user fees.

A revised methodology for calculating user fees was developed in FY 2011. Performance goals and processing times for completion of certain user fee activities changed dramatically since the review was performed, and in FY 2012, management requested updated information from bureaus and offices on current processing times for all user fee activities in order to calculate user fees which accurately reflected the agency's costs. In late FY 2013, a working group was formed to re-examine all user fees and initiate a rulemaking proceeding to address their update. It is anticipated that updated user fees will be implemented during FY 2014.

Performance Measure Summary

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

Inspector General Act of 1978, as amended in 1988, and the Inspector General Reform Act of 2008

Section 5(b) of the Inspector General Act of 1978 requires agencies to report on final actions taken on OIG audit recommendations.

Briefly, during FY 2013, the Inspector General completed the following audits and reviews:

- Audit of the FMC's Transit Benefit Program
- Evaluation of the FMC's FY 2012 Privacy and Data Protection
- Evaluation of the FMC's Compliance with the Federal Information Security Management Act FY 2012
- Independent Auditor's Report of FMC's FY 2012 Financial Statements
- FY 2012 Financial Statement Management Letter

The Inspector General's reviews disclosed no instances of questioned costs. The agency addressed a number of recommendations from these reviews, and it is expected that progress will be made to address the remaining open recommendations during FY 2014.

During FY 2013, no significant deficiencies were identified.

CHAIRMAN'S FMFIA STATEMENT OF ASSURANCE

The Federal Maritime Commission's (FMC) management is responsible for establishing and maintaining an effective internal control and financial management system that meets the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

In accordance with the requirements of the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*, the FMC conducted its annual assessment of the effectiveness of the organization's internal controls to support effective and efficient programmatic operations, reliable financial reporting, and compliance with applicable laws and regulations; and whether the financial management system conforms to applicable financial systems requirements.

Based on the results of this assessment, the FMC provides reasonable assurance, as of September 30, 2013, that its internal controls over the effectiveness and efficiency of operations, reliable financial reporting and compliance with applicable laws and regulations were operating effectively and that no material weaknesses were found in the design or operation of our internal controls.

Further, based on our assessment, we determined that the financial management system acquired from the Bureau of Fiscal Services, an integrated, internet-based financial system using Oracle Federal Financials, conforms to applicable financial systems requirements.

Signed __/s/____________________
Mario Cordero
December 16, 2013

Chapter Two
PROGRAM PERFORMANCE INFORMATION

Annual Performance Report

Introduction

The FMC's performance management system includes specific strategic goals, performance measures, and targets. The strategic goals represent the FMC's mission and reflect the overall outcomes and objectives the agency is working to achieve. This report describes progress towards performance targets in 2013 in furtherance of the Commission's mission to foster a fair, efficient and reliable international ocean transportation system and to protect the public from unfair and deceptive practices. The FMC's strategic goals and objectives are as follows:

- **Maintain an Efficient and Competitive International Ocean Transportation System.**
  - Identify and take action to address substantially anti-competitive conduct or unfavorable conditions in U.S. trades.
- **Protect the Public from Unlawful, Unfair and Deceptive Ocean Transportation Practices and Resolve Shipping Disputes.**
  - Identify and take action to end unlawful, unfair and deceptive practices.
  - Prevent public harm through licensing and financial responsibility requirements.
  - Enhance public awareness of agency resources, remedies and regulatory requirements through education and outreach.
  - Impartially resolve international shipping disputes through alternative dispute resolution and adjudication.

The FMC quantitatively measured seven performance goals during the fiscal year. All measures reached and/or exceeded FY 2013 targets. Each measure, target, and actual result is reported in the summary table below (Table 1) and includes a description of the data used to measure performance along with an explanation of the measures in place to validate and ensure integrity of the reported result.

Trend data for measures in place since 2010 is reflected in Table 2 below. This data reflects continuous increases in agency efficiency and productivity – a result of both improved and streamlined processes, and enhanced focus on the critical processes being measured. Table 3 provides a status update on unmet targets for FY 2009 through FY 2013.

The Strategic Plan was revised in FY 2011 to remove a third strategic goal and its associated objectives and measures. The third goal was established for administrative support functions such as human resources, information technology, and financial management. Each of these important functions is subject to its own stringent planning and measuring regimes pursuant to various laws and executive mandates. Those related plans support the strategic plan and are referenced and described therein.

The agency has forwarded this report to the President, with a copy to the Director of OMB, and appropriate Congressional committees. Additionally, this report has been placed on the FMC's Internet website to ensure that it is accessible to interested parties. All Commission employees have been advised to review this report.

Table 1: Summary of Performance Measure Results – FY 2013

Targeted performance compared to actual results.

Strategic Goal No. 1: Maintain an efficient and competitive international ocean transportation system.		
Performance Measure	**FY 2013 Target**	**FY 2013 Actual**
Measure: Percentage share of total U.S. international oceanborne trade moved by containership as an indicator of liner shipping efficiency. **2013 Target:** 19.5% **Validation:** This outcome goal is measured by using data received from the United States Census Bureau's trade database, USA Trade Online, at www.usatradeonline.gov . Monthly aggregates of "Containerized Vessel" and "Total Vessel" standard weight in Kg for Imports and Exports were run and downloaded into MS Excel from the Harmonized System (HS) Port-level Data. The monthly values for Imports and Exports were then combined and aggregated for FY 2013. The percentage share of total U.S. international oceanborne trade moved by containership is calculated as the "Containerized Vessel" weight divided by "Total Vessel" weight, multiplied by 100.	19.5%	19.5%
Strategic Goal No. 2: Protect the public from unlawful, unfair and deceptive ocean transportation practices and resolve shipping disputes.		
Performance Measure	**FY 2013 Target**	**FY 2013 Actual**
Measure: Percentage of enforcement actions taken under the Shipping Act of 1984 successfully resolved through favorable judgment, settlement, issuance of default judgment, or compliance letter or notice. **2013 Target:** 76% **Validation:** This outcome goal is measured by examining the enforcement case inventory and physically counting the number of cases resolved. The inventory is maintained for case load management, and monthly and quarterly reporting purposes. The data is constantly under review and frequently updated.	76%	78.9%
Measure: Percentage of decisions on completed OTI license applications rendered within 60 calendar days of receipt, facilitating lawful operation of OTIs with the appropriate character and experience requirements. **2013 Target:** 75% **Validation:** This outcome goal is measured by comparing data fields in an internal database that contains, among other data points, the date the OTI license application is accepted for processing and the date a licensing determination is made or the application process has been completed. The difference between these two dates is the length of time to render a decision on an OTI application accepted for processing. The database is maintained for daily case load management, and monthly and quarterly reporting purposes. The data is constantly under review and frequently updated.	75%	87.6%
Measure: Percentage of cruise line operators examined during the year that have the full financial coverage required by regulation to protect against loss from non-performance or casualty. **2013 Target:** 93% **Validation:** This outcome goal is measured by comparing reported financial coverage amounts against required coverage amounts. Approximately 200 cruise	93%	100%

vessels are registered in and monitored by the Commission's Passenger Vessel (Cruise) Operator program. Operators covered by this program file semi-annual, monthly, and weekly unearned passenger revenue reports. This information is used to compare reported coverage against required coverage amounts.		
Measure: Percentage of key Commission issuances, orders and reports that are available through the Commission's website within 5 working days of receipt. **2013 Target:** 76% **Validation:** This outcome goal is measured by reviewing the workflow processes for posting documents to the Commission's website docket activity logs. The date that each docket activity log is updated with new filings or issuances is compared to the date the document is filed with or issued by the Commission in a particular proceeding. The case logs are used on a daily basis by agency staff and by the public, and as such, any discrepancies are discovered and remedied quickly.	76%	86%
Measure: Number of cases opened and closed each fiscal year using *ombuds* and ADR services assisting consumers to recover goods or funds. **2013 Target:** 800 **Validation:** This outcome goal is measured using data maintained by the Commission on each such case opened and closed.	800	800
Measure: Percentage of formal complaints or Commission initiated orders of investigation completed within two years of filing or Commission initiation. **2013 Target:** 56% **Validation:** This outcome goal is measured using docket activity logs maintained by the Commission. The docket logs are used on a daily basis by agency staff and by the public, and as such, any discrepancies are discovered and remedied quickly.	56%	91%

Table 2: Performance Measure Trends FY 2010-2013

Strategic Goal No. 1: Maintain an efficient and competitive international ocean transportation system.								
Performance Measure	**FY 2010 Target**	**FY 2010 Actual**	**FY 2011 Target**	**FY 2011 Actual**	**FY 2012 Target**	**FY 2012 Actual**	**FY 2013 Target**	**FY 2013 Actual**
Measure: Percentage share of total U.S. international ocean borne trade moved by containership as an indicator of liner shipping efficiency.	18%	17.4%	18.5%	17.9%	19%	18.7%	19.5%	19.5%
Strategic Goal No. 2: Protect the public from unlawful, unfair and deceptive ocean transportation practices and resolve shipping disputes.								
Measure: Percentage of enforcement actions taken under the Shipping Act of 1984 successfully resolved through favorable judgment, settlement, issuance of default judgment, or compliance letter or notice.	70%	72.9%	72%	82%	74%	88%	76%	78.9%
Measure: Percentage of decisions on completed OTI license applications rendered within 60 calendar days of receipt, facilitating lawful operation of OTIs with the appropriate character and experience requirements.	55%	65%	60%	77%	70%	90.2%	75%	87.6%
Measure: Percentage of cruise line operators examined during the year that have the full financial coverage required by regulation to protect against loss from non-performance or casualty.	90%	90 %	91%	91%	92%	100%	93%	100%
Measure: Percentage of attendees at agency sponsored outreach presentations that rate the program as "Useful" or "Extremely Useful" in their compliance efforts.	70%	100%	75%	**N/A***	**N/A***	**N/A***	**N/A***	**N/A***
Measure: Percentage of key Commission issuances, orders and reports that are available through the Commission's website within 5 working days of receipt.	70%	77.1%	72%	72%	74%	79%	76%	86%
Measure: Number of cases opened and closed each fiscal year using *ombuds* and ADR services assisting consumers to recover goods or funds.	550	556	625	631	700	893	800	800
Measure: Percentage of formal complaints or Commission initiated orders of investigation completed within two years of filing or Commission initiation.	50%	56%	52%	60%	54%	73%	56%	91%

* In consultation with OMB, this outcome goal was removed for FY 2011 – 2015: "Percentage of attendees at agency sponsored outreach presentations that rate the program as 'Useful' or 'Extremely Useful' in their compliance efforts." The measure is not reflective of current agency outreach practices. It also proved logistically difficult to execute because most outreach is performed by FMC staff as invitees at non-FMC sponsored events.

Table 3: Status of 2009 – 2012 Unmet Targets

Performance Measure (2009)	FY 2009 Target	FY 2009 Actual
Measure: Percentage of complaints or investigations completed within two years of filing or Commission initiation beginning with cases filed or initiated in FY 2007. *Strategic Goal 1:* **Efficient Regulatory Process (2009) Report Status Update:** This measure is no longer tracked. A similar measure tracking successful resolution of enforcement actions has exceeded targets in 2010 and 2011.	60%	55%
Measure: Percentage of Active Electronic Docket Logs updated within 72 hours of receipt of key documents issued or filed in Commission proceedings. *Strategic Goal 1:* **Efficient Regulatory Process (2009) Report Status Update:** This measure is no longer tracked, but a similar measure tracking web accessibility of filings and issuances has met targets in both 2010 and 2011.	85%	55%
Measure: Percentage of minutes and monitoring reports received within regulatory deadlines or formal extension. *Strategic Goal 2:* **Compliance (2009) 2009 Report Status Update:** Measure no longer tracked.	95%	72-91%
Measure: Percentage of new and amended OTI applications that are processed with 45 days. *Strategic Goal 2:* **Compliance (2009) Report Status Update:** The measure of the percentage of OTI applications completed within 45 calendar days for FY 2009 was updated in the FY 2010 – 2015 Strategic Plan to 90 business days. The measure exceeded the target in FY 2010. BCL is now tracking OTI licensing with a target of 60 calendar days and exceeded that target in FY 2011.	80%	5%
Measure: Number of investigations opened to address alleged harm to the public as a result of Shipping Act violations. *Strategic Goal 2:* **Compliance (2009) Status Report Update:** Measure no longer tracked.	50	34
Measure: The number of technology solutions that are designed and implemented and used by the Commission to facilitate process improvement through the use of databases and record keeping systems. *Strategic Goal 4:* **Technological Efficiencies (2009) Report Status Update:** Measure no longer tracked.	6	0
Measure: Cumulative number of technology solutions that are designed and implemented and used by the Commission to facilitate process improvement through the use of databases and record keeping systems since FY 2007 (including current fiscal year). *Strategic Goal 4:* **Technological Efficiencies (2009) Report Status Update:** Measure no longer tracked.	12	0
Measure: Number of technology-related programs and systems developed or implemented that achieve full compliance with Federal information security mandates. *Strategic Goal 4:* **Technological Efficiencies (2009) Report Status Update:** Measure no longer tracked.	12	2
Measure: Number of awareness, recruitment, training, new-employee orientation, workforce development, and quality of life initiatives offered to agency employees. *Strategic Goal 5:* **Management Capabilities (2009) Report Status Update:** Measure no longer tracked.	250	216
Measure: Percent of payments (user fees, penalties, etc.) received electronically via Pay.gov versus older technologies (e.g., checks). Strategic Goal 5: **Management Capabilities (2009) Report Status Update:** Measure no longer tracked.	25%	0
Measure: Received "unqualified opinion" from financial statement auditors with respect to the current fiscal year. *Strategic Goal 5:* **Management Capabilities (2009) Report Status Update:** FY 2009, the audit was complete in November 2009 and received "unqualified audit opinion." Measure no longer tracked.	Yes	Not available
Performance Measure (2010)	**FY 2010 Target**	**FY 2010 Actual**
Measure: Percentage share of total U.S. international ocean borne trade moved by containership as an indicator of liner shipping efficiency. *Strategic Goal No. 1:* **Maintain An Efficient Competitive International Ocean Transportation System (2010)**	18%	17.4%
Performance Measure (2011)	**FY 2011 Target**	**FY 2011 Actual**
Measure: Percentage share of total U.S. international ocean borne trade moved by containership as an indicator of liner shipping efficiency. *Strategic Goal No. 1*: **Maintain An Efficient Competitive International Ocean Transportation System (2011)**	18.5%	17.9%
Performance Measure (2012)	**FY 2012 Target**	**FY 2012 Actual**
Measure: Percentage share of total U.S. international ocean borne trade moved by containership as an indicator of liner shipping efficiency. *Strategic Goal No. 1:* **Maintain An Efficient Competitive International Ocean Transportation System (2012)**	19%	18.7%

Chapter Three
FINANCIAL INFORMATION

Message from the Chief Financial Officer

I am pleased to report that in fiscal year 2013, the FMC maintained its record of strong fiscal stewardship on behalf of the American people. For the tenth consecutive year, independent auditors gave us an unqualified (clean) opinion on our financial statements. Our auditors also stated for the controls they tested, they found no material weaknesses, significant control deficiencies, or nonconformances with the Federal Managers' Financial Integrity Act and other applicable laws and regulations.

This unqualified opinion on the FMC's financial statements highlights for the President, the Congress, and the American people the continuing commitment of this agency to maintain sound financial management of the resources entrusted to us. This attests to the FMC's high standards and commitment to high quality financial management. The FMC's financial condition is sound, and the Commission has sufficient internal controls in place to ensure its budget authority is not exceeded and that funds are utilized efficiently and effectively.

During FY 2013, the FMC continued its focus on internal controls, as mandated by OMB Circular A-123. Our financial management staff is to be highly commended for consistently finding ways to provide budget information in concise, reliable, and understandable formats. In 2013, other notable accomplishments include completing corrective actions on a number of audit recommendations, maintaining an internal control environment through developing and maintaining appropriate guidance and training for staff, sustaining a green rating from the Department of the Treasury on the accuracy and timeliness of financial reporting practices involving Fund Balance with Treasury transactions, and paying 98.8 percent of all invoices received from vendors on time. Quarterly financial statements were issued 15 days after the end of each quarter, and our FY 2013 PAR is being published on December 16, 2013.

I wish to acknowledge the diligent efforts of our staff and financial service provider for their dedication to the FMC's mission and their efforts in maintaining an unqualified opinion on our financial statements. Even as financial oversight and accountability requirements grow more complex and challenging, the FMC is steadfastly committed to improving financial management and producing accurate and reliable financial statements. While pleased with our FY 2013 accomplishments, we will strive to improve all aspects of financial performance and to maintain high financial management standards in FY 2014. We are committed to promoting effective internal controls and resolving any impediments to assure fairly presented financial statements and improve the auditor's ability to issue an unqualified audit opinion next year.

Sincerely,

/s/
Vern W. Hill
Chief Financial Officer

December 16, 2013

PRINCIPAL STATEMENTS - LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal statements have been prepared to report the financial position and results of operations of the FMC, pursuant to the requirements of the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994. These statements have been prepared from the books and records of the FMC in accordance with the formats prescribed by the Office of Management and Budget. However, these statements differ from the financial reports used to monitor and control budgetary resources that are prepared from the same books and records. The principal statements should be read with the realization they are for a component of the U.S. government, a sovereign entity. Liabilities not covered by budgetary resources cannot be liquidated without the enactment of an appropriation, and the payment of all liabilities other than for contracts can be abrogated by the sovereign entity. Other limitations are included in the footnotes to the principal statements. The accompanying notes are an integral part of these statements.

The Federal Maritime Commission's financial statements were audited by Regis & Associates, PC, under contract to the FMC's Office of the Inspector General.

FEDERAL 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

Independent Auditor's Report

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.

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

Regis & Associates, PC
Washington, DC

December 2, 2013

FEDERAL MARITIME COMMISSION
BALANCE SHEET

AS OF SEPTEMBER 30, 2013 AND 2012
(IN DOLLARS)

	2013	2012
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

FEDERAL MARITIME COMMISSION

STATEMENT OF NET COST

FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012
(IN DOLLARS)

	2013	2012
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

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

STATEMENT OF BUDGETARY RESOURCES

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

STATEMENT OF CUSTODIAL ACTIVITY

FEDERAL MARITIME COMMISSION

AS OF SEPTEMBER 30, 2013 AND 2012

STATEMENT OF CUSTODIAL ACTIVITY

(IN DOLLARS)

	2013	2012
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	$ -	$ -

FEDERAL MARITIME COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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 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.

The accompanying notes are an integral part of these financial statements

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:

	2013	2012
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 were $2,985,156 and $2,965,085, respectively. 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
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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 Website: 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, budgetary 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 ctivity 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 (OTIs) 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.

	2013	2012
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

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

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

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

The FMC reporting entity is comprised of General Funds and General Miscellaneous Receipts.

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues.

General Fund Miscellaneous Receipts are accounts established for receipts of non-recurring activity, such as fines, penalties, fees and other miscellaneous receipts for services and benefits.

The FMC makes custodial collections and holds custodial receivables that are non-entity assets and are transferred to Treasury at fiscal year end.

The FMC has rights and ownership of all assets reported in these financial statements. FMC does not possess any non-entity assets.

B. Basis of Presentation
The financial statements have been prepared to report the financial position and results of operations of FMC. The Balance Sheet presents the financial position of the 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.

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 de-preciated 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, equip-ment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guide-lines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

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

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

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

The FMC reports its liabilities under two categories, Intragovernmental and With the Public. 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.

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 (1) the net present value of estimated future payments calculated by the DOL, and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

K. Retirement Plans

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

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

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 Judgement Fund maintained by the U.S. Treasury rather than from the amounts appropriated to FMC for agency operations. Payments from the Judgement Fund are recorded as an “Other Financing Source” when made.

P. Reclassification
Certain fiscal year 2012 balances have been reclassified, retitled, 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 were 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.

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, were as follows:

	2013		2012	
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

Schedule of Property, Equipment, and Software as of September 30, 2013

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

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.

		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.

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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
Washington, DC	10 years	10/31/2022

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

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

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FMC is an administrative agency collecting 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 (OTIs) 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.

	2013	2012
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

Chapter Four
OTHER INFORMATION

FEDERAL MARITIME COMMISSION
Washington, DC 20573

November 15, 2013

Office of Inspector General

TO: Chairman Cordero
Commissioner Lidinsky
Commissioner Doyle
Commissioner Dye
Commissioner Khouri

FROM: Interim Inspector General

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

On November 22, 2000, the President signed the Reports Consolidation Act of 2000 (Public Law 106-531), an amendment to the Chief Financial Officers (CFO) Act of 1990. The Reports Consolidation Act requires inspectors general to provide a summary and assessment of the most serious management and performance challenges facing Federal agencies and their progress in addressing these challenges. The attached document responds to the requirements and provides the annual statement on Commission challenges to be included in the Federal Maritime Commission's (FMC) Performance and Accountability Report (PAR) for Fiscal Year 2013.

This year, the Office of Inspector General (OIG) has identified three management and performance challenges for inclusion in the FMC's FY 2013 PAR: information technology security; workplace satisfaction; and budgetary resources. These assessments are based on information derived from a combination of sources, including OIG audit and inspection work, Commission reports, and a general knowledge of the Commission's programs.

The Reports Consolidation Act of 2000 permits agency comment on the inspector general's statements. Agency comments, if applicable, are to be included in the final version of the PAR that is due on December 16, 2013 [revised due date as a result of the government shutdown].

/Jon Hatfield
Interim Inspector General

Attachment

cc: Vern Hill, Managing Director

Office of Inspector General - Fiscal Year 2013 Management Challenges

The Management Challenge: Information Technology Security

The Federal Maritime Commission (FMC) maintains significant amounts of information about its employees and stakeholders and has a responsibility to protect the information from loss, unauthorized disclosure or misuse. Properly protecting this information is critical to prevent harm, embarrassment, and negative impact to the agency, its employees and stakeholders. The challenge the FMC faces in information technology (IT) security and protecting information is shared by other departments and agencies in the federal government. In addition, among the challenges the FMC and other federal agencies face is protecting personally identifiable information (PII) of its employees and stakeholders. Personally identifiable information (PII) is any information about an individual that is maintained by an agency, including information that can be used to distinguish or trace an individual's identity, such as name, social security number, date and place of birth, mother's maiden name, or biometric records; and any other information that is linked or linkable to an individual, such as medical, educational, financial and employment information. Failure to protect PII can lead to identity theft, a serious and increasing problem in the United States.

In recent years, some federal agencies have reported the loss or theft of equipment containing personal information or unauthorized access to information on agency systems. The Privacy Act of 1974 and the E-Government Act of 2002 establish federal agency responsibilities to protect personal information, and to ensure its security. Given the importance of protecting stakeholders' and employees' PII, the FMC emphasizes information security through annual security awareness training and establishment of policy documents, such as commission orders, managing directives and Office of Information Technology (OIT) policies.

In the OIG's *Evaluation of the FMC's Compliance with the Federal Information Security Management (FISMA) Act FY 2012*, we found the servers and workstations were not configured with the latest security patches and there were computer agents, a type of computer program, with outdated services running that could be exploited. In addition, the OIG's *Evaluation of the FMC's FY 2012 Privacy and Data Protection* found that improved communication amongst the management officials responsible for information privacy was needed. Specifically, the OIG concluded coordination was lacking between the Office of Information Technology, the Chief Information Officer, Privacy Act Officer and the Senior Agency Official for Privacy to determine whether any PII resided on FMC systems.

Agency Progress in Addressing the Challenge:

The OIG's *Evaluation of the FMC's FY 2012 Privacy and Data Protection* completed in December 2012 concluded the agency has improved its privacy program since our last review in 2010. For example, the agency resolved two of four deficiencies and has created policies and procedures to log, verify and reassess data extracts from databases holding sensitive information for longer than 90 days. In addition, the OIG's FY 2012 FISMA evaluation found that FMC had made some progress addressing IT security weaknesses. The OIG is currently conducting the

FY 2013 FISMA evaluation and continued progress is being made by FMC to address security weaknesses; the final report is expected to be issued in late 2013.

Challenge Ahead:

Increasingly, computer systems are more susceptible to security threats, primarily due to the interconnection of computer networks, and as individuals' computer skills increase and "hacking" techniques are more widely known via the Internet and other media. The challenge the FMC faces is to continue to protect its computer systems and information, during a budget environment that requires the agency to do more, with less resources. It will therefore be critical for the agency to prioritize security controls and enhancements based on risk, as well as partner with federal agencies to protect vital agency resources.

The Management Challenge: Workplace Satisfaction

In December 2012, the Partnership for Public Service ("PPS") released its rankings for the *Best Places to Work in the Federal Government*, based on the results of the 2012 *Federal Employee Viewpoint Survey*. The FMC ranked the second lowest, 28 out of the 29 small federal government agencies. Although the FMC has experienced a steady decline since 2009, according to the Washington Post, for the last two years, the agency experienced the largest drop in rankings among Cabinet departments and independent agencies.

The PPS uses data from the Office of Personnel Management's *Federal Employee Viewpoint Survey* to rank agencies according to a ***Best Places to Work*** index score. Agency employees are surveyed and then the agencies are measured on overall employee satisfaction, as well as 10 workplace categories, such as effective leadership, employee skills/mission match, pay, teamwork and work/life balance.

In response to its low ranking, the agency's then Managing Director issued an email to all agency employees outlining the agency's plan to improve the climate and satisfaction at the agency. Further, since the survey was conducted in 2012, there have been several changes at the FMC; among these are changes in senior leadership, including a newly designated Chairman in April 2013 and a new Managing Director.

Agency Progress in Addressing the Challenge:

In January 2013, the PPS provided a briefing to senior agency officials and made recommendations on how to proceed, based on best practices from other federal government agencies. Subsequently, the agency's senior executives produced a draft action plan ("Draft"), which included the production of a Statement of Principles ("Statement"), signed and released on May 22, 2013. The Statement asserts the senior executives' commitment "to work together to create a positive working environment at the Commission that is achieved through communication, recognition, empowerment and accountability." The Statement also provides for the incorporation of the stated principles into the senior executives' performance plans.

The Draft includes four categories, commitment, communication, recognition, and empowerment, which are each detailed with additional areas of focus. These include statements such as: promote and provide opportunities for wide participation in the FMC's strategic planning process; keep staff advised on significant matters via periodic All Hands Meetings; periodic brown bag lunches where staff can discuss and raise issues of interest or concern; and promote transparency.

The Challenge Ahead:

Ten months after the survey rankings were posted; two All Hands Meetings have been conducted, and a Statement of Principles has been drafted that includes commitments for change.

Continued focus at all levels of the agency has significant potential to yield positive results. The Draft Statement of Principles should include additional details on measurable objectives, accountability, and continued discussions and feedback with staff at all levels should be held regularly to increase the likelihood of success. The Draft calls for follow up meetings among the senior executives to assess their progress, therefore incorporating measurable objectives will be critical to accurately determine the success of their efforts.

It is commendable that the agency has responded to the negative survey results and has worked to effect change in the agency's environment. In a federal climate where funding is limited, admittedly, it will take creative thinking to find ways to recognize, reward good performance and improve employee morale. Since recognition was one of the low ratings in the survey, something as simple as a certificate of achievement or recognizing a job well done in a public forum, such as an all-hands meeting, could prove successful. Whatever the medium or forum, improving workplace satisfaction can be accomplished when staff and management work together towards common goals.

The Management Challenge: Budgetary Resources

In August 2011, Congress enacted the Budget Control Act of 2011 ("Budget Legislation"). Among other things, the Budget Legislation provided for ten (10)-year discretionary caps with sequester, if the Administration and Congress could not reach an agreement on spending by an established deadline. The cuts were perceived to be so disastrous that, surely, a compromise would be reached. Time passed and the parties reached, not a compromise to prevent the automatic spending reduction process but, an impasse. Finally, it was determined that the cuts, i.e., sequestration, would take effect, initially to begin in January 2013.

Agency Progress in Addressing the Challenge:

Approximately 65% of the FMC's budget is for personnel compensation and benefits; and another 13% is to pay office rent, a fixed cost. Therefore, a sizable portion of the FMC's annual budget is spent on salaries and benefits, and rent, and this leaves few options to minimize the impact of the current fiscal challenges. Because the agency spends a sizable portion on payroll, FMC senior leaders will increasingly need to heavily scrutinize each and every staff vacancy and whether the mission of the agency can continue to be effectively accomplished without filling some vacancies.

In recent years, the FMC has generally filled the majority of staff vacancies and it will be difficult to continue this trend unless additional budgetary resources are provided to the agency or changes are made to the sequestration. In FY 2010, for example, before the specter of the sequestration, the agency hired nineteen (19) new employees, while only fifteen (15) separated from the agency. By comparison, in FY 2011, there were seven (7) new hires and nine (9) separations. In FY 2012, thirteen (13) new hires and fifteen (15) separations were processed. And finally, in the last full year, FY 2013, eleven (11) employees separated from the agency and the agency hired seven (7) new employees, including one new hire whose tenure began the very week the sequestration took effect.

In March 2013, the agency issued furlough notices to its employees proposing 112 hours, or 14 days, of furloughs. In April 2013, the agency advised its employees that it was trying to limit the number of furlough hours to the fewest possible. It also advised that funds would be directed to updating the agency's information technology. In July, the agency informed the employees that the furlough days would be reduced to six (6) days, rather than the initial forecast of 14 days.

The Challenge Ahead:

The agency is to be congratulated on its ability to reduce its initial forecasted employee furlough days. As the FMC begins a new fiscal year, with a budget likely to be under continued pressure, it will be critical for the FMC to constantly evaluate and re-evaluate the necessity for each contemplated expenditure, including the on-going expenses that may be associated with the initial outlay. Unless new legislation is passed to end the sequestration, the Budget Legislation provides for an ever decreasing budget until 2021. Therefore, the agency must continue to be focused on the budget in order to effectively accomplish the mission of the agency and attempt to minimize the negative impacts of the sequestration.

Comments on IG-Identified Management and Performance Challenges

The Inspector General identifies three management and performance challenges facing the FMC, as outlined below:

I Information Technology Security

Management agrees that protecting computer systems and information is critical, and increasingly difficult in an ever-changing technology environment. Staff continues to make progress on addressing the agency's known IT security vulnerabilities, however, it will be an increasingly difficult task with a smaller portion of the agency's budget available to purchase needed software and equipment in the coming fiscal years. Staff is working to develop an IT plan for the next several years, weighing risk and prioritizing needs to protect our vital resources.

II Workplace Satisfaction

The FMC's Chairman and the senior executive service staff (SES) continue to work closely on efforts to improve workplace satisfaction. The *Statement of Principles* was issued by the SES and endorsed by Chairman Cordero on May 22, 2013. Since then, all SES that report directly to the Chairman have updated their SES contracts to incorporate the principles into their performance plans. The other SES who do not report directly to the Chairman will incorporate the principles into their FY 2014 contracts. In July 2013, a *Draft Plan of Action to Improve FMC Working Environment & Employee Morale* was provided to staff. During August and September, the SES met with staff to discuss the draft plan and gather comments and feedback. Staff comments are now being discussed by the SES and Chairman in frequent, regular meetings, so that the Chairman and SES can have a more finely focused approach to address workplace satisfaction issues.

III Budgetary Resources

Management agrees that increasingly difficult budget choices must be made under the current fiscal climate. All agency programs are competing for scarce resources. Our goal is always to carefully prioritize and manage spending throughout the fiscal year so that all funds are put to the best use. Typically, payroll costs (salaries and benefits) represent about 75% of the Commission's annual expenses. Approximately 20% more of the budget is required for rent and other non-discretionary costs, leaving virtually no discretionary funds. It required great fiscal restraint and sacrifices by agency staff to meet the post sequestration/rescission appropriation level during 2013. Important vacancies remained unfilled, discretionary travel was eliminated, and contracts were cancelled and/or significantly reduced, including IT contract funding, to reduce the forecasted furlough days from up to 14 to just 6. Chairman Cordero's office held weekly budget status meetings to discuss and identify potential cost reductions and economies.

Close scrutiny of staff vacancies will continue for the foreseeable future. As noted, during fiscal years 2010 through 2013, the FMC hired 46 employees and 50 employees left the agency, a net loss of 4 positions. The FMC was unable to meet authorized FTE levels during each of these fiscal years due to appropriation levels and other competing funding needs.

Great consideration was given to the staff position that was filled in March 2013. Recruitment for this position was approved in August 2012 to replace an unanticipated disability retirement of an employee who had been on extended sick leave for much of 2010 through mid-2012. The vacancy was staffed at an entry-level grade and funding for the position was included in the agency's OMB-approved Sequestration Plan. Ever increasing reporting demands have been placed upon the Budget Office staff. Filling the vacancy was deemed critical so that management could continue to be provided with detailed budget analyses and to provide resources to meet external reporting requirements. Further, filling the vacancy was vital to the office's succession planning, as all other office staff are eligible for immediate voluntary retirement. In summary, the backfill position that was staffed during the pay period that sequestration became effective was a fiscally responsible action.

We will continue to closely monitor expenditures in order to reallocate funds where needed throughout the year. Weekly budget status meetings to review expenses at the sub-object code level have proven a very successful funding management tool and they will continue during fiscal year 2014 and beyond.

Improper Payments Information Act

Narrative Summary of Implementation Efforts for FY 2013

I. The Federal Maritime Commission has not identified any program that in and of itself constitutes a high-risk for improper payments. Therefore, the FMC considers all of its payments to fall within the realm of low-risk. As such, the FMC has instituted a separation of duties concerning payments that has been very successful in curtailing any improper payments. The National Finance Center (NFC) became the agency's payroll provider in 2002 and is responsible for monitoring and reporting on any payroll-related payments. Any overpayments made to an FMC employee by the NFC on behalf of the FMC would be offset by NFC. In FY 2013, the FMC had no overpayments. The FMC did not identify any improper collections through Intergovernmental Payments and Collections (IPAC) collections.

II. The FMC did not use a statistical sample to conduct its improper payment rate. The sample contains 100 percent of all disbursements made by the FMC. This was the case for all programs.

III. The FMC will continue to monitor all payments to maintain a zero dollar improper payment figure. To this end, the FMC will ensure that there is sufficient segregation of duties pertaining to payments concomitantly with closer scrutiny of all IPAC collections made against the Commission. The FMC will continue to monitor all disbursements made on its behalf to ensure payments are valid and proper.

IV. The table below represents the improper payments made by the FMC in FY 2013 with percentage forecasts through FY 2016.

Improper Payments Information Act Reduction Outlook FY 2013 - 2016 (millions)						
Program	**FY 13 Outlays**	**FY13 IP %**	**FY13 IP $**	**FY14 %**	**FY15 %**	**FY16 %**
Formal Proceedings	$0.00	0.00	$0.00	0.00	0.00	0.00
Inspector General	$0.00	0.00	$0.00	0.00	0.00	0.00
Equal Employment Opportunity	$0.00	0.00	$0.00	0.00	0.00	0.00
Operations and Administrative	$0.00	0.00	$0.00	0.00	0.00	0.00
Totals	**$0.00**	**0.00**	**$0.00**	**0.00**	**0.00**	**0.00**

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

The receipt of an invalid IPAC collection must be processed as a payment, as the funds have already been moved from the Treasury General Fund as a disbursement against the FMC's Agency Location Code (ALC). Invalid IPACs are then charged back to the billing agency to reverse the transaction. The internal controls in place remain unchanged, with close scrutiny of invoices and subsequent payments.

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

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

b. In FY 2013, the FMC requested funding to maintain the contract between the FMC and BFS for financial support and platform access to the Oracle database through Oracle's Discoverer portal.

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

IX. The current IPAC system does not allow an agency to refuse a collection against its ALC through the General Fund it deems improper. The end result is a requirement to make the payments during the accounting period in which the collection was made and reverse the collection at a later date. The ability to challenge the collection would reduce the number of improper collections made against the agency.

Summary of Financial Statement Audit

Summary of Financial Statement Audit					
Audit opinion	Unqualified				
Restatement	No				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
None	0	0	0	0	0