FEDERAL MARITIME COMMISSION

PERFORMANCE AND ACCOUNTABILITY REPORT

FISCAL YEAR

2008

VISION

Fairness and Efficiency in U.S. Maritime Commerce

MISSION

The FMC's Mission is to :

- *Develop and administer policies and regulations that foster a fair, efficient and secure maritime transportation system;*
- *Protect U.S. maritime commerce from unfair foreign trade practices and market-distorting activities;*
- *Facilitate compliance with U.S. shipping statutes through outreach and oversight;*
- *Assist in resolving disputes.*

This Fiscal Year 2008 Performance and Accountability Report

is published by the

Federal Maritime Commission

An electronic version of this report can be found at

http://www.fmc.gov/home/performanceaccountabilityreports.asp

Please refer any questions concerning this report to the

Federal Maritime Commission at

(202) 523-5800

Published in Washington, DC

November 17, 2008

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 Managers' 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.cbo.gov/showdoc.cfm?index=2193&sequence=0

The Federal Financial Management Improvement Act of 1996 requires the assessment of financial systems to ensure they adhere to government -wide financial requirements. The Act can be found at the following URL:

http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=104_cong_public_laws&docid=f:publ208.104.pdf

The Inspectors General Act of 1978 (amended) requires that the inspector general make available information on management actions taken in response to inspector general audits. The Act can be found at the following URL:

http://www.access.gpo.gov/uscode/title5a/5a_2_.html

The Government Performance and Results Act of 1993 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/mgmt-gpra/gplaw2m.html

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

GLOSSARY OF ACRONYMS

-#-

1920 Act	**Merchant Marine Act, 1920**
1984 Act	**Shipping Act of 1984**

-A-

ALJ	**Administrative Law Judge**
AR	**Area Representative**

-B-

BCL	**Bureau of Certification and Licensing**
BOE	**Bureau of Enforcement**
BPD	**Bureau of the Public Debt**
BTA	**Bureau of Trade Analysis**

-C-

CADRS	**Office of Consumer Affairs and Dispute Resolution Services**
C&A	**Certification and Accreditation Services**
CIO	**Chief Information Officer**
COOP	**Continuity of Operations Plan**

-D-

DC	**District of Columbia**

-E-

EEO	**Equal Employment Opportunity**
e-government	**Electronic government**
e-OPF	**Electronic Official Personnel File**

-F-

FACTS	**Federal Agencies' Centralized Trial-Balance System**
FAIR Act	**Federal Activities Inventory Reform Act**
FFMIA	**Federal Financial Management Improvement Act**
FISMA	**Federal Information Security Management Act**
FMC/Commission	**Federal Maritime Commission**
FMFIA	**Federal Managers' Financial Integrity Act**
FSPA	**Foreign Shipping Practices Act of 1988**
FTE	**Full-Time Equivalent**
FY	**Fiscal Year**

-G-

GPRA	**Government Performance and Results Act**
GRI	**General Rate Increase**

-I-

IG	**Inspector General**
IT	**Information Technology**

GLOSSARY OF ACRONYMS

-M-

MD&A	Management's Discussion and Analysis
MTO	Marine Terminal Operator

-N-

NIST	National Institute of Standards and Technology
NVOCC	Non-Vessel-Operating Common Carrier

-O-

OA	Office of Administration
OALJ	Office of Administrative Law Judges
OFM	Office of Financial Management
OGC	Office of General Counsel
OHR	Office of Human Resources
OIG	Office of the Inspector General
OIT	Office of Information Technology
OMB	Office of Management and Budget
OMS	Office of Management Services
OPM	Office of Personnel Management
OPS	Office of Operations
OS	Office of the Secretary
OSRA	Ocean Shipping Reform Act of 1988
OTI	Ocean Transportation Intermediary

-P-

P.L.	Public Law
PAR / Report	Performance and Accountability Report
PVO	Passenger Vessel Operator

-R-

RPI	Regulated Persons Index

-S-

SBR	Statement of Budgetary Resources
SEOP	Safety and Security of Employees and Operations Plan
SES	Senior Executive Service
Shipping Act	Shipping Act of 1984

-U-

URL	Uniform Resource Locator
U. S.	United States

-V-

VOCC	Vessel-Operating Common Carrier

TABLE OF CONTENTS

FEDERAL MARITIME COMMISSION

MANAGEMENT'S DISCUSSION and ANALYSIS

Fiscal Year 2008

A MESSAGE FROM THE COMMISSION

The Federal Maritime Commission’s (“FMC” or “Commission”) Performance and Accountability Report for Fiscal Year 2008 will enable industry participants and the public to understand the Commission’s ongoing performance in the regulation of the international ocean shipping industry. We believe that the performance and financial data in the Report are complete and reliable under Office of Management and Budget guidelines. In a few clearly marked instances, estimates have been used where actual numbers do not yet exist. As data becomes available, those estimates will be replaced with actual figures in subsequent Reports.

The Commission’s mission is to:

- Develop and administer policies and regulations that foster a fair, efficient and secure maritime transportation system;
- Protect U.S. maritime commerce from unfair foreign trade practices and market-distorting activities;
- Facilitate compliance with U.S. shipping statutes through outreach and oversight;
- Assist in resolving disputes.

The fundamental mandate underlying the agency’s mission is to help remove impediments to fair competition – undue controls, influences or non-market barriers imposed by any nation, carrier, cargo owner or transportation intermediary – which can adversely affect U.S. oceanborne trade. Our regulatory system calls for necessary oversight with minimal disruption to the efficient flow of U.S. imports and exports, ensuring fair competition in the ocean transportation industry while allowing the industry to conduct business as efficiently as possible. We are committed to developing programs and processes that will enable the Commission to fulfill this mission in the context of an evolving industry. In doing so, we strive to increase performance efficiencies and the effectiveness of our workforce.

In fiscal year 2008, the Commission set out to achieve twelve specific performance goals. Progress was made on each of the goals which the Commission pursued in 2008: one goal was fully achieved, one goal was substantially changed and two goals were deemed unnecessary or not feasible. During fiscal year 2008, the Commission drafted a new Strategic Plan for 2010-2015 and in that process changed the manner in which it will measure performance, setting performance goals directly linked to new strategic goals. In addition, the Commission continued its substantial progress towards fulfillment of the President’s Management Agenda. Notably, the agency received an unqualified opinion on its financial statements for the fifth consecutive year. The agency further expanded its use of electronic government by increasing the number of documents available online and by making substantial progress towards agency-wide database integration. Regarding succession planning, the Commission updated Commission Order 90, *Emergency Preparedness Program*, which outlines the Commission’s order of succession plan as well as its vital records program.

The Commission is proud of its fiscal year 2008 accomplishments and we look forward to continuing to provide high-quality service to the American public in future years.

Sincerely,

Joseph E. Brennan	Harold J. Creel Jr.	Rebecca F. Dye
Commissioner	Commissioner	Commissioner

November 17, 2008

Chapter One

MANAGEMENT’S DISCUSSION and ANALYSIS

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”) 2008, 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 ending 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-A136 (Revised), and covers the Commission’s activities from October 1, 2007 through September 30, 2008.

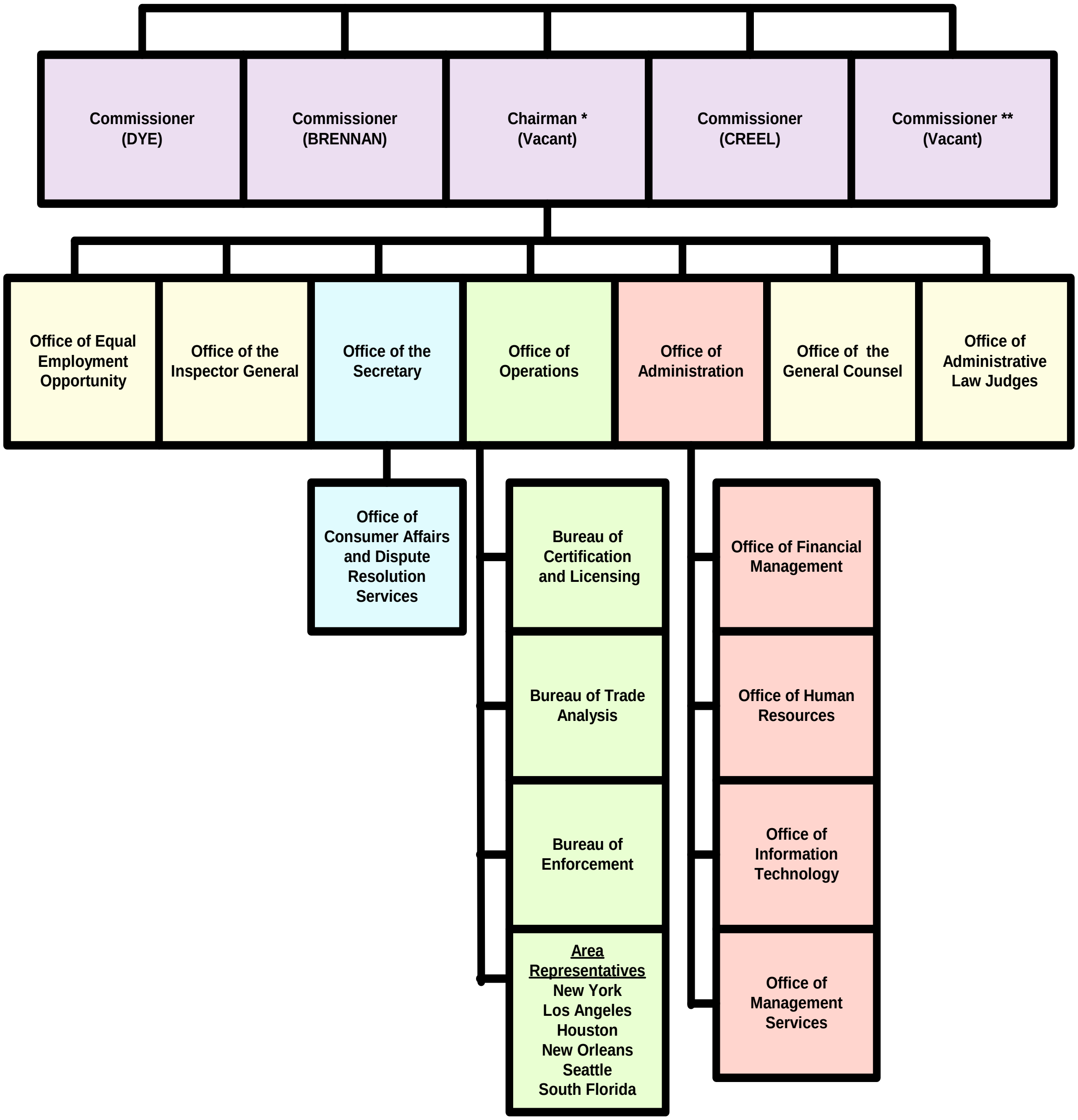
FMC Core Functions

The FMC is an independent transportation/trade regulatory agency which administers the Shipping Act of 1984 (“1984 Act” or “Shipping 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 Public Law (“P.L.”) 89-777 (passenger vessel certification). The Commission: monitors the activities of ocean common carriers, marine terminal operators, conferences, ports and ocean transportation intermediaries (non - vessel - operating common carriers and ocean freight forwarders) which operate in the U. S. foreign commerce to ensure they maintain just and reasonable practices; maintains a trade monitoring and enforcement program 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; 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 arrangements and service contracts 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 Commission also issues licenses to qualified ocean transportation intermediaries (“OTIs”) in the U.S., ensures that all OTIs are bonded or maintain other evidence of financial responsibility, and ensures that passenger vessel operators (“PVOs”) demonstrate adequate financial responsibility in case of nonperformance or injury to passengers.

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 FMC may belong to the same political party. The President designates one of the Commissioners to serve as Chairman. The Chairman is the chief executive and administrative officer of the agency. The FMC’s organizational units consist of: Offices of the Commissioners; Office of the General Counsel (“OGC”); Office of the Secretary (“OS”), including the Library and Office of Consumer Affairs and Dispute Resolution Services (“CADRS”); Office of Administrative Law Judges (“OALJ”); Office of Equal Employment Opportunity (“EEO”); Office of the Inspector General (“OIG”); Office of Operations (“OPS”), including the Bureaus of Certification and Licensing (“BCL”), Enforcement (“BOE”), and Trade Analysis (“BTA”); and Office of Administration (“OA”), including the Offices of Financial Management (“OFM”), Human Resources (“OHR”), Information Technology (“OIT”), and Management Services (“OMS”). The majority of FMC personnel are located in Washington, DC, with Area Representatives (“ARs”) in New York, New Orleans, Los Angeles, Seattle, Houston and South Florida.

Organizational Chart as of September 30, 2008



*The former Chairman resigned on November 30, 2006.
**The Commissioner position was vacated on May 30, 2008.

Regulatory Responsibility

The Commission’s principal regulatory responsibilities include:

- Reviewing agreements among ocean common carriers and marine terminal operators (“MTOs”) relating to service in the U.S. foreign oceanborne trades, to ensure that they do not cause substantial increases in transportation costs or decreases in transportation services.

- Reviewing service contracts between ocean common carriers and shippers to guard against detrimental effects to shipping in the U.S. foreign trades.

- Ensuring that common carriers’ tariff rates and charges are accessible to the shipping public in private, electronically accessible systems.

- Regulating rates, charges, and rules of government-owned or -controlled carriers to ensure that they are just and reasonable.

- Issuing passenger vessel certificates evidencing financial responsibility of vessel owners or charterers to pay judgments for personal injury or death, or to refund passenger fares for the nonperformance of a voyage or cruise.

- Licensing OTIs in the U.S. to protect the public from unqualified, insolvent, or dishonest companies.

- Ensuring that OTIs maintain sufficient financial responsibility to protect the shipping public from financial loss.

- Protecting the shipping public against economic harm by investigating rates, charges, classifications, and practices of common carriers, MTOs, and OTIs operating in the foreign commerce of the U.S.

- Taking action to address unfavorable conditions arising out of foreign government or business practices in the U.S. foreign shipping trades.

The FMC is authorized by the FSPA, section 19 of the 1920 Act, and section 13(b)(6) of the 1984 Act 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 also 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 also requires all carriers to make their rates, charges and practices available in automated tariff systems that must be available electronically to the public. Non-vessel-owning common carriers ("NVOCCs") may assess the rates and charges published in their tariffs or may offer service arrangements 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 our 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.

P. L. 89-777 requires 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 sufficient financial responsibility to protect shippers from financial loss. Additionally, the FMC licenses all U.S. OTIs.

The FMC carries out its regulatory responsibilities by conducting informal and formal investigations. It holds hearings, considers evidence and renders decisions, and issues appropriate orders and implementing regulations. The FMC also adjudicates and mediates disputes involving the regulated community, the general shipping public, and other affected individuals or interest groups.

The FMC also carries out a management and support function for information technology ("IT"), financial management, human resources, and administrative support.

The FMC oversees approximately 5,400 regulated persons (passenger vessel operators, conferences, OTIs, etc.).

The FMC has a new, improved, easy-to-navigate website which contains more information concerning the agency's activities and responsibilities. Please visit us at www.fmc.gov.

Future Challenges

International trade remains dependent upon an efficient ocean transportation system. The ocean shipping industry continues to face significant challenges related to port and maritime security, port congestion, industry consolidation and dynamic economic conditions. As the industry restructures to adapt to these changes, it is imperative for the FMC to ensure that its oversight produces a competitive trading environment in U.S. ocean commerce that is in harmony with, and responsive to, international shipping practices, and encourages fair and open commerce.

In response to industry changes, the Commission continues to review its regulatory initiatives to ensure that agency resources are utilized in a manner best suited to accomplish statutory obligations with a minimum of government intervention and regulatory cost. Similarly, we have implemented new internal business processes that are more responsive to the needs of the industry and other government agencies.

Cooperative working arrangements with front-line security agencies remain in place. Effective use of emerging information technologies continue to facilitate our efforts.

Program Performance Overview

The FMC, like other Federal agencies, provides an annual 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 complete FY 2008 Program Performance Report is contained in *Chapter 2, Program Performance*. In FY 2008, the Commission focused on refining the agency’s business practices, specifically on revising and updating internal procedures in line with the amendment of Commission regulations. This includes facilitating the use and dissemination of filed material in order to improve analysis of required filings and responsiveness to inquiries, and implementation of procedural changes to enhance the effectiveness of agency operations. We broadened our efforts to implement the President’s Management Agenda initiative to expand electronic government (“e-government”) by improving the management of information through the more effective use of available technologies. We also streamlined the delivery of services and information to regulated entities, other government agencies and the public, and further automated agency systems and enhanced the use of agency databases to allow staff to discharge program responsibilities more effectively. In FY 2008 the Commission updated Commission Order 90, *Emergency Preparedness Program*, which outlines the Commission’s order of succession plan as well as its vital records program. Overall, we are pleased with the success we achieved in addressing our stated goals and objectives.

Achieving Strategic Goal Results

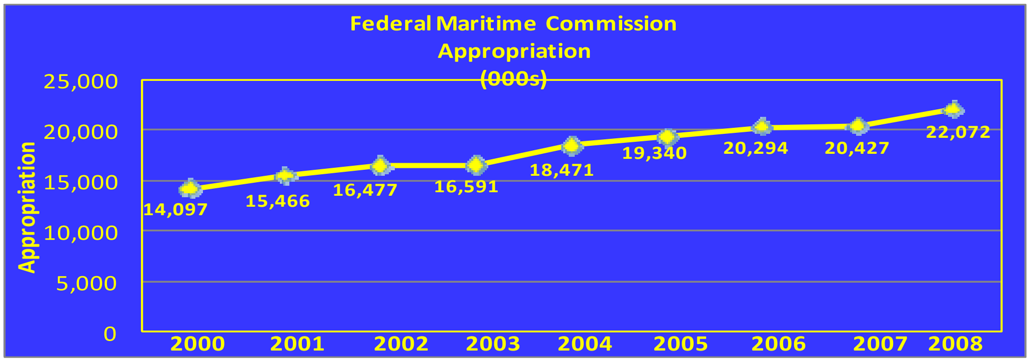
The FMC has a distinct process for measuring performance. Performance goals are developed to promote one of the FMC’s strategic goals, and the processes or activities required to achieve the goals are identified. The agency then specifies the outcomes it believes will result from accomplishing each stated goal, and agrees on performance indicators as the quantifiers of performance. Finally, performance measures are established for evaluation of achievement of performance goals. Taken together, performance goals under each strategic goal are designed to enhance and further those goals each fiscal year, bringing the agency closer to its ideal of full achievement of its strategic goals.

Financial Performance Overview

As of September 30, 2008, the financial condition of the FMC was sound with respect to having sufficient funds to meet program needs and adequate control of funds in place to ensure obligations did not exceed budget authority. The FMC’s accounting services provider, the Bureau of the Public Debt (“BPD”), prepared the agency’s financial statements in accordance with accounting standards and OMB Circular A-136, *Financial Reporting Requirements (Revised 6/03/2008).*

Sources of Funds

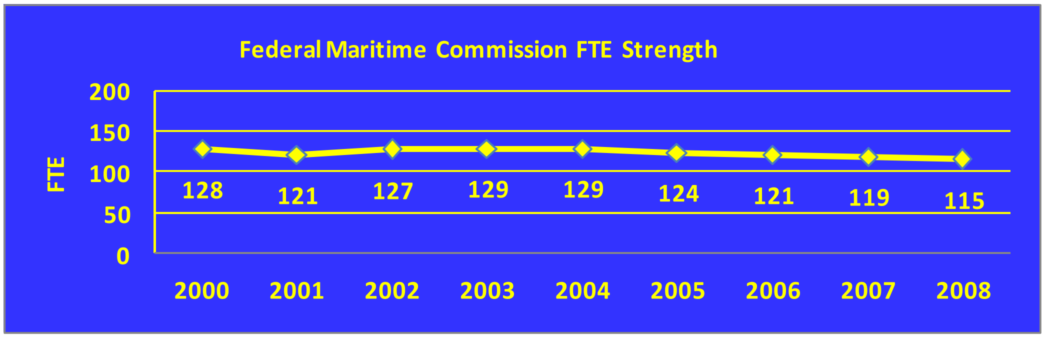
The FMC has a single source of funds, Salaries and Expenses, funded by an annual appropriation that is available for commitments and obligations incurred during the fiscal year in which the authority was granted. The FMC's total new budget authority for FY 2008 was $22,072,000. This represents a net increase in budget authority over FY 2007 of $1,644,090. Although the FMC collects remittances for "user fees" and "fines and penalties," the agency is not authorized to offset any of its budget authority by utilizing these funds. The collections are deposited directly into the Treasury General Fund, and captured in the Statement of Custodial Activity which can be found in *Chapter 3, Auditors' Reports and Financial Statements.*



Personnel Strength History

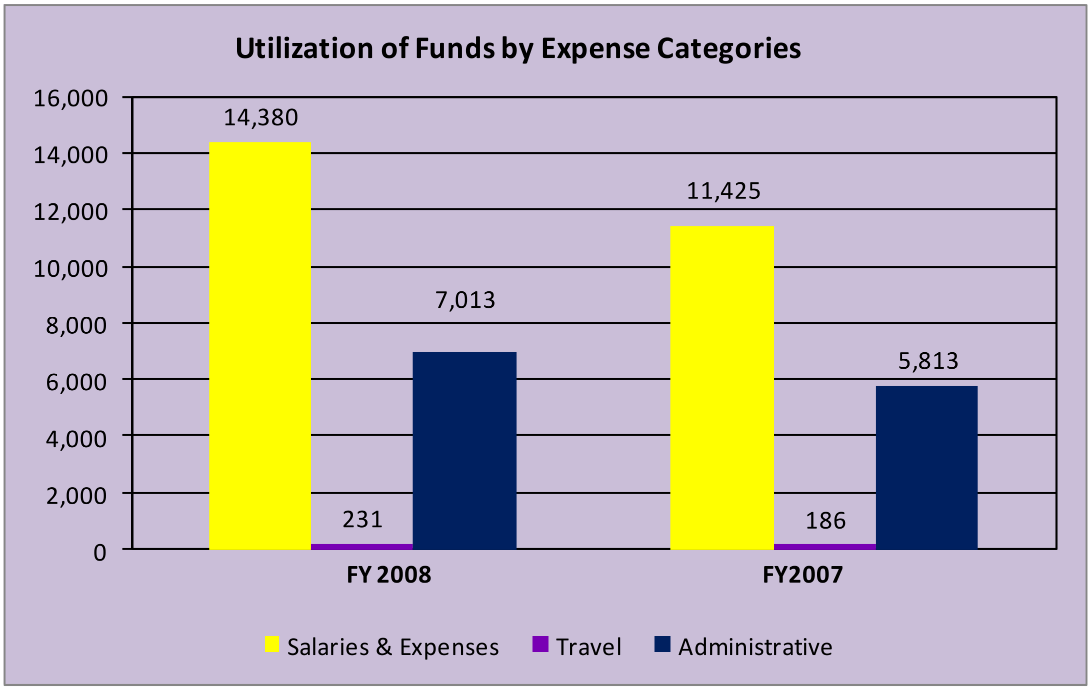
The FMC's actual full time equivalent ("FTE") level has fluctuated since 2000. After a decline in 2001, the FMC experienced modest growth in its FTE level through 2004, followed by an annual decline through 2008. The agency has endeavored to develop the appropriate mix of staffing and other available means to ensure the effective accomplishment of our mission.

In recent years, the Commission has been authorized a total of 180 FTE positions. Due to appropriation levels, the Commission has been required to maintain full-time personnel levels much lower than authorized.



Uses of Funds by Expense Category

In FY 2008, the FMC incurred new obligations of $21.6 million, which was a $4.2 million increase over FY 2007. Of the total appropriation, 66.5% was used for salaries and benefits. Of the remaining budget authority, 1% was used for Commission travel expenses and the remaining 32.5% was used for administrative expenses also known as operating expenses (e.g., rent, furniture, printing, maintenance). The un-obligated authority balance of $447,579 will remain active for four years to service FMC-established requirements.



Audit Results

The FMC received an unqualified opinion on its FY 2008 financial statements from the independent auditing firm of Dembo, Jones, Healy, Pennington & Marshall, P.C. under contract through the FMC's OIG. Comparative statements can be located in *Chapter 3, Auditors' Report 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). These statements have been prepared from the books and records of the Commission in accordance with the formats prescribed by OMB and are in addition to the financial reports used to monitor and control budgetary resources. The financial statements, footnotes, and the remainder of the required supplementary information appear in their entirety in *Chapter 3, Auditors' Report and Financial Statements.* A brief analysis of the principal statements follows.

Analysis of the Balance Sheet

The FMC’s assets in FY 2008 were $4,128,825 as of September 30, 2008. This represents an increase over FY 2007 of $1,212,310. The FMC’s assets reported in the balance sheet are summarized in the accompanying table.

Summary of Assets as of September 30, 2008		
	FY 2008	FY 2007
Fund Balance with Treasury	$4,062,134	$2,843,269
Accounts Receivable	$64,579	$66,144
Capital Assets (Net)	$2,112	$7,102
Other	0	0
Total Assets	**$4,128,825**	**$2,916,515**

The Fund Balance with Treasury is comprised only of annual appropriations maintained by the Department of the Treasury to address current liabilities. The FMC had an increase in its FY 2008 Fund Balance with Treasury of 42.8% over the FY 2007 level. The FY 2008 Fund Balance of $4,062,134 includes FY 2008 budget authority not spent in the amount of $447,579, largely due to vacancies of senior management and Commissioner positions. Also included is unavailable funds of $300,086 representing spending authority from prior years; these funds represent expired authority unavailable for new obligations. The final and largest portion of the Fund Balance with Treasury is obligated balances not yet disbursed totaling $3,314,469. This category represents goods and services received by the Commission for which vendors have not been paid.

Accounts Receivable represents all outstanding debts owed the Commission from its customers. As of September 30, 2008 the total book value for accounts receivable was $64,579.

The “Net” value of $2,112 for Capital Assets, also known as Property, Plant and Equipment accounts for the depreciation of all assets and represents the current book value of those assets.

The FMC’s Liabilities totaled $2,451,226 as of September 30, 2008. The accompanying table depicts an increase of $126,739 total liabilities over FY 2007. Accounts Payable represents goods and services received for which vendors have not been paid as of the close of FY 2008. Federal Employee Benefits represents accrued salaries and liabilities that are not funded by budgetary resources. These liabilities represent future workers’ compensation and accrued annual leave.

Summary of Liabilities as of September 30, 2008		
	FY 2008	FY 2007
Accounts Payable	$310,274	$315,679
Payroll Taxes Payable	$130,152	$110,916
Federal Employee Benefits	$1,032,287	$1,012,520
Custodial Liability	$63,593	$65,321
Accrued Liabilities	$914,920	$820,051
Total Liabilities	**$2,451,226**	**$2,324,487**

Analysis of the Statement of Changes in Net Position

The Statement of Changes in Net Position reports the change in the agency’s net position during the reporting period. The statement is a summary of two factors, Unexpended Appropriations and Cumulative Results in Operations. The increase of $1,085,571 from FY 2007 to FY 2008 is due principally to an increase in unexpended appropriations.

Net Position Summary as of September 30, 2008		
	FY 2008	FY 2007
Unexpended Appropriations	$2,706,788	$1,596,624
Cumulative Results of Operations	($1,029,189)	($1,004,596)
Total Net Position	**$1,677,599**	**$592,028**

Net Position is the difference between total assets and total liabilities. The total net position for FY 2008 is an increase of $1,085,571 from FY 2007. Unexpended Appropriations represents the total authority granted by Congress that the FMC has not expended as of September 30, 2008. The decrease in Cumulative Results is due mainly to the net decrease in Capital Assets as of September 30, 2008.

Analysis of Net Cost

The analysis of Net Cost presents the net cost of FMC's five Commission Programs as identified in the FMC's Annual Report. The five agency programs are Office of Administration, Office of Operations, Formal Proceedings, Office of Inspector General, and Office of Equal Employment Opportunity. Net Costs compared to Budgetary Resources can be found in *Chapter 3, Auditors' Report and Financial Statements.*

Summary of the Statement of Net Cost as of September 30, 2008		
	FY 2008	**FY 2007**
Office of Administration	$6,088,432	$8,869,541
Office of Operations	$9,540,047	$7,203,333
Formal Proceedings	$5,627,251	$4,801,085
Office of Inspector General	$597,799	$394,294
Office of Equal Employment Opportunity	$161,903	$141,593
Net Cost of Program Services	**$22,015,432**	**$21,409,846**

Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources ("SBR") shows the source of the agency's budgetary resources and the status of those resources at the end of the reporting period. The total budgetary resources must be equal to the status of budgetary resources at all times. A more detailed SBR can be found in *Chapter 3, Auditors' Report and Financial Statements*. For FY 2008, the FMC had total budgetary resources available of $22,438,514. This represents a 8.1% increase over FY 2007 budgetary resources available of $20,747,389. For FY 2008, the FMC incurred obligations of $21,690,849, representing 98.3% of available funding. The unobligated balance of $447,579 is largely due to vacancies of senior management and Commissioner positions.

Summary of the Statement of Budgetary Resources as of September 30, 2008		
	FY 2008	**FY 2007**
Total Budgetary Resources	**$22,438,514**	**$20,747,389**
Obligations Incurred	$21,690,849	$20,536,495
Unobligated Balance Unavailable	$300,086	$206,383
Unobligated Balance	$447,579	$4,511
Status of Budgetary Resources	**$22,438,514**	**$20,747,389**

Systems, Controls, and Legal Compliance

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

Federal Managers' Financial Integrity Act
Federal Financial Management Improvement 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 cost 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.

In our Message earlier in this document, the Commission provided its annual assurance statement. This statement was based on various sources and included management knowledge gained from the daily operation of agency programs and reviews, discussions with senior managers who together comprise the agency's Senior Policy Group, audits of financial statements, annual performance plans, and OIG reports, among other sources. The Senior Policy Group is comprised of all SES-level senior executives, including the Director of Operations and General Counsel, among others. Additionally, the Commission 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, corrective actions for significant deficiencies identified in the agency's information technology area are overseen directly by the agency's Chief Information Officer ("CIO").

Commission Assurance Statement

The Commission determined that, as of September 30, 2008, the management controls of the FMC provide reasonable assurance that the objectives of the FMFIA are being met, and that the FMC, as a whole, is in compliance with section 2 of the FMFIA. The FMC's financial management systems also are in substantial compliance with the objectives of the FMFIA, and the Commission is in compliance with section 4 of the FMFIA.

Joseph E. Brennan Commissioner	Harold J. Creel Jr. Commissioner	Rebecca F. Dye Commissioner

November 17, 2008

During the fiscal year, the IG identified one significant deficiency (formerly called a "material weakness" by OMB) in the information technology ("IT") program. The OIG's evaluation found that the FMC consistently failed to adequately document key aspects of its information security program, calling into question whether required planning and testing activities were performed. Certification and Accreditation ("C&A") documentation reviewed by the OIG did not comply with National Institute of Standards and Technology ("NIST") or OMB requirements for the FMC Network and several mission- critical business applications. Further, it was found that FMC's emergency preparedness documentation and Safety and Security of Employees and Operations Plan / Continuity of Operations Plan ("SEOP" / "COOP") did not address IT recovery in sufficient detail.

Federal Financial Management Improvement Act

The Federal Financial Management Improvement Act ("FFMIA") requires agencies to implement and maintain systems that comply substantially with: Federal financial management system requirements; applicable Federal accounting standards; and the standard general ledger at the transaction level. The Act requires the agency head to determine whether the agency's financial management systems comply with the FFMIA and to develop remediation plans for systems that do not comply.

FY 2008 Federal Financial Management Improvement Act Results

The Commission determined that, as of September 30, 2008, the FMC's financial management systems were in substantial compliance with the FFMIA. In making their determination, the Commission considered the results of audits conducted by outside auditors in successive fiscal years, in addition to OIG reports, among other resources.

Prompt Payment Act

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 2008, the FMC maintained a percentage of on-time payments at 98.41%. The interest payments of $321.00 were a direct result of late approvals received from the COTRs of merchandise or services received. The FMC will continue to strive towards 100% on-time payments in future years. The FMC has maintained a 100% on-time electronic/credit-card payment to its vendors.

Debt Collection Improvement Act

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 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.

Biennial Review of User Fees

The Chief Financial Officers Act requires agencies to conduct a biennial review of fees and other charges imposed by agencies, and to make revisions to cover program and administrative costs incurred. During FY 2008, the FMC completed its biennial review of user fees. The OIG conducted an audit of the methodology used to calculate the updated user fees. Implementation of new user fee structure is pending.

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 receives travel, procurement, accounting and financial services from the Bureau of Public Debt (“BPD”) located in Parkersburg, WV. The Commission verifies and reconciles all financial statements and reports prior to submission, and has remained in compliance with all reporting thresholds including FACTS I (Federal Agencies’ Centralized Trial-Balance System) reporting and reconciliation of any financial statement differences.

Inspector General Act

The FMC has a very good record in resolving and implementing open audit recommendations presented in its OIG reports. Section 5(b) of the Inspector General Act requires agencies to report on final actions taken on OIG audit recommendations. Information can be found in *Chapter 4, Other Accompanying Information*.

Briefly, during FY 2008, the Inspector General completed the following audits/inspections:

Audit of FY 2007 FISMA Compliance
Audit of FY 2007 Financial Statements
Audit of the FMC’s Telephone Services
Review of Expenses to Furnish, Redecorate or Improve the Offices of FMC Commissioners
Audit of the Management of *BlackBerry* Communication Devices
Audit of the FMC’s Budget Execution Processes, Procedures and Policies for FY 2007
Audit of FY 2008 FISMA Implementation
Evaluation Report on Privacy and Data Protection
IG Assessment of Management Challenges Facing the FMC

The Inspector General’s reviews disclosed no instances of questioned costs and two recommendations were made regarding funds totaling $40,800 which could have been put to better use. The FMC has addressed a number of recommendations from these reviews, and it is anticipated that the ones which remain outstanding will be completed in FY 2009.

During FY 2008, the agency mitigated four significant deficiencies which had been identified in a previous fiscal year. The Inspector General, in his FY 2008 FISMA Review, identified one significant deficiency related to the agency information security program; it is anticipated that corrective action on that deficiency will be completed in FY 2009.

CHAPTER TWO



PROGRAM PERFORMANCE



Fiscal Year 2008

PROGRAM PERFORMANCE

Annual Performance Report

Introduction

The FMC's performance management system includes both strategic goals and performance goals and measures.

The strategic goals represent the FMC's mission and reflect the overall outcomes the agency is working to achieve. They are:

• Efficient Regulatory Process;
• Compliance;
• Balanced Enforcement;
• Technological Efficiencies; and
• Management Capabilities

The performance goals focus on outcomes that contribute to the agency's strategic goals.

To achieve the FMC's strategic goals, both steady-state activities (i.e., long-term and ongoing regulatory responsibilities) and fiscal-year specific performance goals have been developed. The FMC plans and budgets for its program activities during each fiscal year to ensure that appropriate resources (funds and FTEs) are available to accomplish its steady-state activities and achieve its performance goals.

The Commission's actual performance in FY 2008 is compared with the targeted levels of performance established in the agency's FY 2008 Final Annual Performance Plan. This progress report covers the Commission's efforts in FY 2008 to foster an equitable, secure, and market-driven ocean transportation industry. In FY 2008, the agency focused on twelve performance goals. Progress was made on each of the goals, and one goal was fully achieved, one goal was substantially changed and two goals were deemed unnecessary or not feasible.

While our FY 2008 Final Annual Performance Plan contains specific Performance Goals, many of the Commission's resources were dedicated to its various day-to-day activities. This Report focuses on the agency's annual Performance Goals and how they were achieved. Thus, we have organized this report by the five Strategic Goals under which we operated in FY 2008. For each of these Goals, we state the steady state activities and the Performance Goals that are directly related to them. For any Performance Goal that was not met or not substantially completed, we have provided a specific explanation why the Goal was not met, along with the actions and schedule for meeting the Goal in the future.

The agency has forwarded this report to the President, with a copy to the Director, OMB, and appropriate Congressional committees. Additionally, this report has been placed on the FMC's Internet web site to ensure that it is accessible to interested parties. All Commission employees have been advised to review it. Finally, it should be noted that the Commission does not participate in OMB's Program Assessment Rating Tool (PART) program. Accordingly, no PART program evaluations were conducted during FY 2007.

Ongoing Improvements in Performance Management

In FY 2005, the FMC's performance plan for the first time allocated all agency resources, and linked the agency's performance goals directly to its strategic goals, instead of its budget program activities. We continued this process in FY 2006 and FY 2007. During fiscal year 2008, the Commission drafted a new Strategic Plan for 2010-2015 and in that process changed the manner in which it will measure performance, setting performance goals directly linked to new strategic goals. This new Plan includes a set of performance measures that will facilitate the evaluation of the FMC's steady-state activities across several years. In updating the Strategic Plan and moving towards a new performance measurement system, the agency will increase its reporting of ongoing steady-state performance measures, and reduce its reporting of discrete performance measures designed to be concluded as a single-year goal.

Strategic Goal: Efficient Regulatory Process

Provide a timely, efficient and decisive regulatory process, including alternative dispute resolution, to enable all segments of the industry to operate more effectively, with a minimum of regulatory costs.

The primary intention of this Strategic Goal is to minimize regulatory costs by maintaining timely and decisive regulatory processes, and by providing various dispute resolution services. These steps will make the FMC more effective in addressing possible prohibited acts and matters precluding industry efficiency, while reducing the costs of pursuing matters before the agency. Decisive action and effective assistance in resolving informal complaints or disputes will help to remove uncertainties as to statutory interpretations or the application of FMC rules. Such uncertainties may impede operational efficiencies or technological changes, and their resolution can foster a more economical ocean shipping system.

2008 Steady State Activities:

- ◆ Adjudication and resolution of complaints
- ◆ Adjudication and resolution of investigatory proceedings, including fact-findings and show cause proceedings
- ◆ Issuance of rules through the rulemaking process
- ◆ Commission decision-making activities through meetings (formal and notation) that comply with the Government in the Sunshine Act
- ◆ Public information and assistance processes such as press relations, responses to legislative and regulatory inquiries, and compliance with Freedom of Information Act and Privacy Act requirements
- ◆ Other regulatory processes, including activities such as appeals of actions taken on delegated authority, policy issuances, and formal petition processes
- ◆ Providing timely legal counsel to the Commission in order to facilitate regulatory action that is consistent with statutory mandates
- ◆ Representing the Commission's interest in matters before Congress and OMB
- ◆ Reviewing and refining Commission rules to determine their economic impact and ensure that they reflect the current industry environment, as well as meet the needs of the Commission's regulatory mandate
- ◆ Compiling, organizing, and maintaining Commission records
- ◆ Monitor, review and modify, as necessary, Commission regulations to address changing trade conditions, industry practices or statutory modifications

Performance Goal 1:

Develop plan for automating PVO Application Form 131 and perform requirements analysis.

Progress: Due to competing priorities and limited resources, this performance goal has changed and is now pending the completion of an Enterprise-wide Database system. BCL started preliminary plans to automate the PVO Application Form FMC-131, *Application for Certificate of Financial Responsibility*, and conducted a corresponding requirements analysis to facilitate the filing of PVO applications. This requirements analysis will be revisited in conjunction with the broader agency database integration initiative in Performance Goal 3 under the Technological Efficiencies in Strategic Goal 4. A draft Statement of Work for the Enterprise-wide Database system will be developed in the 2nd quarter of FY 2009. Discussions have begun to determine the time required for project completion. Based on these discussions, a new time line with milestones will be produced.

Performance Goal 2:

By 9/30/08, assess the impact and effectiveness of the new rules for agreements.

Progress: This goal will allow the Commission to further update and/or refine its rules relating to the content of filed agreements, minutes, information form and monitoring reports. Meetings have been held at the staff level to discuss the effectiveness of the rules, but no formal report to the Director, OPS has yet been completed. We have identified areas for improvements; monitoring reports for agreements have been modified on an ad hoc basis for several agreements. A pilot program for monitoring reports is underway, making them less burdensome on filers but still meeting our needs for analysis. Due to competing priorities and limited resources, this review has not yet been completed. A timeline with new milestones will be developed.

Strategic Goal: Compliance

Promote the development of U.S. exports and the efficiency of ocean shipping by monitoring and assisting stakeholders in achieving compliance with shipping statutes administered by the FMC.

This Strategic Goal centers on achieving compliance with the substantive provisions of the shipping statutes the FMC administers, and protecting those involved in U.S. ocean commerce from unfair practices. We address this goal particularly by interacting with all sectors of the industry, and by vigilant monitoring of ongoing commercial activities. Accomplishing this goal should minimize unjust discrimination and undue preference or prejudice that may preclude certain shipping interests from obtaining rates or service levels that can render their businesses more economic and efficient. Increasing industry compliance should enable stakeholders to concentrate on fair and legal means of enhancing operational efficiency, secure in the knowledge that competitors are not engaging in illegal actions aimed at improving short-term profits.

2008 Steady State Activities:

◆ Reviewing and maintaining a database of SCs between ocean common carriers and shippers, and using this database to guard against anticompetitive practices and other unfair prohibited activities under the 1984 Act.

◆ Ensuring that common carriers' rates and charges are accessible to the shipping public in private, electronically accessible systems.

◆ Ensuring that OTIs maintain bonds that protect the shipping public from financial losses.

◆ Providing formal and informal legal opinions and guidance to the Commission's staff and the general public to ensure clarity and understanding of Commission rules and regulations.

◆ Administering the Commission's international affairs program.

◆ Working with other agencies to enhance maritime security.

◆ Reviewing operational and pricing agreements among ocean common carriers and marine terminals to ensure that they do not unduly restrict competition.

◆ Issuing passenger vessel certificates evidencing financial responsibility of vessel owners or charterers to pay judgments for personal injury or death or to repay fares for the nonperformance of voyage or cruise.

◆ Licensing OTIs to protect the public from unqualified, insolvent, or dishonest companies.

◆ Responding to informal complaints and informal inquiries from Congress and the public relating to Commission responsibilities.

◆ Acting as a liaison between the FMC and the public by responding and/or coordinating agency responses to public inquiries.

◆ Maintaining a specialized maritime law library for agency and public use.

◆ Conduct audit activity of regulated entities, including OTIs and VOCCs, to promote and ensure compliance with applicable statutes and Commission regulations.

◆ Respond to inquiries and complaints from the regulated industry and shipping public. Provide information, assistance and forms necessary to comply with applicable statutes and Commission regulations including educational seminars.

Performance Goal 1:

Enhance OTI audit/monitoring program as to unlicensed operators.

Progress: In FY 2008, BCL continued to enhance the OTI audit/monitoring program through joint effort with corresponding bureaus in the Agency. BCL has identified entities that may be operating without a license. As part of the audit/monitoring program, BCL continues to develop the OTI outreach program and promote awareness of OTI requirements. This aspect of the outreach program is geared to increase compliance by VOCCs and OTIs with the Shipping Act and decrease the number of transportation users currently impacted by action of unlawful operators.

Performance Goal 2:

Begin redesign of the functionality of OTI list on the homepage to include more information and make it more interactive.

Progress: In FY 2008, BCL focused its limited resources to modernize and expand the Regulated Persons Index ("RPI"), a Commission database containing up-to-date records of licensed OTIs, foreign-based unlicensed OTIs, ocean common carriers, passenger vessel operators, marine terminal operators, and other entities. Among other data uses, the RPI is used to post on the Commission's website a list of OTIs which are compliant with OTI requirements, so that carriers and others can ascertain whether an OTI is properly licensed, bonded and, if required, has posted the location of its automated tariff. In FY 2008, the Commission enhanced the availability of information about OTIs in compliance with FMC requirements by increasing the frequency of updates to the OTI list from weekly to real time. This up-to-date information allows carriers and individuals to identify unlicensed OTIs, and is helpful to other government agencies. BCL will continue to add enhancements to the OTI list on the homepage as the staff assesses results of reviews and reports and plan to work with the OIT to initiate a redesign of the OTI list maintained on the Commission's website to increase accessibility to information, facilitate public search capability, and make it more interactive for users.

Strategic Goal: Balanced Enforcement

Foster economic efficiencies, reliance on marketplace factors and maritime security by administering U.S. shipping statutes in a balanced and equitable manner to redress anticompetitive actions and other unlawful activities.

This Strategic Goal is designed to foster economic efficiencies, assist maritime security initiatives, promote reliance on marketplace factors, and redress excessive anticompetitive practices harmful to international commerce. The FMC's continuing efforts to address the actions of foreign governments that adversely affect U.S. interests and our nation's foreign trade comport with that aspect of the agency's mission aimed at creating an environment "free of unfair foreign maritime trade practices." The FMC's focus on commercial malpractices enhances the objective of limiting unlawful activities.

2008 Steady State Activities:

◆ Investigating discriminatory rates, charges, classifications, and practices of common carriers, terminal operators, and OTIs operating in the foreign commerce of the U.S.

◆ Representing the FMC before U.S. courts and other administrative agencies.

◆ Reviewing staff recommendations and initial decisions for legal sufficiency and preparing final decisions and orders.
◆ Regulating rates, charges, and rules of government-owned or -controlled carriers to ensure that they are just and reasonable and are not unfairly undercutting private competitors.
◆ Protecting shippers and carriers engaged in the foreign commerce of the U.S. from restrictive or unfair foreign laws, regulations or business practices that harm U.S. shipping interests or ocean trade.
◆ Prosecute formal proceedings initiated by the Commission.
◆ Monitor activities and conduct investigations of regulated entities and of SC activity to ensure compliance with statutes and regulations administered by the Commission.
◆ Conduct non-adjudicatory fact-finding proceedings as directed by the Commission.
◆ Provide liaison between the Commission and the shipping industry, the public and other governmental entities.
◆ Coordinate and cooperate with other government entities to improve homeland security by effective exchange of information and assistance regarding foreign ocean transportation.

Performance Goal 1:

Review "best practices" re: VOCCs and NVOCCs offering service to non-compliant entities.

Progress: This performance goal was not fully met in FY 2008 Model provisions for a "best practices" program covering both ocean carriers and NVOCCs have been have been prepared and informally discussed with industry representatives. Those provisions, however, required revision in accord with the Commission's decision in Docket No. 06-09, *In the Matter of the Lawfulness of Unlicensed Persons Acting as Agents for Licensed Ocean Transportation Intermediaries.* As the Commission's decision in Docket No. 06 – 09 was appealed to the U.S. Court of Appeals for the District of Columbia, the revised provisions have not been finalized or reviewed by the Commission.

Performance Goal 2:

Develop rulemaking containing new enforcement options against cruise lines that fail to file PVO reports.

Progress: Due to competing priorities and limited resources, the necessary development for a rulemaking has not been finalized. The Bureau had critical personnel losses, which included the retirements of the PVOIP Director and the OTI Director, as well as loss of staff due to internal agency promotions which affected allocation of BCL personnel to this goal. The Commission has previously researched cruise line issues regarding financial responsibility options and has been following the cruise line industry closely. Staff will continue to monitor changes in the cruise industry and work on identifying areas to continue to protect the cruising public.

Strategic Goal: Technological Efficiencies

Employ technological enhancements to improve efficiency and to facilitate the exchange of information.

This Strategic Goal focuses on making effective use of advancements in information technology to improve the efficiency of agency operations and to enhance the exchange of information with external parties. Dynamic changes continue to be made in this area, and the FMC intends to take advantage of any improvements that can enable it to perform its functions more effectively and efficiently.

2008 Steady State Activities:

◆ Implementing a wide range of IT programs and services, including operating the agency's local area network, strategic planning for short- and long-term IT initiatives, IT security, data telecommunications, database development and management, and Internet page development and maintenance to enhance productivity and efficiency.

- ◆ Maintaining and updating internal databases to enhance the ability of the public and Commission to obtain relevant program-related information and enhance staff productivity.
- ◆ Converting Commission records into electronic format to enable easier public access to information

Performance Goal 1:

Implementation of Pay.gov.

Progress: The performance goal was not completed, but progress was made. The Commission researched issues related to implementing Pay.gov and held discussions with Treasury representatives regarding procedures and system requirements. After consult with senior management, it was determined that Pay.gov implementation should be incorporated in a larger database integration plan. Meetings were held with contractors to discuss the ways agency units might require Pay.gov support. Full implementation is expected in FY 2009.

Performance Goal 2:

Upgrade network and desktop operating systems.

Progress: It was determined by the new Director of Information Technology that this goal was unnecessary. The Desktop Operating systems will not need to be upgraded until FY 2010, and the network operating systems will be upgraded in FY 2009.

Performance Goal 3:

Initiate integration of major databases.

Progress: It was determined by the new Director of Information Technology that this goal would not be feasible. The project to integrate major database systems has been replaced by the project to create an Enterprise-wide Database system. This project was started in the 4th Quarter of FY 2008 and continue into FY 2009.

Performance Goal 4:

Explore options for and begin the development of an online catalogue for the FMC's law/reference library collection.

Progress: Progress has been made toward achievement of this goal. In FY 2008, the Commission completed a needs assessment and evaluated recommendations for the development of an online catalogue for its law/reference library collection. In FY 2009, the agency will implement the adopted plan to replace the current paper catalogue. This plan will employ technology to improve workforce productivity by providing an in-house library access station, as well as online access of the catalogue to all staff from their individual desktops. It is also anticipated that the automated library catalogue entries will be directly linked to other electronic library resources. This will reduce redundancy and increase administrative efficiencies.

Strategic Goal: Management Capabilities

Ensure the FMC has the appropriate organizational framework and management systems to carry out its statutory mandates.

This Strategic Goal addresses Commission management and operations, and serves as the basis for the agency to accomplish the policy objectives set forth in its mission statement. This Goal also ensures continuation of a comprehensive approach to the strategic management of human capital.

2008 Steady State Activities:

- Executing financial management policies and programs, including developing annual budget justifications for submission to the Congress and OMB, managing agency appropriations, administering internal control systems for agency funds, travel and cash management, and coordinating with contractors who provide accounting and payroll services.
- Fostering human resources management principles, including recruitment and placement, position classification and pay administration, occupational safety and health, employee assistance, employee relations, workforce discipline, performance management and incentive awards, employee benefits, career transition, retirement, employee development and training, personnel security, and an equal employment opportunity.
- Ensuring the program operations of the agency are administratively supported via telecommunications, procurement of administrative goods and services, property management, space, printing and copying, mail and records services, facilities and equipment maintenance, and transportation.
- Promoting economy and efficiency in the administration of, and protecting and detecting waste, fraud and abuse in, the agency's programs via auditing agency operations.
- Providing guidance to staff regarding administrative matters, including procurement, personnel and contracting issues.
- Ensuring program compliance with various rules and regulations regarding such areas as forms clearance, Paperwork Reduction, Small Business Paperwork Reduction Act, and other federally required reports and submissions

Performance Goal 1:

Fast track implementation of EHRI (e-OPF).

Progress: This performance goal has been achieved. The FMC continued to participate as a member of the Small Agency Human Resources Consortium ("SAHRC") to evaluate approaches for automating Federal personnel records. Despite contractor delays, the eight member agencies implemented the electronic Official Personnel Folder ("e-OPF") in the last quarter of FY 2008. Although the program was fully implemented, the "backfile conversion process" was not accomplished and is scheduled for completion in FY 2009. Access to e-OPF accounts for employees will be activated following this data conversion and further evaluation will be possible thereafter.

Performance Goal 2:

Assess telework program to encourage usage & advance efficiency of operations.

Progress: The performance goal was not fully completed. A survey was conducted in FY 2007 to identify the total number of employees who telework and to assess supervisors' and employees' opinions regarding the effectiveness of the program and the necessity for program changes. Fifty percent of the workforce completed the survey and results were shared with senior executives. Survey findings were encouraging and subsequent reports of telework activity reflected approximately twenty-five percent of the workforce teleworked during the year. Further review and evaluation of program operations relative to the effective and efficient conduct of agency business was deferred, pending the appointment of an agency head (anticipated during FY 2009).

Areas for Improvement

The Commission continues to pursue improvements in our information technology and data management. As envisioned in Performance Goals established in previous fiscal years, we continue to work towards automation of forms submitted by the public including the FMC-18, *Application for a License as an Ocean Transportation Intermediary*, the FMC-78, *NVOCC Service Arrangement Registration*, and the FMC-83, *Service Contract Registration Form*. The FMC-18 has been available optionally for filing electronically in FY 2008, and the Bureau of Certification and Licensing will continue to design enhancements to the system to expedite licensing. As well, the agency has initiated a pilot program for electronic filing of monitoring reports and minutes collected by the Bureau of Trade Analysis.

The Commission is also working toward enterprise-wide integration of various databases to facilitate and expedite our work processes. This is needed to avoid redundancies in the receipt and maintenance of information as well as to increase transparency throughout the agency and facilitate the easy sharing and exchange of information between agency components.

The Commission recently hired an outside contractor to develop a Human Capitol Plan and Accountability System, which will support the development of a human capitol plan featuring a workforce analysis, a human capitol accountability system, and succession plans. Among various purposes, this will help us to identify potential workforce shortfalls of gaps caused by recent attrition or workload shifts resulting from industry changes, and will assist us in planning for succession in coming years.

Efforts To Integrate Results Into Budget Planning

The FMC continues to make progress in achieving budget and performance integration. The Commission's Strategic Plan and Annual Performance Plan continue to represent the fundamental framework for the agency's planning and budgeting activities. Each year, applicable performance goals are incorporated into the staff's annual performance plans. In FY 2008, funding and FTE levels were integrated into the agency's performance planning document by strategic goal to identify clearly the budgetary and staff resources that are needed to accomplish each goal.

When preparing the resource needs for FY 2008, the Commission first looked at the agency's strategic direction. Activities and performance targets of each of the bureaus and offices were determined and the necessary resources to accomplish the work were identified. The FY 2008 staffing and appropriation levels, in addition to execution requirements, dictated some adjustments to performance targets. Completion of some of the FY 2008 performance goals, and some other prior year goals, are anticipated to be accomplished in FY 2009 and FY 2010. Adequate resources, as may be needed and available to complete these outstanding goals, will be considered within the 2009 and 2010 appropriation levels.

During FY 2008, the FMC's program managers received monthly reports which showed the full cost of their programs and reported how the expenditures compared to their respective budget allocations. These reports allowed managers to plan and manage their programs more efficiently throughout the fiscal year. The reporting mechanism also enabled managers to shift resources to better accomplish performance goals, as necessary.

During FY 2008, the Commission began a comprehensive strategic planning effort to reassess and establish new baselines for performance goals. The agency revised its mission statement and FY 2010-2015 Strategic Plan. The updated strategic plan afforded the opportunity to keep performance measures current to reflect program changes and industry practices and improve performance assessment. The FMC will continue its forward movement in the area of budget and program performance as we develop a closer and clearer link between planning, performance results and our budget process.

CHAPTER THREE

AUDITORS' REPORTS AND FINANCIAL STATEMENTS

Fiscal Year 2008

AUDITORS' REPORTS AND FINANCIAL STATEMENTS

Message from the Chief Financial Officer

The FY 2008 PAR highlights for the President, the Congress and the American people the continuing commitment of the Federal Maritime Commission to sound financial management of the resources entrusted to us. I am pleased to present the FMC's financial statements for FY 2008. Our independent auditor has rendered an unqualified opinion on our FY 2008 financial statements. The FMC now has received an unqualified opinion in each of the five years in which independent financial audits have been conducted, which attests to the FMC's commitment to high quality financial management.

The FMC's financial condition is sound with respect to having sufficient funds to meet its mission and having sufficient internal controls in place to ensure its budget authority is not exceeded.

During FY 2008, the FMC continued to focus on internal controls implementing the requirements of OMB Circular A-123. Our financial management staff is to be commended for consistently finding ways to provide budget information in concise, reliable, and understandable formats. In FY 2008, the agency's goals and objectives were revised and a Draft Strategic Plan for Fiscal Years 2010-2015 was published on our website for public comment. In addition, we completed corrective actions on a number of audit recommendations. Quarterly financial statements were issued 15 days after the end of the quarter, and our FY 2008 PAR is being published on November 17, 2008.

The FMC is committed to efficient and effective management of agency resources. We will focus in FY 2009 on ensuring that adequate management controls continue to be in place and that objectives of the FMFIA are being met. I anticipate that in FY 2009 the FMC will continue its high level of quality financial management.

Sincerely,

Anthony Haywood
Acting Chief Financial Officer

November 17, 2008

AUDITORS' REPORTS AND FINANCIAL 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 the independent firm of Dembo, Jones, Pennington & Marshal, P.C., under contract to the FMC's Office of the Inspector General. These financial statements represent nine months of actual data and three months of estimated industry trends.

AUDITORS' REPORTS AND FINANCIAL STATEMENTS

Independent Auditor's Report

DJHPM
Dembo, Jones, Healy, Pennington & Marshall, P.C.
Certified Public Accountants and Consultants

To the **Federal Maritime Commission**:

In accordance with the Office of Management and Budget (OMB) Bulletin No. 07-04, "Audit

Compliance With Laws and Regulations

Our tests of the **Federal Maritime Commission's** compliance with selected provisions of laws and regulations for fiscal year 2008 disclosed no instances of noncompliance that would be reportable under U.S. generally accepted government auditing standards or OMB audit guidance. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Consistency of Other Information

The **Federal Maritime Commission's** Management's Discussion and Analysis, and other accompanying information contain a wide range of information, some of which is not directly related to the financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with **Federal Maritime Commission's** officials. Based on this limited work, we found no material inconsistencies with the financial statements, U.S. generally accepted accounting principles, or OMB guidance.

Objectives, Scope, and Methodology

Federal Maritime Commission's management is responsible for (1) preparing the financial statements in conformity with U.S. generally accepted accounting principles, (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers' Financial Integrity Act are met, and (3) complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We are also responsible for (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB audit guidance requires testing, and (3) performing limited procedures with respect to certain other information appearing in the Annual Financial Statement.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the financial statements;
- obtained an understanding of the entity and its operations, including its internal control related to financial reporting (including safeguarding assets), and compliance with laws and regulations (including execution of transactions in accordance with budget authority);

Dembo, Jones, Healy, Pennington & Marshall, P.C.
Certified Public Accountants and Consultants

- tested relevant internal controls over financial reporting, and compliance, and evaluated the design and operating effectiveness of internal control;
- considered the design of the process for evaluating and reporting on internal control and financial management systems under the Federal Managers' Financial Integrity Act;
- tested compliance with selected provisions of laws and regulations.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to the **Federal Maritime Commission**. We limited our tests of compliance to selected provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB audit guidance that we deemed applicable to the **Federal Maritime Commission's** financial statements for the fiscal year ended **September 30, 2008**. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our audit in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

Dembo, Jones, Healy, Pennington & Marshall, P.C.

Rockville, Maryland
November 6, 2008

Dembo, Jones, Healy, Pennington & Marshall, P.C.
Certified Public Accountants and Consultants

FEDERAL MARITIME COMMISSION
BALANCE SHEET
AS OF SEPTEMBER 30, 2008 AND 2007
(In Dollars)

	2008	2007
Assets:		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	$ 4,062,134	$ 2,843,269
Total Intragovernmental	4,062,134	2,843,269
Accounts Receivable, Net (Note 3)	64,579	66,144
General Property, Plant and Equipment, Net (Note 4)	2,112	7,102
Total Assets	$ 4,128,825	$ 2,916,515
Liabilities (Note 5):		
Intragovernmental:		
Accounts Payable	$ 36,647	$ 22,201
Employer Contributions and Payroll Taxes Payable	118,028	99,376
Unfunded FECA Liability	1,968	-
Custodial Liability	63,593	65,321
Total Intragovernmental	220,236	186,898
Accounts Payable	273,627	293,478
Accrued Payroll	914,920	820,051
Employer Contributions and Payroll Taxes Payable	12,124	11,540
Unfunded Leave	1,030,319	1,012,520
Total Liabilities	2,451,226	2,324,487
Net Position:		
Unexpended Appropriations - Other Funds	2,706,788	1,596,624
Cumulative Results of Operations - Other Funds	(1,029,189)	(1,004,596)
Total Net Position	1,677,599	592,028
Total Liabilities and Net Position	$ 4,128,825	$ 2,916,515

The accompanying notes are an integral part of these statements.

FEDERAL MARITIME COMMISSION
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007
(In Dollars)

	2008	2007
Program Costs:		
Office of Administration	$ 6,088,432	$ 8,869,541
Office of Operations	9,540,047	7,203,333
Formal Proceedings	5,627,251	4,801,085
Office of Inspector General	597,799	394,294
Office of EEO	161,903	141,593
Net Cost of Operations (Notes 7 and 8)	$ 22,015,432	$ 21,409,846

The accompanying notes are an integral part of these statements.

FEDERAL MARITIME COMMISSION
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007
(In Dollars)

	2008	2007
Cumulative Results of Operations:		
Beginning Balances	$ (1,004,596)	$ (1,030,074)
Budgetary Financing Sources:		
Appropriations Used	20,906,472	20,257,069
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 11)	1,084,367	1,178,255
Total Financing Sources	21,990,839	21,435,324
Net Cost of Operations (Notes 7 and 8)	22,015,432	21,409,846
Net Change	(24,593)	25,478
Cumulative Results of Operations	$ (1,029,189)	$ (1,004,596)
Unexpended Appropriations:		
Beginning Balances	$ 1,596,624	$ 1,453,216
Budgetary Financing Sources:		
Appropriations Received	22,072,000	20,427,910
Other Adjustments	(55,364)	(27,433)
Appropriations Used	(20,906,472)	(20,257,069)
Total Budgetary Financing Sources	1,110,164	143,408
Total Unexpended Appropriations	$ 2,706,788	$ 1,596,624
Net Position	$ 1,677,599	$ 592,028

The accompanying notes are an integral part of these statements.

FEDERAL MARITIME COMMISSION
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007
(In Dollars)

	2008	2007
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	$ 210,894	$ 126,737
Recoveries of Prior Year Unpaid Obligations	210,984	220,175
Budget Authority		
Appropriation	22,072,000	20,427,910
Less: Permanently Not Available	55,364	27,433
Total Budgetary Resources	$ 22,438,514	$ 20,747,389
Status of Budgetary Resources:		
Obligations Incurred		
Direct (Note 9)	$ 21,690,849	$ 20,536,495
Unobligated Balance		
Apportioned	447,579	4,511
Unobligated Balance Not Available	300,086	206,383
Total Status of Budgetary Resources	$ 22,438,514	$ 20,747,389
Change in Obligated Balance:		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	$ 2,632,375	$ 2,549,426
Total Unpaid Obligated Balance, Net	2,632,375	2,549,426
Obligations Incurred Net	21,690,849	20,536,495
Less: Gross Outlays	20,797,771	20,233,371
Less: Recoveries of Prior Year Unpaid		
Obligations, Actual	210,984	220,175
Obligated Balance, Net, End of Period		
Unpaid obligations	3,314,469	2,632,375
Total, Unpaid Obligated Balance, Net, End of Period	$ 3,314,469	$ 2,632,375
Net Outlays:		
Net Outlays:		
Gross Outlays	$ 20,797,771	$ 20,233,371
Less: Offsetting Collections	-	-
Less: Distributed Offsetting Receipts	-	-
Net Outlays	$ 20,797,771	$ 20,233,371

The accompanying notes are an integral part of these statements.

FEDERAL MARITIME COMMISSION
STATEMENT OF CUSTODIAL ACTIVITY
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007
(In Dollars)

	2008	2007
Revenue Activity:		
Total Cash Collections (Note 13)	$ 478,250	$ 1,951,111
Accrual Adjustments	(1,728)	64,041
Total Custodial Revenue	476,522	2,015,152
Disposition of Collections:		
Transferred to Others (by Recipient)	478,250	1,951,088
Increase/(Decrease) in Amounts Yet to be Transferred	(1,728)	64,064
Total Disposition of Collections	476,522	2,015,152
Net Custodial Activity	$ -	$ -

The accompanying notes are an integral part of these statements.

AUDITORS' REPORTS AND 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. 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 Commission are the Shipping Act of 1984, the Foreign Practices Act of 1988, and section 19 of the Merchant Marine Act of 1920, and sections 2 and 3 of Public Law No. 89-777. Most of these statutes were modified by the passage of the Ocean Shipping Reform Act of 1998, which took effect in 1999.

FMC monitors the activities of ocean common carriers, marine terminal operators, conferences, ports and ocean transportation intermediaries (OTIs) (non-vessel-operating common carriers and ocean freight forwarders) who operate in the foreign commerce of the U.S. to ensure they maintain just and reasonable practices. FMC maintains a trade monitoring and enforcement program designed to detect and appropriately remedy malpractices and violations. FMC monitors the laws and practices of foreign governments which could be potentially restrictive and identifies carriers owned or controlled by foreign governments; processes and reviews agreements and service contracts for compliance with statutory requirements; and reviews common carriers' privately published tariff systems for accessibility and accuracy as required by the Ocean Shipping Reform Act of 1998. 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 demonstrate adequate financial responsibility for casualty and nonperformance.

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 also the chief executive and administrative officer of FMC.

Congress enacts appropriations to permit FMC to incur obligations for authorized purposes. In fiscal years 2008 and 2007, FMC was accountable for General Fund appropriations. FMC recognizes budgetary resources as assets when cash (funds held by the U.S. Treasury) is made available through the Department of Treasury General Fund warrants.

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.

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

B. Basis of Presentation

The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and the status and availability of budgetary resources of the FMC. The statements are a requirement of 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 approved by the principals of the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, *Financial Reporting Requirements* 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 statements consist of the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and the Statement of Custodial Activity. In accordance with OMB Circular A-136, 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. These financial statements were prepared following accrual accounting. Budgetary accounting facilitates compliance with legal requirements on the use of federal funds. Balances on these statements may therefore differ from those on financial reports prepared pursuant to other OMB directives that are primarily used to monitor and control FMC's use of budgetary resources.

D. Revenues & Other Financing Sources

Congress enacts annual appropriations to be used, within statutory limits, for operating and capital expenditures. Additional revenues are obtained from service fees and reimbursements from other government entities and the public, but these revenues are not available to the agency to fund operating expenses.

Appropriations are recognized as a financing source when expended. Revenues from service fees associated with reimbursable agreements are recognized concurrently with the accrued expenditures for performing the services. Appropriations expended for capitalized property and equipment are recognized as expenses when an asset is consumed in operations.

FMC recognizes as an imputed financing source the amount of accrued pension and post-retirement benefit expenses for current employees paid on its behalf by the Office of Personnel Management (OPM).

There are no earned revenues for the periods ended September 30, 2008 and 2007.

E. Taxes

FMC, as a federal entity, is not subject to federal, state, or local income taxes, and, accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Balance with Treasury

The U.S. Treasury processes cash receipts and disbursements. Funds held at the Treasury are available to pay agency liabilities. FMC does not maintain cash in commercial bank accounts or foreign currency balances.

G. Accounts Receivable

Accounts receivable consists of amounts owed to FMC by its employees and the general public. Accounts receivable in the Salaries and Expense Fund represent employee-related receivables. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts, management determines that collection is unlikely to occur considering the debtor's ability to pay. Debts six months or more past due are referred to the Department of Treasury for follow-up collection efforts in keeping with the Debt Collection Improvement Act of 1996 (DCIA). Treasury's Debt Management Services (DMS) administers the program and deducts 18 percent from amounts ultimately collected for its fee. Collections, net of fees, are returned to the FMC for remittance to the general fund of the Treasury.

H. Property, Plant and Equipment, Net

FMC's property, plant and equipment is recorded at original acquisition cost and is depreciated using the straight-line method over the estimated useful life of the asset. Major alterations and renovations are capitalized, except wherein the tenant improvement allowance specified in lease agreements covers the costs of certain renovations. Maintenance and repair costs are expensed as incurred. FMC's capitalization threshold is $25,000 for individual purchases. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, plant and equipment. The useful life classification for capitalized equipment assets is 5 years.

I. Advances and Prepaid Charges

Advance payments are generally prohibited by law. There are exceptions, such as some 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.

J. Liabilities

Liabilities covered by budgetary or other resources are those liabilities for which Congress has appropriated funds or funding is otherwise available to pay amounts due.

Liabilities not covered by budgetary or other resources represent amounts owed in excess of available congressionally appropriated funds or other amounts. The liquidation of liabilities not covered by budgetary or other resources is dependent on future congressional appropriations or other funding. Intragovernmental liabilities are claims against FMC by other federal agencies. Liabilities not covered by budgetary resources on the Balance Sheet are equivalent to amounts reported as components requiring

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

or generating resources on the Reconciliation of Net Cost to Budget. Additionally, the Government, acting in its sovereign capacity, can abrogate liabilities.

K. Accounts Payable

Accounts payable consists of amounts owed to other federal agencies and the public.

L. 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 unused sick leave by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management upon the retirement of that individual. No credit is given for sick leave balances upon the retirement of Federal Employee's Retirement System (FERS)-covered employees.

M. Accrued and Actuarial Workers' Compensation

A liability is recorded for actual and estimated future payments to be made for workers' compensation pursuant to the Federal Employees' Compensation Act (FECA). The actual costs incurred are reflected as a liability because FMC will reimburse the Department of Labor (DOL) two years after the actual payment of expenses. 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.

N. Retirement Plans

FMC employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). FERS was established by the enactment of Public Law 99-335. Pursuant to this law, FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired before January 1, 1984 elected to join either FERS and Social Security, or remain in CSRS. All employees are eligible to contribute to the Thrift Savings Plan (TSP). For those employees participating in the FERS, a TSP account is automatically established and FMC makes a mandatory one percent contribution to this account. In addition, FMC makes matching contributions, ranging from one to four percent, for FERS eligible employees who contribute to their TSP accounts. Matching contributions are not made to the TSP accounts established by CSRS employees. For FERS participants, FMC also remits the employer's share of the required contribution.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

FMC does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM.

O. Use of Estimates

Management has made certain estimates when reporting assets, liabilities, revenue, and expenses, and in the note disclosures. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

P. Net Position

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 since inception.

Q. 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 2008 and 2007 to the extent directed by OMB.

R. 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 they are 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. There are no contingencies that require disclosure.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Expired Accounts and Cancelled Authority

Unless otherwise specified by law, annual authority expires for incurring new obligations at the beginning of the subsequent fiscal year. The account in which the annual authority is placed is called the expired account. For five fiscal years, the expired account is available for expenditure to liquidate valid obligations incurred during the unexpired period. Adjustments are allowed to increase or decrease valid obligations incurred during the unexpired period but not previously reported. At the end of the fifth expired year, the expired account is cancelled.

T. Reclassification

Certain fiscal year 2007 balances may 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 as of September 30, 2008 and 2007 consisted of:

	2008	2007
Fund Balances		
Appropriated Funds	$ 4,062,134	$ 2,843,269
Total Fund Balance	$ 4,062,134	$ 2,843,269
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	$ 447,579	$ 4,511
Unavailable	300,086	206,383
Obligated Balance not yet Disbursed	3,314,469	2,632,375
Total	$ 4,062,134	$ 2,843,269

The unavailable unobligated fund balances represents the amount of appropriations for which the period of availability for obligation has expired. This balance is 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 3. ACCOUNTS RECEIVABLE, NET

Net accounts receivable balances as of September 30, 2008 and 2007 are $64,579 and $66,144, respectively.

The accounts receivable is primarily made up of a balance from one non-federal vendor for $56,421 that represents an amount due from a contractor for unsupported claims that were paid by the agency.

NOTE 4. GENERAL PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment account balances as of September 30, 2008 and 2007 were as follows:

Schedule of Property, Plant and Equipment as of September 30, 2008

Description	Acquisition Cost	Accumulated Depreciation	Net Book Value
Office Equipment 5 yrs.	$ 291,938	$ 289,826	$ 2,112

Schedule of Property, Plant and Equipment as of September 30, 2007

Description	Acquisition Cost	Accumulated Depreciation	Net Book Value
Office Equipment 5 yrs.	$ 350,588	$ 343,486	$ 7,102

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on FMC's Balance Sheet as of September 30, 2008 and 2007 include liabilities not covered by budgetary resources, which consist of unfunded leave balances of $1,030,319 and $1,012,520 and FECA balances of $1,968 and zero, respectively. 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 6. LEASES

FMC occupies office space in seven locations, of which only five of the lease agreements are required to be accounted for as operating leases. The lease locations and terms are listed below:

LOCATION	TERM	LEASE EXPIRATON DATE
Hollywood, FL	23 months	05/31/2010
San Pedro, CA	5 years	09/30/2011
Washington DC	10 years	10/31/2012
Jamaica, New York	5 years	07/01/2013
Houston, TX	10 years	08/31/2018

The lease amounts vary from year to year depending on the specific lease. The schedule of future payments for the term of the leases is as follows:

Operating Leases	Fiscal Year	Lease Payments
	2009	$ 2,877,886
	2010	2,892,828
	2011	2,897,671
	2012	2,913,050
	2013	289,816
	Thereafter	64,674
	Total Future Payments	$ 11,935,925

The operating lease amount does not include estimated payments for leases with annual renewal options.

NOTE 7. INTRAGOVERNMENTAL COSTS

Intragovernmental costs represent goods and services exchange transactions made between two reporting entities within the Federal government, and are in contrast to those with non-federal entities (the public). Intragovernmental costs include payments to federal vendors for personnel benefits, rent, utilities, and other services. Payments made to non-federal entities (the public) are comprised primarily of employee salaries and other services. Such costs are summarized as follows:

	2008	2007
Office of Administration:		
Intragovernmental Costs	$ 2,844,453	$ 5,641,709
Public Costs	3,243,979	3,227,832
Total Office of Administration Costs	$ 6,088,432	$ 8,869,541
Office of Operations:		
Intragovernmental Costs	$ 3,005,774	1,155,565
Public Costs	6,534,273	6,047,768
Total Office of Operations	$ 9,540,047	7,203,333
Formal Proceedings:		
Intragovernmental Costs	$ 1,785,954	753,220
Public Costs	3,841,297	4,047,865
Total Formal Proceedings	$ 5,627,251	4,801,085
Office of Inspector General		
Intragovernmental Costs	$ 165,737	$ 43,570
Public Costs	432,062	350,724
Total Office of Inspector General	$ 597,799	$ 394,294
Office of EEO:		
Intragovernmental Costs	$ 71,152	$ 18,754
Public Costs	90,751	122,839
Total Office of EEO	$ 161,903	$ 141,593
Total Intragovernmental costs	$ 7,873,070	$ 7,612,818
Total Public costs	14,142,362	13,797,028
Total Net Cost	$ 22,015,432	$ 21,409,846

NOTE 8. OPERATING/PROGRAM COSTS

Costs by major budgetary object classification as of September 30, 2008 and 2007 are as follows:

Budgetary Object Classifications	2008	2007
Personnel and Benefits	$ 15,476,038	$ 15,530,048
Travel and Transportation	226,734	186,959
Rents, Communication & Utilities	3,217,133	3,290,761
Printing and Contractual Services	2,439,076	1,930,738
Supplies and Materials	164,779	227,805
Equipment	491,672	243,821
Miscellaneous	-	(286)
Total	$ 22,015,432	$ 21,409,846

NOTE 9. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

At September 30, 2008, FMC has $21,690,849 of direct obligations incurred against amounts apportioned under Category A funds, and $20,536,495 at September 30, 2007. Category A apportionments distribute budgetary resources by fiscal quarters. FMC has no reimbursable obligations incurred or any balance in exempt from apportionment.

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

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, calls for explanations of material differences between amounts reported in the Statement of Budgetary Resources (SBR) and the actual balances published in the Budget of the United States Government (President's Budget). However, the President's Budget that will include FY08 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2009 and can be found at the OMB Web site: http://www.whitehouse.gov/omb. The 2009 Budget of the United States Government, with the Actual column completed for 2007, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 11. IMPUTED FINANCING SOURCES

FMC recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, the Office of Personnel Management. For the periods ended September 30, 2008 and 2007, respectively, imputed financing from OPM was $1,084,367 and $1,178,255.

NOTE 12. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. For the periods ended September 30, 2008 and 2007, undelivered orders amounted to $1,959,123 and $1,385,730, respectively.

NOTE 13. CUSTODIAL ACTIVITY

FMC is an administrative agency collecting for the General Fund. As a collecting entity, FMC reports cash collections and refunds as custodial activity on the Statement of Custodial Activity. Cash collections result primarily from FMC regulatory activities to include the assessment of fines and penalties and the payment of license fees by qualified ocean transportation intermediaries (OTIs) in the U.S. A small portion of amounts collected is for interest on past due fines, petitions, status changes and special permission fees.

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

	2008	2007
Fines, Penalties and Forfeitures	$ 182,513	$ 1,372,037
General Fund Proprietary Receipts (license fees)	299,947	587,738
Refund of Moneys Erroneously Received and Covered	(4,210)	(8,664)
Total Custodial Collections	$478,250	$ 1,951,111

NOTE 14. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The Federal Maritime Commission has reconciled its budgetary obligations and non-budgetary resources available with its net cost of operations.

	2008	2007
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 21,690,849	$ 20,536,495
Less: Spending Authority from Offsetting Collections And Recoveries	210,984	220,175
Obligations Net of Offsetting Collections and Recoveries	21,479,865	20,316,320
Less: Offsetting Receipts	-	-
Net Obligations	21,479,865	20,316,320
Other Resources		
Imputed Financing from Costs Absorbed by Others	1,084,367	1,178,255
Net Other Resources Used to Finance Activities	1,084,367	1,178,255
Total Resources Used to Finance Activities	$ 22,564,232	$ 21,494,575
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but Not Yet Provided	$ 573,393	$ 59,250
Resources that Fund Expenses Recognized in Prior Periods	-	48,731
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	573,393	107,981
Total Resources Used to Finance the Net Cost of Operations	$ 21,990,839	$ 21,386,594
Components of the Net Cost of Operations that will Not Require or Generate Resources in the Current Period		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	$ 17,799	$ -
Other	1,968	-
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	19,767	-
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	4,989	9,373
Revaluation of Assets or Liabilities	-	13,879
Other	(163)	-
Total Components of Net Cost of Operations that will Not Require or Generate Resources	4,826	23,252
Total Components of Net Cost of Operations that will Not Require or Generate Resources in the Current Period	24,593	23,252
Net Cost of Operations	$ 22,015,432	$ 21,409,846

CHAPTER FOUR

OTHER ACCOMPANYING INFORMATION

Fiscal Year 2008

Management Challenges Facing the FMC

FEDERAL MARITIME COMMISSION
800 North Capitol Street, N.W.
Washington, DC 20573

October 31, 2008

Office of Inspector General

TO: Commissioner Brennan
Commissioner Creel
Commissioner Dye

FROM: Adam R. Trzeciak
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 2008.

This year, the Office of Inspector General (OIG) has identified five management and performance challenges for inclusion in the FMC's FY 2008 PAR. 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. I am glad to report that the FMC has already devoted significant efforts to address the challenges and progress is being made on these important areas.

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 November 17, 2008.

Attachment

Management and Performance Challenge: To secure the FMC's information systems and network against destruction, data loss or compromise.

Agency Progress in Addressing the Challenge: The FMC continues to make progress in developing its information security program and has addressed or begun to address past security vulnerabilities identified by the OIG. For example, the agency now has documented policies and procedures for many of its IT processes. These form the backbone of a mature information security program. The agency's annual security training program has been revamped to include protection of personally-identifiable information (PII) and other privacy-related issues. Participation in this on-line training module is mandatory and employees are required to pass a test at the completion of the training session. The agency installed scan software, enabling security staff to scan the FMC network for harmful activities and vulnerabilities and initiated planning for security control implementation at its continuity of operations (COOP) site.

Although progress has been made, the OIG has noted areas where improvements are still needed. Implementation of a successful IT security program requires that Federal agencies adopt an enterprise-wide security strategy. It requires a fundamental shift from policy-based compliance to a risk-based approach where agency missions and business functions drive security requirements and associated safeguards. Risks differ depending on agency mission and objectives. Based on the current and prior-year IT security evaluations, the OIG believes that the agency has not yet made the shift to a risk-based approach.

In prior years, the agency followed a piecemeal approach to information security, focusing on securing the agency's firewall from outside attacks, downloading patches where appropriate and upgrading infrastructure with enhanced security capabilities. At the same time, the agency focused on building new databases, increasing on-line connectivity to the agency and its resources and enhancing the tools available to staff to do its work. When security and plans for improving functionality clashed, security often lost out. As a result there was no overall plan to manage information security at the agency.

The agency continues to struggle with accrediting its information systems. The accreditation process provides assurances that security is included in systems from the ground up during development, that risks to those systems are identified and controls implemented that are commensurate with the level of risk, and that the systems are continuously monitored for changes to the risk factors.

In our FY 2007 review of IT security, the OIG opined that the lack of a certification and accreditation process was a significant deficiency in the agency's IT security program. In our FY 2008, assessment, the condition continued to exist, resulting in the same finding. However, the FMC also, near the end of the fiscal year, allocated significant budgetary resources to a private, information security consulting firm, to address weaknesses in its information security program, including the certification and accreditation of all agency systems, and the development of a comprehensive security program to guide the agency in future requirements and challenges.

The Challenge Ahead: IT threats are changing daily. Vulnerabilities arise overnight. Attacks are made on the IT resources of government organizations hourly, many by "thrill seekers" with little or no need or desire for data. Still, systems are compromised and, often, data is lost or destroyed. Fortunately the FMC has not fallen victim to "hackers." However, the agency must not become complacent. One weak link is all hackers need to compromise an entire network.

As the agency continues to move toward electronic databases and applications with a concomitant increase in internet activity, the agency must remain diligent. The investment needed this year to bring agency systems into compliance with Federal requirements is substantial. For too many years, emphasis was placed on production (i.e., faster servers, more powerful desktops, enhanced software, etc.) rather than on security. Now the agency has fallen behind and must spend liberally. Moving forward, it is essential that security receives the attention (i.e., resources) it needs to protect agency assets, and the assets of the organizations connected to FMC systems, from being compromised or destroyed.

Management and Performance Challenge: Ensure that controls over safeguarding personally identifiable information are maintained.

Agency Progress in Addressing the Challenge: During the past year, the FMC has taken significant steps to protect PII that is stored electronically. For example, the agency implemented several privacy and data protection policies, reviewed systems of record and updated its Systems of Records Notice (SORN), reviewed the collection of staff's personally identifiable information to assess whether such collection is needed and included sections on privacy and data protection in its annual security awareness training.

The Challenge Ahead: While the FMC has made progress in implementing privacy and data protection practices, it has not always gone far enough to ensure that controls over PII in both paper and electronic form are implemented. For example, the agency posted its privacy policy on the FMC website, and created a Privacy Impact Assessment (PIA) review tool. However, there is no guidance or procedures for conducting PIA's on electronic information systems. A PIA review had only been conducted on one of the agency's four systems. Further, the web-posted policy was not posted in standardized, machine-readable format to ensure that individuals using any one of a number of web browsers can access it. The agency has not encrypted all data on mobile computers/devices carrying agency data; required two-factor remote access authentication; implemented a 30-minute inactivity timeout function for remote access; or logged and verified all computer-readable data extracts from databases holding sensitive information.

All FMC managers must continue to focus on the challenge of safeguarding the sensitive personal information in their possession, both electronically and maintained in hard copy records, and include measures to control the collection, use and transmission of such information. The agency's Privacy Act Officer must continue to work with the Chief information officer and the Senior Agency Officer for Privacy to ensure a coordinated effort to protect public and agency staff's PII.

Management and Performance Challenge: Implement a user fee structure that is fair, efficient and complies with applicable regulation and cost accounting principles.

Agency Progress in Addressing the Challenge:
The FMC has implemented a process to set user fees for services or products from which the recipient derives a benefit so that the Government recovers the full cost of rendering that service. The agency determines (or estimates) full costs from the best available records in the agency.

The user fees established are based on direct labor costs plus fringe benefits, multiplied by a calculated overhead rate. Based on prior audit work in this area, the OIG determined that the agency did not calculate and apply overhead rates in keeping with cost accounting principles. Using its current methodology, the agency charges one dollar of overhead for each dollar of direct labor allocated. This method significantly understates the agency's costs by about half.

The Challenge Ahead:
The agency has not calculated user fees using generally accepted cost accounting methods. As a result, the agency continues to undercharge for services it provides to the public. The OIG understands that there are policy implications to dramatically increasing fees, as this outcome would require. Specifically, attempts to safeguard the public through the licensure of transportation intermediaries, for example, could be negatively impacted if fees were dramatically increased to cover full costs. Small businesses could decide to forgo an FMC license and its accompanying consumer-oriented safeguards. Office of Management and Budget Circular A-12, *User Charges*, advises agencies to review fees charged to the public every two years. The last review occurred at the FMC in 2005.

To stay in compliance with the regulation, the agency needs to revisit its cost allocation methodology, specifically the identification and application of indirect cost rates. Because of formulas used to set cost rates, moving some indirect costs to direct costs, would decrease overhead rates and lower total costs. Alternatively, management could propose to the Commission that it set fees artificially low to ensure that the "greater good," i.e., widespread compliance with licensing requirements, is achieved.

Management and Performance Challenge: To perform all procurement transactions in a manner that provides for and promotes full and open competition.

Agency Progress in Addressing the Challenge: During the past two fiscal years, the OIG identified weaknesses in the procurement operation that has led to the agency overpaying for services, limiting competition and spending excessively at year-end. In many instances, there was a demonstrated lack of procurement planning, which resulted, in part, in Congressional inquiries as to how the agency was spending appropriated funds. Contributing to these outcomes was the culture within the agency to spend all of its unspent appropriated funds (due primarily to significant personnel vacancies) so as not to reduce subsequent years' appropriations.

Recognizing weaknesses in these areas, the director of the procurement office has taken steps to tighten up the

controls in place to guard against these and similar abuses in procurement transactions. Management has agreed to use a service provider at a sister agency to process many of its complex procurement transactions. Management also now uses a procurement checklist to ensure that all FAR regulations are followed to ensure competition among procurements. Financial managers have tightened controls over spending. In FY 2008, the agency returned over 2 percent of its budget back to the Treasury, up from .0002 percent the previous year.

The Challenge Ahead: Problems in the procurement area often surface at or near fiscal year end when unused funds are available to address unmet needs. The temptation is to use these funds to address legitimate agency needs while protecting the agency's base. As is too often the case, in the rush to obligate funds in the waning days of the fiscal year, sometimes regulations are not closely followed. In some extreme cases, the agency may end up paying more for goods and services because it was not careful to obtain multiple bids. It is critical to begin proper procurement planning, not in the weeks prior to the fiscal year end, rather in the first month of the fiscal year by beginning to identify unmet program needs should excess funds be available at year end.

Management and Performance Challenge: To be accountable to agency stakeholders and taxpayers for administrative and regulatory decisions made by the Commission.

Agency Progress in Addressing the Challenge: At the agency's oversight hearings in FY 2008, criticisms were voiced that the Commission, collectively, was not making decisions and not effectively overseeing the administration of the agency. Several vacancies remained unfilled for several months causing angst and uncertainty among existing staff regarding the future of the agency – not to mention the obvious impact on workload for those who remained. Lacking an agency head for several months due to the departure of the previous chairman (without replacement), many within the agency felt that the FMC was a ship adrift on the ocean, without clear direction.

Without a chairman, the Commission met infrequently, choosing instead to vote on matters using voting sheets or, in the vernacular of the Commission, on notation. While this approach was seen by some as an efficient and effective way to conduct the agency's business, it also had the unintended effect of limiting public debate among Commissioners.

In response to external criticisms, and the realization that a new chairman would not be forthcoming in the near future, the remaining Commissioners made significant changes in how the agency conducted its business. For example, the Commission now meets in public session on a bi-monthly basis. These meetings provide an opportunity for the Commission to exercise oversight of the agency and for industry and the public to observe select deliberations and decision making affecting the maritime industry. The agency has moved forward with filling critical staff vacancies and planning staff have revised the agency's strategic plan to better reflect the agency's role in a changing maritime industry. Recent Office of Personnel Management Human Capital employee surveys indicate that staff attitudes about the FMC workplace have significantly improved.

The Challenge Ahead: The agency faces challenges on a number of fronts, both in the immediate future and moving forward as it seeks to regulate a sector of the economy that has changed more than most. Short term, the agency has operated without a chairman since December 2006. The existing Commissioners are tasked with jointly serving as the chairman. This requires an extraordinary amount of cooperation and compromise as the commission involves itself in the daily management of the agency.

On the programmatic front, the Commission is witnessing dramatic increases in demand for U.S. exports. The total cargo volume of U.S. liner exports shipped worldwide grew by approximately 20 percent in FY 2008, however import cargo still exceeded export cargo by a factor of almost 2:1.

The Commission continues to oversee developments in the U.S. export growth. Paradoxically, this growth has resulted in new challenges for the agency. Specifically, shippers in certain parts of the country are having difficulty obtaining sufficient containers and services to ship their goods. The Commission has reached out to both carriers and shippers to solve the supply problem. The OIG applauds the Commission's efforts in this regard and believes that outreach, both to the industry it regulates, and to the public who rely on the FMC to ensure a fair, efficient and effective maritime industry, enhances the FMC's accountability and value to its stakeholders and the public.

Summary of Financial Statement Audit and Management Assurances

Table 1.

Summary of Financial Statement Audit

Audit opinion	Unqualified			
Restatement	No			
Material Weakness	Beginning Balance	New	Resolved	Consolidated
None	$0.00			

Table 2.

Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)

Statement of Assurances	Unqualified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	$0.00					$0.00
Total Material Weaknesses	$0.00	0	0	0	0	$0.00

Effectiveness of Internal Control over Financial Operations (FMFIA § 2)

Statement of Assurances	Unqualified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	$0.00					$0.00
Total Material Weaknesses	$0.00	0	0	0	0	$0.00

Conformance with financial management system requirements (FMFIA § 4)

Statement of Assurances	Conform					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	$0.00					$0.00
Total Material Weaknesses	$0.00	0	0	0	0	$0.00

Compliance with Federal Financial Management Improvement Act (FMFIA)

	Agency	**Auditor**
Overall Substantial Compliance	Yes	Yes
1. System Requirements	Yes	
2. Accounting Standards	Yes	
3. USSGL at Transaction Level	Yes	

FEDERAL MARITIME COMMISSION

FINAL ANNUAL PERFORMANCE PLAN FOR FY 2008

February 2007

LIST OF ACRONYMS

1984	*Act Shipping Act of 1984*
AR	*Area Representative*
BCL	*Bureau of Certification and Licensing*
BOE	*Bureau of Enforcement*
BTA	*Bureau of Trade Analysis*
CADRS	*Office of Consumer Affairs and Dispute Resolution Services*
COOP	*Continuity of Operations Plan*
EHR1	*Enterprise Human Resources Integration*
e-OPF	*Electronic Official Personnel Folder*
FMC/Commission	*Federal Maritime Commission*
FR	*Final Rule*
FRB	*Federal Reserve Bank*
FTE	*Full Time Equivalent Employee*
FY	*Fiscal Year*
GPEA	*Government Paperwork Elimination Act*
GPRA	*Government Performance and Results Act*
IAA	*Inter-agency Agreement*
IT	*Information Technology*
NARA	*National Archives and Records Administration*
NPR	*Notice of Proposed Rulemaking*
NVOCC	*Non-Vessel-Operating Common Carrier*
OIT	*Office of Information Technology*

OMB	*Office of Management and Budget*
OPF	*Official Personnel Folder*
OPM	*Office of Personnel Management*
OPS	*Office of Operations*
OSRA	*Ocean Shipping Reform Act of 1998*
OTI	*Ocean Transportation Intermediary*
PVO	*Passenger Vessel Operator*
SAHRC	*Small Agency Human Resources Consortium*
SC	*Service Contract*
SOW	*Statement of Work*
U.S.	*United States*
VOCC	*Vessel-Operating Common Carrier*

INTRODUCTION

This document comprises the FMC's Final Annual Performance Plan for FY 2008. This plan is closely linked to the agency's Strategic Plan, and it sets forth objective performance goals and narrow, measurable performance indicators so as to facilitate implementation and assessment of performance.

For FY 2008, we have continued the modified approach for our annual planning first implemented with our Revised Final Plan for FY 2005. Agency performance goals now are tied directly to our Strategic Goals instead of our budget program activities. This has resulted in the development of broader performance goals better suited to the achievement of agency-wide objectives, as opposed to more narrowly focused goals tailored to the responsibilities of individual units. It also facilitates our aim of utilizing a more inclusive, collaborative approach in conducting our ongoing activities, which we believe both enhances decision-making and improves ultimate results. Addressing our performance goals in this fashion also has enabled us to link planning, budgeting and performance more effectively.

Our Plan for FY 2008 focuses on continuing our efforts to implement the President's Management Agenda initiative to expand electronic government. Several performance goals focus on utilizing technology to streamline and simplify the delivery of services and information to regulated entities and the public, and to improving our databases so the staff can more effectively identify regulated entities, relevant data/information, and potential abuses.

Performance goals also were developed to enhance our management capabilities, with particular focus on the more effective use of teleworking and the implementation of EHRI, and to improve our technological efficiency through upgrading agency network and desktop operating systems and improving access to library information.

The Commission's Annual Performance Plan comports with the overall objectives of GPRA while maintaining flexibility in its presentation and application. This modified approach has been authorized by OMB since the majority of Commission activities are statute-driven and our goals essentially are based upon legislative mandates which are clear and direct. Significant alteration of our existing programs is not possible, given that many measures and goals are required by statute.

Our Plan sets forth the mission statement and general goals from our Strategic Plan, as a point of reference for the reader. As aforementioned, we have prepared performance goals for the agency in line with each of the agency's Strategic Goals. Each performance goal has been stated as a narrow, measurable objective. For each performance goal, we have identified the related "means to achieve" from the Strategic Plan, the intended outcomes, appropriate performance indicators, the processes and resources required to accomplish it, and the means for measuring/evaluating performance. To ensure a clear understanding of the Plan's contents, set forth below are definitions of basic terms used. We relied on OMB's published guidance for these definitions, and have included parenthetically our interpretation of their practical application.

Performance Goal - A target level of performance; a measurable objective (a specific, proposed performance action).

Related Strategic Goals/Outcomes/Means - A specific action identified in the agency's Strategic Plan as one means of achieving a particular Strategic Goal (actions to accomplish Strategic Goals).

Outcome - Intended result or consequence of carrying out the activity (the projected effect or what is hoped to be achieved).

Performance Indicator - A value or characteristic for measuring results (the quantifier or qualifier of performance).

Process/Activity - The processes, skills, or resources that are required to effectively accomplish a performance goal (what is needed to achieve the goal).

Performance Measure/Evaluation - The means used to verify and validate measured values (methods used for assessing if programs achieved objectives or, the specific means to measure if outcomes were realized).

The Commission used its existing consultation process in developing this Plan. We have kept key Congressional Committees apprised of our efforts, and have responded to any inquiries. We continued our ad hoc meetings and visits with industry officials to discuss the state of U.S. ocean shipping and the FMC's oversight responsibilities. In coordination with the various sectors of the maritime industry, we are holding periodic briefings by industry experts designed to provide Commission staff with valuable information on industry services, operations, business practices, and regulatory concerns. And we have initiated a broader outreach program to expand our extant seminar series, where agency staff travels to various locations to exchange information and discuss relevant issues with the industry and the shipping public. The information and opinions we received via these various efforts have assisted us in developing our performance goals and implementing approaches. It is clear that those involved in the various sectors of U.S. ocean shipping understand the Commission's major program activities and, at the same time, the Commission is cognizant of the views of all parties with whom it interacts.

In line with OMB guidance, the Commission has reflected the resources needed to accomplish its various functions. We have provided FTE and funding figures for each Strategic Goal, which reflect what we believe will be required to accomplish the performance goals and "steady state" functions under each respective Strategic Goal. Accordingly, all Commission resources are accounted for in this Plan, i.e., the figures under each Strategic Goal, when summed, reflect the full FTE and funding levels of our FY 2008 budget.

The Commission will post this Performance Plan on its Internet website to ensure that it is readily accessible to interested parties, and will advise all employees to take the time to review it. Additionally, all employee performance plans are required to comport with the agency's Strategic and Annual Performance Plans, and contain specific elements and standards with a clear explanation of what is expected of the employee in support of the agency achieving its goals. This process in turn has the effect of directly furthering the Administration's initiative on strategic human capital management. Performance of managers and staff is evaluated in part on how they achieve the objectives in this plan.

FMC STRATEGIC GOALS

1. *Efficient Regulatory Process:* Provide a timely, efficient and decisive regulatory process, including alternative dispute resolution, to enable all segments of the industry to operate more effectively, with a minimum of regulatory costs.

2. *Compliance:* Promote efficiency and fairness in U.S. foreign waterborne commerce through various means, including outreach and monitoring, to protect the public and assist stakeholders in achieving compliance with ocean transportation statutes administered by the FMC.

3. *Balanced Enforcement:* Foster economic efficiencies, reliance on marketplace factors and maritime security by administering U.S. shipping statutes in a balanced and equitable manner to redress excessive anticompetitive actions and other unlawful activities.

4. *Technological Efficiencies:* Employ technological enhancements to improve efficiency and to facilitate the exchange of information.

5. *Management Capabilities:* Ensure the FMC has the appropriate organizational framework and management systems to carry out its statutory mandates.

FMC VISION AND MISSION

The FMC's vision is:

Fairness and Efficiency in U.S. Maritime Commerce.

To achieve its vision, the FMC's mission is to:

- ***Develop and administer policies and regulations that foster a fair, efficient and secure maritime transportation system;***

- ***Protect U.S. maritime commerce from unfair foreign trade practices and market-distorting activities.***

- ***Facilitate compliance with U.S. shipping statutes through outreach and oversight.***

- ***Assist in resolving disputes.***

OSRA and the events of September 11, 2001, have significantly changed the manner in which the business of ocean shipping is being conducted. The industry continues to restructure its operations to adapt to dynamic economic conditions, emerging trends, and maritime security efforts. International trade remains dependent upon an efficient ocean transportation system. Therefore, it is imperative for the FMC to ensure that its oversight activities produce a competitive trading environment in U.S. ocean commerce that is in harmony with and responsive to international shipping practices, and permits fair and open commerce. We must focus our energies and efforts on this mission, and assure that the agency is organized and managed in a manner best suited to accomplish it with a minimum of government intervention and regulatory cost. Effective use of emerging information technologies will facilitate our efforts. Our actions also must encourage the development of a sound U.S.-flag liner fleet. Accordingly, the FMC has established the following five strategic goals to carry out its statutory mandates.

LINKAGE BETWEEN MISSION STATEMENT AND STRATEGIC GOALS

Our strategic goals address essential FMC statutory, programmatic, and management responsibilities. They were developed with a specific focus on accomplishing the basic purposes of our mission and attaining the competitive, nondiscriminatory shipping environment envisioned by the 1984 Act, as amended by OSRA.

The primary intention of Strategic Goal 1 is to minimize regulatory costs by maintaining timely and decisive regulatory processes, and providing various dispute resolution services. This will render the FMC more effective in addressing matters that perpetuate discrimination or preclude industry efficiency, while reducing the costs of pursuing matters before the Commission. Decisive action and effective assistance in resolving informal complaints or disputes will help to remove uncertainties as to statutory interpretations or the application of FMC rules. Such uncertainties may impede operational efficiencies or technological changes, each of which can foster a more economical ocean shipping system.

Our second strategic goal centers on achieving compliance with the substantive provisions of the shipping statutes the FMC administers, and protecting those involved in U.S. ocean commerce from unfair practices. We will address this goal particularly by interacting with all sectors of the industry, and by vigilant monitoring of ongoing commercial activities. Accomplishing this goal should minimize the unjust discrimination and undue preference or prejudice that precludes certain shipping interests from obtaining rates or service levels that can render their businesses more economic and efficient. Increasing industry compliance should enable stakeholders to concentrate on fair and legal means of enhancing operational efficiency, secure in the knowledge that competitors are not engaging in widespread illegal actions aimed at improving short-term profits. The agency's focus on the qualifications of intermediaries operating in the

U.S. trades will afford greater protection to our stakeholders and contribute to national maritime security. And cruise passengers also will be protected through the demonstration of financial responsibility by passenger vessel operators.

Strategic Goal 3 is designed to foster economic efficiencies, assist maritime security initiatives, promote reliance on marketplace factors, and redress excessive anticompetitive practices harmful to international commerce. This is a direct link to our mission statement's call for an efficient, secure, market-driven ocean transportation system. Our continuing efforts to address the actions of foreign governments that adversely affect U.S. interests and our foreign trade comport with that aspect of our mission aimed at creating an environment free of unfair foreign maritime trade practices. Our focus on commercial malpractices enhances our objective of limiting unlawful activities.

We also have a specific strategic goal that focuses on making effective use of advancements in IT to improve the efficiency of our operations and enhance our exchange of information with external parties. Carrying out the agency's mission in times of budgetary limitations dictates that we appropriately utilize all available resources. Dynamic changes continue to be made in this area, and the Commission intends to take advantage of any improvement that can enable it to perform its functions more effectively. We hope to improve our business operations so as to add efficiency to the Commission's dissemination and receipt of information. We intend to perform the research and analysis necessary to identify the best options for implementing technical enhancements to facilitate our efforts to achieve our mission.

Finally, our fifth strategic goal addresses Commission management and operations. In order to achieve the objectives of our mission, we must maintain effective processes that enhance efficiency, without serving as ends in themselves. It is essential that we manage for results, and that we effectively tie our budget needs to our performance. This strategic goal serves as the internal underpinning that enables us to accomplish the policy objectives set forth in our mission statement. This goal also ensures continuation of a comprehensive approach to the strategic management of our human capital.

Achieving these mission-driven goals will enable us to address the external factors we face, while assuring an equitable and efficient administration of the shipping statutes under our jurisdiction. Our processes and procedures will be refined or updated as necessary. We are committed to accomplishing our strategic goals and the outcome goals related to them. Therefore, specific means have been identified to enable the FMC to achieve these goals in the most cost-efficient and least disruptive manner possible.

I. STRATEGIC GOAL: Efficient Regulatory Process

36 FTEs and $6,731,000 will be required to accomplish this goal.

2008 Steady State Activities:

- ◆ Adjudication and resolution of complaints
- ◆ Adjudication and resolution of investigatory proceedings, including fact-findings and show cause proceedings
- ◆ Issuance of rules through the rulemaking process
- ◆ Commission decision-making activities through meetings (formal and notation) that comply with the Government in the Sunshine Act
- ◆ Public information and assistance processes such as press relations, responses to legislative and regulatory inquiries, and compliance with Freedom of Information Act and Privacy Act requirements
- ◆ Other regulatory processes, including activities such as appeals of delegated authority actions, policy issuances, and formal petition processes
- ◆ Providing timely legal counsel to the Commission in order to facilitate regulatory action that is consistent with statutory mandates, representing the Commission's interest in matters before Congress and OMB
- ◆ Reviewing and refining Commission rules to determine their economic impact and ensure that they reflect the current industry environment, as well as meet the needs of the Commission's regulatory mandate
- ◆ Compiling, organizing, and maintaining Commission records
- ◆ Monitor, review and modify, as necessary, Commission regulations to address changing trade conditions, industry practices or statutory modifications

Performance Goal	Related Strategic Goals/ Outcomes/ Means	Outcome	Performance Indicator	Process/Activity	Performance Measure/ Evaluation
1. Develop plan for automating PVO Application Form 131 and perform requirements analysis.	- Automate agency systems.	- More user friendly and convenient process for industry to apply for certificates of nonperformance and casualty. - Reduction in burden and cost for industry. - More timely and effective staff review and process. - More efficient database management.	- Facilitate filing of PVO applications. - Improve BCL's ability to receive and process PVO certificates. - Contributes to streamlined PVO process. - Reduce staff database management efforts.	- Discuss with PVOs benefits of electronic filings. - Identify system functionality. - Initiate development of SOW. - Begin development of system & implementation plans.	- Requirements analysis conducted. - Initial SOW drafted. - Feedback from staff. - Identify and resolve any impediments, then continue next steps identified in overall plan.
2. By 9/30/08, assess the impact and effectiveness of the new rules for agreements.	-Update and/or refine FMC rules relating to the content of filed agreements, minutes, information form & monitoring reports.	-Written report to Director, OPS re: - Extent relevant filings are timely, useful, complete, & accurate. - Level of industry compliance/ concerns -Filings' impact on regulatory costs/ burdens; - Impact on processing times for agreement filing/ effective -ness of ongoing monitoring of agreements of concern to BTA; - Impact on "follow-up" contacts w/filers related to routine monitoring; - Extent to which filed information effectively used; -Recommendations for further changes to rules post-assessment.	-Drawing on relevant BTA databases, data and information to address the performance goal are collected. -Relevant agreement files reviewed, and information relevant to the performance goal collected. - BTA staff surveyed to collect information relevant to the performance goal. - Relevant data from samples of industry filers collected.	-Research team is established -- composed of a team leader and approximately four BTA staff members. -Team agrees on the necessary tasks & workload distribution to address fully the performance goal. -Team meets bi-weekly to share findings, concerns or problems. - Team members meet with industry representatives for relevant input. - Team drafts final report and any proposals for revising existing rules.	-Bureau director manages ongoing staff efforts. -Team leader for project tracks progress of team through periodic meetings and deadlines established to maintain schedule. - Feedback from industry sectors on costs/burdens related to current rules, and on alternative data sources.

II. STRATEGIC GOAL: Compliance

47 FTEs and $7,970,000 will be required to accomplish this goal.

2008 Steady State Activities:

◆ Reviewing and maintaining a database of SCs between ocean common carriers and shippers, and using this database to guard against anticompetitive practices and other unfair prohibited activities under the 1984 Act.

◆ Ensuring that common carriers' rates and charges are accessible to the shipping public in private, electronically accessible systems.

◆ Ensuring that OTIs maintain bonds that protect the shipping public from financial losses.

◆ Providing formal and informal legal opinions and guidance to the Commission's staff and the general public to ensure clarity and understanding of Commission rules and regulations.

◆ Administering the Commission's international affairs program.

◆ Working with other agencies to enhance maritime security.

◆ Reviewing operational and pricing agreements among ocean common carriers and marine terminals to ensure that they do not unduly restrict competition.

◆ Issuing passenger vessel certificates evidencing financial responsibility of vessel owners or charterers to pay judgments for personal injury or death or to repay fares for the nonperformance of voyage or cruise.

◆ Licensing OTIs to protect the public from unqualified, insolvent, or dishonest companies.

◆ Responding to informal complaints and informal inquiries from Congress and the public relating to Commission responsibilities.

◆ Acting as a liaison between the FMC and the public by responding and/or coordinating agency responses to public inquiries.

◆ Maintaining a specialized maritime law library for agency and public use.

◆ Conduct audit activity of regulated entities, including OTIs and VOCCs, to promote and ensure compliance with applicable statutes and Commission regulations.

◆ Respond to inquiries and complaints from the regulated industry and shipping public. Provide information, assistance and forms necessary to comply with applicable statutes and Commission regulations including educational seminars.

Performance Goal	Related Strategic Goals/ Outcomes/ Means	Outcome	Performance Indicator	Process/Activity	Performance Measure/ Evaluation
1. Enhance OTI audit/monitoring program as to unlicensed operators.	-Ensure higher compliance with licensing & bonding requirements. -Enhance monitoring programs to improve industry compliance.	-Ensure those OTIs whose applications have been rejected or terminated for inaction receive compliance follow-up. - Pursue, monitor or audit those OTIs who fail to get licensed or re-licensed.	- Number of entities re-licensed. - Number of compliance or enforcement actions against entities who refuse to be licensed or re-licensed.	- Develop procedures to assist review of monitoring. - Identify procedures and requirements to coordinate possible compliance or enforcement actions.	-Quarterly reviews by BCL. -Quarterly reports by BOE & ARs as to efforts with regards to non-compliant entities.
2. Begin redesign of the functionality of OTI list on the homepage to include more information and make it more interactive.	-Increase outreach via FMC's homepage.	- Enhance query/ search capability. - Provide more timely information. -Protect the public & users of ocean transportation services by providing more information re: choosing an OTI or ensuring an OTI is licensed/ bonded.	- Facilitate industry and public accessibility to list of compliant OTIs. - Improve compliance with statute and regulations by OTIs and VOCCs. - Enhance protection of shipping public.	- Identify data to be displayed & queried. - Conduct requirements analysis. - Develop overall plan for system and its implementation.	- Requirements analysis successfully completed. - Identify and resolve any impediments, then continue next steps identified in overall plan.

III. STRATEGIC GOAL: Balanced Enforcement

19 FTEs and $3,497,000 will be required to accomplish this goal.

2008 Steady State Activities:

◆ Investigating discriminatory rates, charges, classifications, and practices of common carriers, terminal operators, and OTIs operating in the foreign commerce of the U.S.

◆ Representing the FMC before U.S. courts and other administrative agencies.

◆ Reviewing staff recommendations and initial decisions for legal sufficiency and preparing final decisions and orders.

◆ Regulating rates, charges, and rules of government-owned or -controlled carriers to ensure that they are just and reasonable and are not unfairly undercutting private competitors.

◆ Protecting shippers and carriers engaged in the foreign commerce of the U.S. from restrictive or unfair foreign laws, regulations or business practices that harm U.S. shipping interests or ocean trade.

◆ Prosecute formal proceedings initiated by the Commission.

◆ Monitor activities and conduct investigations of regulated entities and of SC activity to ensure compliance with statutes and regulations administered by the Commission.

◆ Conduct non-adjudicatory fact-finding proceedings as directed by the Commission.

◆ Provide liaison between the Commission and the shipping industry, the public and other governmental entities.

◆ Coordinate and cooperate with other government entities to improve homeland security by effective exchange of information and assistance regarding foreign ocean transportation.

Performance Goal	Related Strategic Goals/Outcomes/ Means	Outcome	Performance Indicator	Process/Activity	Performance Measure/ Evaluation
1. Review "best practices" re: VOCCs & NVOCCs offering service to non-compliant entities	- Encourage voluntary compliance by increasing outreach to industry.	-Improved compliance by VOCCs and NVOCCs w/ their statutory responsibility not to provide service to non-compliant OTIs. -Improved maritime security by limiting service to non-compliant OTIs. -Increased protection of the shipping public by limiting the operations of unbonded and unqualified OTIs. -More equitable competition among VOCCs and among entities operating as compliant OTIs.	-Increased recognition by VOCCs & NVOCCs of the benefits of implementing a "best practices" program. -Reduction in the number of noncompliant OTIs receiving service from VOCCs & NVOCCs. -Reduction in the number of complaints received by CADRS relating to unbonded & untariffed NVOCCs.	-Utilize outreach resources, including the FMC's website, electronic databases & activities of the ARs, to promote the 'best practices" program among the VOCC & NVOCC communities. -Provide appropriate "mitigation" recognition in enforcement actions to entities w/ "best practices" programs.	-Review of outreach & promotional efforts & materials developed to advise VOCCs & NVOCCs of the availability of the "best practices" program. -Number of VOCCs & NVOCCs implementing "best practices" programs. -Usage of "best practices" in mitigation of enforcement actions. -Level of recidivism among those VOCCs & NVOCCs adopting "best practices" programs.
2. Develop rulemaking containing new enforcement options against cruise lines that fail to file PVO reports.	- Enhance monitoring programs to improve compliance.	- Timely filed and accurate PVO reports. - More efficient and effective monitoring of PVO activities.	- Reduction of staff resources spent contacting PVOs to submit reports.	- Prepare NPR. - Solicit comments. - Issue FR.	- Reduction in number of PVOs identified as noncompliant. - Actions taken against non-compliant PVOs.

IV. STRATEGIC GOAL: Technological Efficiencies

15 FTEs and $2,518,000 will be required to accomplish this goal.

2008 Steady State Activities:

◆ Implementing a wide range of IT programs and services, including operating the agency's local area network, strategic planning for short- and long-term IT initiatives, IT security, data telecommunications, database development and management, and Internet page development and maintenance to enhance productivity and efficiency.

◆ Maintaining and updating internal databases to enhance the ability of the public and Commission to obtain relevant program-related information and enhance staff productivity.

◆ Converting Commission records into electronic format to enable easier public access to information

Performance Goal	Related Strategic Goals/ Outcomes/ Means	Outcome	Performance Indicator	Process/Activity	Performance Measure/ Evaluation
1. Implementation of Pay.gov.	-Increase use of modern technologies & systems to improve results. -Employ OMB's procedures to meet GPEA mandates.	-Agencywide acceptance of electronic payments. -Industry use of electronic payments. -Relative reporting output from Pay.gov.	-Volume of electronic payments received. -Feedback from the industry/users of electronic payments. -Feedback from involved FMC employees.	-Conduct internal assessment to determine ways agency units might require Pay.gov support. -Meet w/ Treasury regarding implementation procedures and requirements. -Discuss and refine requirements. -Consult w/ senior management & Chairman with proposed implementation plans. - Conduct meeting (s) with Treasury to develop an Agency Configuration Template. -Begin conversion process. -Sign agreement w/ FRB Cleveland to set up, create and deploy application for FMC to receive electronic payments. -Conduct application testing prior to going "live". -Deploy electronic payment option agency-wide.	-Industry usage of electronic payments. -Feedback from customer base. -Feedback from involved FMC employees.
2. Upgrade network and desktop operating systems.	- Identify and provide information technology to improve workforce productivity.	- Agency-wide standard desktop and laptop foundation. - Agency-wide standard server configuration.	- Successful upgrade from current operating system to new operating system. - Positive feedback from FMC users.	- Complete inventory of existing equipment. - Select software, test, acquire & configure. - Update all procedures w/ new desktop and server configurations. - Deploy software.	- Agency operating systems are selected, tested, and deployed. - Feedback from FMC staff.

Performance Goal	Related Strategic Goals/ Outcomes/ Means	Outcome	Performance Indicator	Process/Activity	Performance Measure/ Evaluation
3. Initiate integration of major databases.	- Increase use of modern technologies to improve results by enhancing work processes.	- Building on analysis of information collections completed in FY06, design centralized, unified & secure database system of regulated entities for use by Commission staff. - Design to meet needs of all Commission offices & bureaus with regard to regulated entity data collection.	- Facilitate retrieval of data. - Enhance analytical capability. - Reduce duplication of data input.	- Work with other Commission components, OIT & contractor, if applicable, to develop system. - Assure periodic meetings held to evaluate progress. - Develop SOW or in-house proposal to develop system.	- Successful completion of implementation plan of action steps. - Feedback from staff.
4. Explore options for and begin the development of an online catalogue for the FMC's law/ reference library collection.	-Employ technology to improve workforce productivity.	- Paper catalogue in library replaced by online access station. - Staff has access to library catalogue from desktops. - Increased efficiency in searching library resources. - Directly link online catalogue entries to other electronic resources. - Reduce redundancy of data entry across library modules.	- Options for automating the card catalogue evaluated against specific needs and recommendations made. - Online catalogue created based on recommended approach. - Paper catalogue replaced with online work station in the library. - Staff access to catalogue from desktops.	- Research online catalogue options, make recommendations. - Design screens and other aspects of system. - Populate catalogue through either scanning of catalogue cards or use of outside source documents. - Work with OIT to provide desktop access to staff, including ARs, through central server. - Train staff on how to use system.	- Assess recommendations for timeliness and appropriateness. - Assess feedback from FMC staff and the public. - Assess overall effectiveness of new system.

V. STRATEGIC GOAL: Management Capabilities

10 FTEs and $1,606,000 will be required to accomplish this goal.

2008 Steady State Activities:

◆ Executing financial management policies and programs, including developing annual budget justifications for submission to the Congress and OMB, managing agency appropriations, administering internal control systems for agency funds, travel and cash management, and coordinating with contractors who provide accounting and payroll services.

◆ Fostering human resources management principles, including recruitment and placement, position classification and pay administration, occupational safety and health, employee assistance, employee relations, workforce discipline, performance management and incentive awards, employee benefits, career transition, retirement, employee development and training, personnel security, and an equal employment opportunity.

◆ Ensuring the program operations of the agency are administratively supported via telecommunications, procurement of administrative goods and services, property management, space, printing and copying, mail and records services, facilities and equipment maintenance, and transportation.

◆ Promoting economy and efficiency in the administration of, and protecting and detecting waste, fraud and abuse in, the agency's programs via auditing agency operations.

◆ Providing guidance to staff regarding administrative matters, including procurement, personnel and contracting issues.

◆ Ensuring program compliance with various rules and regulations regarding such areas as forms clearance, Paperwork Reduction, Small Business Paperwork Reduction Act, and other federally required reports and submissions

Performance Goal	Related Strategic Goals/Outcomes/ Means	Outcome	Performance Indicator	Process/Activity	Performance Measure/ Evaluation
1. Fast track implementation of EHRI (e-OPF)	-Evaluate approaches for increasing the use of modern technology to improve results.	- Eliminate the need for a paper OPF. - Establish database to enable electronic transfer of e-OPF data among Federal agencies (future). - Achieve economy/ annual savings by eliminating the paper folder. -In sync w/ OPM strategic plan & operational goal to convert 50% of hard copy OPFs to electronic format by 10/1/2008.	-Volume of OPF documents processed & filed. -Feedback from e-Government officials, users of e-OPF. -Feedback from involved FMC employees.	-Meet w/ OPM/ & SAHRC on funding, implementation, and requirements. -Begin Fast-track implementation. -Update IAA w/ OPM & SAHRC EHRI reps to lay framework for other products. -Activate e-OPF accounts for employees, managers, “friends and family” accounts.	-Feedback from SAHRC user group, EHRI program officials, customers. -Feedback from involved FMC employees. - NARA requirements.

Performance Goal	Related Strategic Goals/Outcomes/ Means	Outcome	Performance Indicator	Process/Activity	Performance Measure/ Evaluation
2. Assess telework program to encourage usage & advance efficiency of operations.	- Emphasizes workforce planning issues such as recruitment and retention. -Encourage activities that help employees demonstrate abilities and achieve full potential.	-Encourages the better understanding of the benefits of teleworking for both employees, agency and the environment (e.g., more flexibilities for employees, a more powerful tool for recruitment & retention of employees, less fuel consumption) -Agency increases the total number of participating employees & teleworked days without deterioration of effectiveness and efficiency. -Supervisors can assess employees' performance using simple measurement tools. -Agency has clear benchmarks to assess success of program.	-Significant increase in total number of participating employees& total number of teleworked days per year over prior year's experience. -Development of new supervisory tools. - Development of an annual survey of supervisors' and employees' opinions of program. -Development of benchmarks by which Agency may measure success of program.	-Identify total number of employees & days teleworked under current program in the past year. -Review positions/ types of work which can, or cannot, be performed via telework. - Identify the optimum number of days per week/ month/year which can be teleworked consistent with Agency's duties. -Identify benchmarks for satisfactory use of program. -Assess supervisors' and employees' opinions on the program. -Registration of eligible employees for use of program. - Administration of opinion survey of supervisors and employees on their views regarding the program. - Implementation of new supervisory tools.	-Senior management evaluates the adequacy of the number of participating employees, the results of annual survey of supervisors and employees. -Chairman evaluates the operation of the program relative to the effective and efficient conduct of Agency business. -Chairman reviews the results of supervisor & employee survey & target benchmarks established for the program.