Federal Maritime Commission

Performance and
Accountability Report
Fiscal Year 2014

Federal Maritime Commission

This Performance and Accountability Report (PAR) can be downloaded at http://www.fmc.gov/about/performance_and_accountability_reports.aspx.

Only Federal employees participated in the preparation of the performance and financial information contained in this report.

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

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November 17, 2014

Introduction

This Performance and Accountability Report (Report or PAR) represents the completion of the Federal Maritime Commission's (FMC or Commission) program and financial management process for fiscal year (FY) 2014, which began with mission and program planning, continued with the formulation and justification of FMC's budget submission to the President and Congress, through budget execution, and ended with a report of our program performance and the use of resources. This report covers the Commission's activities from October 1, 2013 through September 30, 2014.

About this Report

The Performance and Accountability Report is the year-end progress report of the Federal Maritime Commission. The FMC reviews its strategic goals, objectives, and performance measures and provides program and financial information that enables the President, Congress, and the public to assess the performance of the agency relative to its mission and the resources entrusted to it. This PAR satisfies the following legislation:

- The Federal Manager's Financial Integrity Act of 1982 requires continuous evaluations and reporting of the adequacy of the systems of internal accounting and administrative controls.

- The 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 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 Inspector General Reform Act of 2008 amends the Inspector General Act of 1978 to enhance the independence of the Inspectors General, to create a Council of the Inspectors General on Integrity and Efficiency, and for other purposes.

- The Government Performance and Results Modernization Act of 2010 (GPRA Modernization Act) requires an annual report that measures the performance results of the agency against the established agency goals.

- The Government Management Reform Act of 1994 requires the submission of audited financial statements.

- The Improper Payments Elimination and Recovery Act of 2010 provides for estimates and reports of improper payments by Federal agencies.

How this Report is Organized

This report includes four major sections.

1. *Management's Discussion and Analysis* (MD&A) provides an overview of the Commission, financial results, a high-level discussion of program performance, management assurances on internal controls and financial management systems compliance; and other management information, initiatives, and issues.

2. *Program Performance Information* provides data on the agency's progress toward meeting its strategic goals and targets during fiscal year 2014.

3. *Financial Information* provides financial details including a message from the Chief Financial Officer, the independent auditor's report, and the audited financial statements.

4. *Other Information* includes a statement prepared by the Inspector General (IG) summarizing what the Office of the Inspector General considers to be the most serious management and performance challenges facing the Agency; a report on improper payments; and a table summarizing the financial statement audit.

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MESSAGE FROM THE CHAIRMAN

I am pleased to submit the Federal Maritime Commission's Performance and Accountability Report for fiscal year 2014. In FY 2014, the FMC continued to exemplify good government, fostering an equitable, secure and reliable ocean transportation system. The report illustrates how the FMC manages resources, provides an analysis of program performance and financial activities, and addresses the Commission's plans to meet the challenges ahead.

The Commission continues to have a critical role to ensure competition, facilitate commerce, and encourage reliable service to U.S. exporters and importers. The Commission regulates virtually all entities involved in liner shipping, receiving, handling, and transporting cargo and passengers in foreign commerce. A fair, efficient, and adequate ocean transportation system depends on the FMC's ability to evaluate carrier and terminal agreements for anti-competitive impact and to license ocean transportation intermediaries to protect the shipping public and facilitate international trade.

The FMC strives to execute its statutory responsibilities while minimizing government intervention and costs. It oversees important, statutorily-mandated programs by focusing on two broad strategic goals: (1) maintaining an efficient and competitive international ocean transportation system; and (2) protecting the public from unlawful, unfair and deceptive ocean transportation practices. The Commission achieved the referenced goals in FY 2014. It administered its agreement oversight responsibilities in a rapidly evolving container shipping industry that has seen new global operational networks through vessel sharing alliances, balancing potential benefits for cost savings and environmental efficiency with potential harm resulting from such alliance's concentrated decision-making which can affect capacity, sailing schedules and port calls. In addition, the FMC continued to serve an important role in balancing the facilitation of commerce with enforcement of the regulation of ocean carriers and other entities involved in ocean trade.

The Commission regulates U.S. oceanborne foreign commerce valued at $944.5 billion and accounting for 30.3 million twenty-foot equivalent units (TEUs) of containerized import and export cargo. The FMC's mission directly supports the President's commitment to economic growth and job creation. Commission programs related to monitoring international oceanborne trade conditions support the President's National Export Initiative by promoting access to foreign markets for American exports and efficient supply chains for the importation of goods for domestic production and consumption.

The FMC's Strategic Plan for 2014-2018 embraces our statutory mandate and agency objectives referenced above. Fiscal year 2014 was the sixth year in which there has been a quantitative measurement of performance goals, employing measures and targets. The Commission's actual performance is compared with the targeted levels of performance established in the Strategic Plan. For the eleventh straight year, the FMC received an unqualified/unmodified ("clean") opinion on its financial statements. In the Management Assurances section (see page 23), I confirm that the FMC has no material weaknesses, significant deficiencies, or instances of non-compliance with laws and regulations to report. The performance data described in this PAR was compiled and evaluated using the techniques described in this report for achieving the required level of credibility for the verification and validation of performance data relative to its intended use, and I have no reason to doubt the completeness or reliability of our performance data. Additionally, the financial and performance data presented in this report are complete, reliable, and accurate in keeping with the guidance from the Office of Management and Budget.

Thank you for your interest in the FMC. I salute Commission staff and each of my fellow Commissioners for their outstanding work. The Commission's mandates can only be achieved through diligence and high-performance leadership. I look forward to working with my fellow Commissioners and staff to continue to serve the needs of the American public in the coming years.

Sincerely,

Mario Cordero
Chairman

November 17, 2014

Chapter One
MANAGEMENT'S DISCUSSION and ANALYSIS

Fiscal Year 2014

Mission and Organization

The FMC: Our Purpose and History

In 1961, the FMC was founded as an independent agency, charged with regulating U.S. foreign ocean commerce. Since its founding, the FMC has worked to ensure that neither the activities of liner shipping groups nor foreign government laws or regulations impose unfair costs on American exports, or on American consumers of imported goods. At the time it was founded, the Kennedy Administration and Congress decided that the tasks of regulating the activities of international liner shipping companies and promoting a healthy U.S. merchant marine should be pursued by separate agencies. By executive order (titled Reorganization Plan No. 7), two agencies were established: the Federal Maritime Commission and the Maritime Administration (MARAD). As an independent agency, the FMC was charged with regulating U.S. ocean commerce, and MARAD was formed to promote America's merchant marine and oversee an emergency reserve of cargo ships for use in times of conflict.

Our Mission

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

Our Vision

Fairness and Efficiency in the U.S. Maritime Commerce

The Commission monitors the activities of ocean common carriers, marine terminal operators (MTOs), ports, and ocean transportation intermediaries (OTIs) (non-vessel-operating common carriers and ocean freight forwarders) who operate in the U.S. foreign commerce to ensure that they maintain just and reasonable practices; maintains trade monitoring, enforcement, and dispute resolution programs designed to assist regulated entities in achieving compliance and to detect and appropriately remedy malpractices and violations of the prohibited acts set forth in section 10 of the Shipping Act of 1984 (1984 Act); reviews competitive activities of common carrier alliances and other agreements among common carriers and/or terminal operators; monitors the laws and practices of foreign governments which could have a discriminatory or otherwise adverse impact on shipping conditions in U.S. trades, and imposes remedial action, as appropriate, pursuant to section 19 of the Merchant Marine Act, 1920 or Foreign Shipping Practices Act of 1988 (FSPA); enforces special regulatory requirements applicable to carriers owned or controlled by foreign governments; processes and reviews agreements, service contracts, and service arrangements pursuant to the 1984 Act for compliance with statutory requirements; and reviews common carriers' privately published tariff systems for accessibility, accuracy, and reasonable terms.

The FMC also issues licenses to qualified OTIs in the U.S., ensures that all OTIs are bonded or maintain other evidence of financial responsibility, and, pursuant to 46 U.S.C. §§ 44102 and 44103, ensures that passenger vessel operators (PVOs) demonstrate adequate financial responsibility to indemnify passengers in the event of nonperformance of voyages or passenger injury or death.

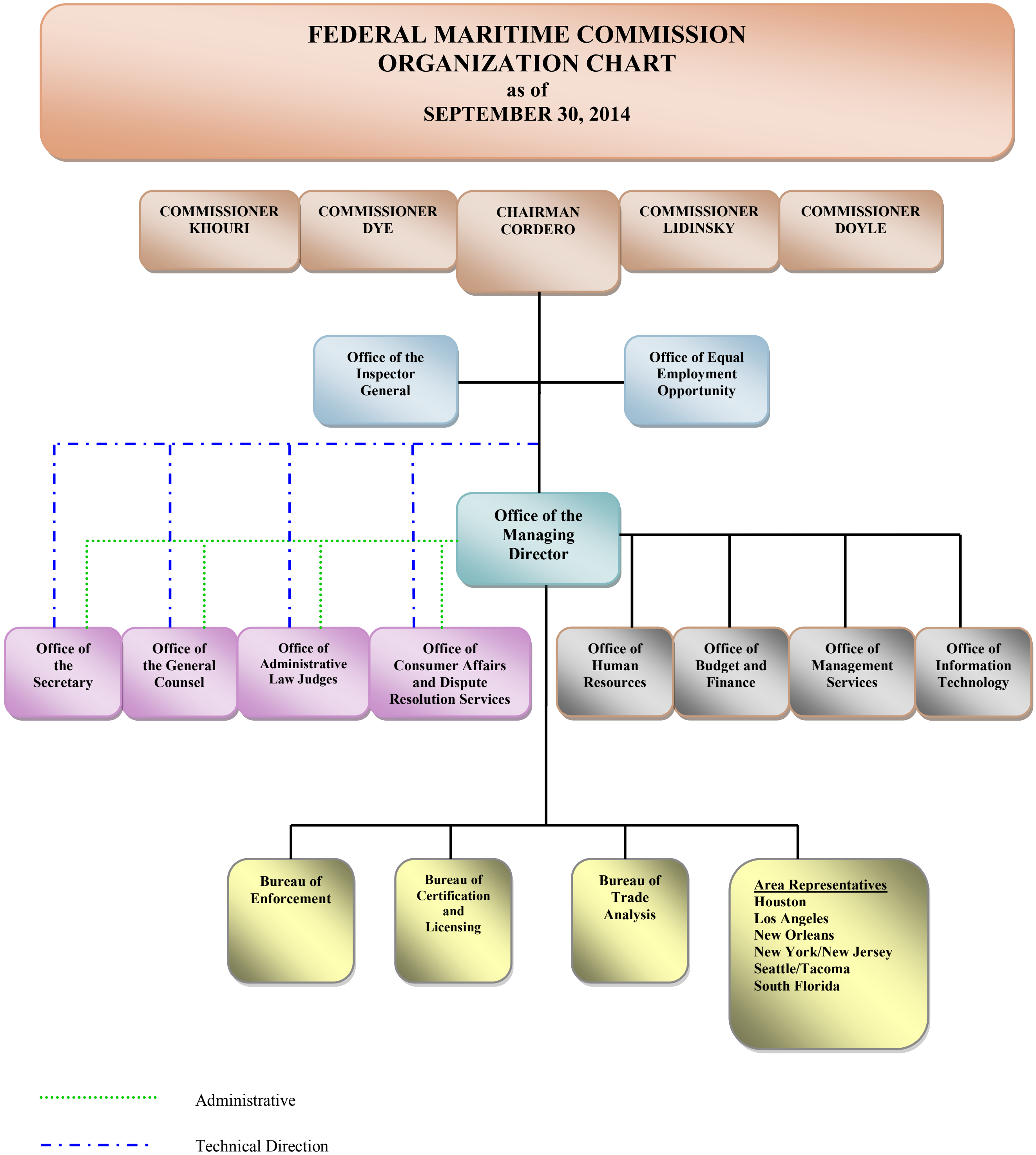
Our Organization

The FMC is headed by a Commission composed of five commissioners nominated by the President and confirmed by the Senate, each serving a staggered five-year term. No more than three members of the Commission may be from the same political party. The President designates one commissioner to serve as Chairman. The post is currently held by Chairman Mario Cordero, a commissioner since 2011, who was designated Chairman on April 1, 2013. The Chairman serves as the Chief Executive and Administrative Officer of the agency. The commissioners of the FMC are Rebecca F. Dye, Richard A. Lidinsky, Jr., Michael A. Khouri and William P. Doyle.

The FMC has a small workforce of highly experienced economists, attorneys and experts in ocean transportation, along with a small, efficient support staff. The FMC's organizational units consist of:

Offices of the Commissioners	Office of the Inspector General (OIG)	Bureau of Certification and Licensing (BCL)
Office of the General Counsel (OGC)	Office of the Managing Director (OMD)	Bureau of Enforcement (BOE)
Office of the Secretary (OS)	Office of Budget and Finance (OBF)	Bureau of Trade Analysis (BTA)
Office of Consumer Affairs and Dispute Resolution Services (CADRS)	Office of Human Resources (OHR)	Area Representatives (ARs)
Office of the Administrative Law Judges (OALJ)	Office of Information Technology (OIT)	Office of Equal Opportunity Employment (EEO)
	Office of Management Services (OMS)	

The majority of FMC personnel are located in Washington, D.C., with additional personnel stationed in major U.S. seaport locations at Houston, Los Angeles, New York/New Jersey, New Orleans, Seattle/Tacoma, and South Florida.


FEDERAL MARITIME COMMISSION
ORGANIZATION CHART
as of
SEPTEMBER 30, 2014
COMMISSIONER KHOURI
COMMISSIONER DYE
CHAIRMAN CORDERO
COMMISSIONER LIDINSKY
COMMISSIONER DOYLE
Office of the Inspector General
Office of Equal Employment Opportunity
Office of the Managing Director
Office of the Secretary
Office of the General Counsel
Office of Administrative Law Judges
Office of Consumer Affairs and Dispute Resolution Services
Office of Human Resources
Office of Budget and Finance
Office of Management Services
Office of Information Technology
Bureau of Enforcement
Bureau of Certification and Licensing
Bureau of Trade Analysis
Area Representatives
Houston
Los Angeles
New Orleans
New York/New Jersey
Seattle/Tacoma
South Florida
Administrative
Technical Direction

Regulatory Responsibility and Oversight

The FMC meets its primary regulatory responsibilities and ensures the integrity of the U.S. ocean transportation system by:

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

The Commission administers the Shipping Act of 1984 (1984 Act) as amended by the Ocean Shipping Reform Act of 1998 (OSRA); section 19 of the Merchant Marine Act, 1920 (1920 Act); the Foreign Shipping Practices Act of 1988 (FSPA); and sections 2 and 3 of Public Law (P.L.) 89-777 (46 U.S.C. §§ 44102 and 44103). The FMC is authorized by the FSPA, the 1920 Act, and 1984 Act as amended by OSRA to take action to ensure that the foreign commerce of the U.S. is not burdened by non-market barriers to ocean shipping. The FMC may take countervailing action to correct unfavorable shipping conditions in U.S. foreign commerce and may impose penalties. The FMC may address actions by carriers or foreign governments that adversely affect shipping in the U.S. foreign oceanborne trades including the intermodal operations of carriers or the operations of OTIs, or that impair access of U.S.-flag vessels to ocean trade between foreign ports.

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

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

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

The FMC oversees more than 6,600 regulated entities (PVOs, vessel-operating common carriers (VOCCs), MTOs, conferences, OTIs, etc.). The FMC ensures that all OTIs operating in the foreign commerce of the U.S. have established the required financial responsibility to protect shippers from financial loss. Additionally, the FMC licenses all U.S. OTIs and requires registration of all foreign NVOCCs serving U.S. trades.

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

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

Agency Mission Challenges

The FMC is prepared to respond to the challenges facing the U.S. ocean transportation system and the Commission will continue to center its efforts on fostering a viable and vibrant liner shipping environment critical to the nation's international trade and economic growth. As a small agency with a broad mandate, we manage our resources to enforce the Commission's governing statutes and regulations when necessary to protect the shipping public, but stress voluntary compliance and use of dispute resolution techniques to resolve issues quickly with minimal cost. The Commission remains mindful of the importance of investing in information technology to improve efficiency and provide greater public access, while reducing costs over time. Improvement of, and investment in, the FMC's information technology capability is currently the urgent priority for the Commission.

Regulatory Review

The FMC continues to review its regulatory processes to respond to new technology and changing economic conditions that alter the state of U.S. trades. As part of an ongoing *Plan for Retrospective Review of Existing Rules*, the FMC is in the process of reviewing, evaluating, and making recommendations concerning the filing and processing of agreements, quarterly monitoring reports, agreement meeting minutes, regulations governing service contracts, and NVOCC service arrangements. In fiscal years 2014 and 2015, the Commission will implement the recent rule changes to the passenger vessel program and seek alternative ways to enhance PVO monitoring procedures. The FMC is reviewing its User Fees and considering revisions that will update fees to realign them to current agency costs and, when warranted, remove or reduce fees. A review of Marine Terminal Operator Schedule regulations is planned to begin in FY 2015.

The FMC is moving forward with a Notice of Proposed Rulemaking (NOPR) for regulations regarding OTI licensing and financial responsibility requirements in light of changed industry circumstances. The NOPR has been issued after the Commission issued an Advance Notice of Proposed Rulemaking and received significant public comment from industry stakeholders. The FMC's NOPR is the result of weighing public comments and industry and regulatory needs, and seeks to streamline OTI licensing, making licenses more easily verifiable and providing value to the shipping public.

Alliance and Vessel Sharing Agreements

The FMC monitors key trade lanes and reviews and analyzes the competitive impact of agreements with particular emphasis on issues of adequate vessel capacity and equipment availability. The difficult economic environment has caused significant developments with respect to the complexity and scope of agreements among vessel operating carriers that have been filed with the Commission. These agreements include highly coordinated alliance agreements and vessel sharing agreements among the largest container vessel operators in the world. The Commission weighs the potential benefits of cost savings and efficiencies for the agreement parties that result from coordinated deployment of new, larger vessels with potential harm from concentration of agreement control of matters such as ports of call and vessel schedules. Recent agreements filed with the Commission have cleared its review but with the imposition of specifically tailored reporting requirements. These monitoring reports will help ensure that the Commission can quickly identify conditions under an agreement that result in a reduction in competition that unreasonably reduces services or unreasonably raises shipping rates.

Port Congestion and Security Initiatives

In fostering an efficient ocean transportation system that promotes the growth of U.S. exports, the FMC is concerned about the growing problem of widespread congestion at U.S. ports and inland locations. The Commission is conducting forums on the issue at four major port gateways, with the goal of facilitating discussion among port representatives, industry stakeholders, and other interested parties and addressing the underlying causes of port congestion.

The FMC continues to expand its participation in security initiatives as they relate to U.S. ocean commerce, specifically working to coordinate the use of available database systems with other agencies engaged in homeland security to improve identification of entities providing and utilizing maritime transportation services. The FMC will work with its Federal counterparts to monitor ocean commerce to protect the American public.

Enforcement, Dispute Resolution and Public Information

With the increasing pressure of industry consolidation, environmental concerns, port congestion and rising energy costs, the Commission is particularly sensitive to the impact on the nation's exporters and their need for efficient ocean transportation in reaching foreign markets. The FMC will continue to monitor service contracts and tariffs in key trades as barometers of market cycles and shifts in the balance of supply and demand. The FMC will continue to expand and promote its compliance-focused program to monitor and audit ocean common carrier, NVOCC, and ocean freight forwarder operations.

The FMC acts as an Alternate Dispute Resolution (ADR) provider in the event of disputes. The Commission will continue its efforts to further expand awareness of the Commission's ADR services through internal and external education programs, training, and other appropriate methods. Use of mediation will be promoted to assist in resolving formal proceedings, service contract matters, and other significant disputes. Further, the Commission has participated in external consumer education webinars and is developing an educational webinar series to educate consumers and regulated entities regarding regulations, shipping trends and best practices, and the effective use of FMC services to resolve shipping disputes.

The use of technology and dissemination of public information is increasingly important; web-based and social media-based accessibility to Commission services and information will facilitate public interaction, while adding greater efficiencies to internal business processes. The FMC will continue to provide services and outreach to the shipping public to assist in the implementation of industry practices that can improve the ocean transportation system.

Encouraging Economic Growth

Accomplishing the Commission's strategic goals is critical to the President's mission to encourage economic growth, invest in the future, and responsibly govern the nation. The smooth flow of international commerce is vital to the national economy in both providing access to foreign markets for our exports and ensuring the availability of imported goods for domestic production and consumption. Overall, the Commission will focus on actions that will facilitate and support the President's National Export Initiative by promoting access to foreign markets for American exports and efficient supply chains for the importation of goods for domestic production and consumption.

Program Performance Overview

The FMC, like other Federal agencies, provides a performance plan to Congress, pursuant to the Government Performance and Results Act (GPRA). The FMC has organized its performance goals to achieve its strategic goals. The FMC's *Strategic Plan Fiscal Years 2014-2018 (Revised)* is available on the FMC's website. The complete FY 2014 Program Performance Report is contained in *Chapter 2, Program Performance*.

During FY 2014, the Commission continued to refine its business practices. As economic conditions alter the state of our trades, regulations are revised to respond to new conditions. As part of an ongoing *Plan for Retrospective Review of Existing Rules*, the FMC reviewed, evaluated, and made recommendations concerning the filing and processing of agreements, quarterly monitoring reports, and agreement meeting minutes. A review of the regulations governing service contracts and NVOCC service arrangements continued in FY 2014.

Achieving Strategic Goal Results

The FMC has a specific process in place for measuring performance. Performance goals were developed to promote both of the FMC's strategic goals, and the processes or activities required to achieve the goals were identified. The agency then specified the outcome it believes will result from accomplishing each stated goal, and agreed on performance indicators as the quantifiers of performance. Fiscal year 2014 was the sixth year in which the FMC undertook to quantify and measure performance goals. The Commission's actual performance in FY 2014 is compared with the targeted levels of performance established in the agency's *Strategic Plan Fiscal Years 2014-2018 (Revised)*. Taken together, performance measures and targets under each strategic goal were designed to enhance and further those goals each fiscal year, bringing the agency closer to full achievement of its strategic goals. Our experience in the years 2010 through 2013 enabled us to set realistic targets for FY 2014 in the revised strategic plan.

Historical Performance of Strategic Goals and Objectives					
Strategic Goal	**Objective**	**Performance Measures**	**2012**	**2013**	**2014**
Goal 1. Maintain an efficient and competitive international ocean transportation system.	1.Enhance efficiency in the trades through the use of asset sharing authority under the Shipping Act of 1984.*	Percentage share of U.S. containerized cargo moving on other agreement parties' vessels in major U.S. trades.**	**TARGET**		
			19%	19.5%	39.5%
			ACTUAL		
			18.7%	19.5%	45.6%
Goal 2. Protect the public from unlawful, unfair and deceptive ocean transportation practices and resolve shipping disputes.	**1.** Identify and take action to end unlawful, unfair and deceptive practices.	Percentage of enforcement actions taken under the 1984 Act successfully resolved through favorable judgment, settlement, issuance of default judgment, or compliance letter or notice.	**TARGET**		
			74%	76%	76.5%
			ACTUAL		
			88%	78.9%	83.8%
	2. Prevent public harm through licensing and financial responsibility requirements.	Percentage of decisions on completed OTI license applications rendered within 60 calendar days of receipt, facilitating lawful operation of OTIs with the appropriate character and experience requirements.	**TARGET**		
			70%	75%	75%
			ACTUAL		
			90.2%	87.6%	71.3%
		Percentage of cruise line operators examined during the year that have the full financial coverage required by regulation to protect against loss from non-performance or casualty.	**TARGET**		
			92%	93%	94%
			ACTUAL		
			100%	100%	96.7%
	3. Enhance public awareness of agency resources, remedies and regulatory requirements through education and outreach.	Percentage of key Commission issuances, orders, and reports are available through the Commission's website within 5 working days of receipt.	**TARGET**		
			74%	76%	76%
			ACTUAL		
			79%	86%	93%
	4. Impartially resolve international shipping disputes through ADR and adjudication.	Number of cases opened and closed each fiscal year using *ombuds* and ADR services to assist consumers in recovering goods or funds.	**TARGET**		
			700	800	825
			ACTUAL		
			893	800	994
		Percentage of formal complaints or Commission initiated orders of investigation completed within 2 years of filing or Commission initiation.	**TARGET**		
			54%	56%	58%
			ACTUAL		
			73%	91%	88%

* This objective was revised for FY 2014-2018. In FY 2013, the objective was: Identify and take action to address substantially anti-competitive conduct or unfavorable conditions in U. S. trades. The target for FY2013 was 19.5%.
** This measure was revised for FY 2014-2018. In FY 2013, the measure was: Percentage share of total U.S. International oceanborne trade moved by containership, as an indicator of liner shipping efficiency. The target for FY 2013 was 19.5%.

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

Strategic Management of Human Capital –The FMC continues to implement the strategic goals, strategies, and measures of results outlined in the 2012-2017 Human Capital Plan, Workforce Plan, and Accountability Plan in accordance with OPM's Human Capital Assessment and Accountability Framework during FY 2014.

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

Leadership is recognized as a critical asset, and at the close of FY 2014, three-fourths of the FMC's executives were eligible for optional retirement. A systematic succession management process will be followed to allow the projection of our needs, prepare individuals to assume greater levels of responsibility, and to allow the agency to continue to maintain talented and knowledgeable leadership to meet the challenges of the future. As funds become available, training and development in leadership competencies within a technical context will be provided to prepare the next generation of leaders at the Commission.

Competitive Sourcing - The FMC submitted its FY 2014 Federal Activities Inventory Reform Act (FAIR Act) Inventory to OMB in June 2014. The Inventory identified 68 of the agency's 126 FTEs as commercial activity FTEs. No challenges to its commercial inventories have ever been received.

Improved Financial Performance - The FMC received an unqualified/unmodified ("clean') opinion on its financial statements in FY 2014. The FMC will continue to strive to achieve unqualified/unmodified audit opinions.

Expanded E-Government - During FY 2014, the FMC continued to expand and improve our public websites. Public feedback was used to increase the quality, clarity, and accessibility of content provided to the shipping public. Achievements in FY 2014 include:

- Introducing an online payment option for paying fees and invoices through the Department of the Treasury's Pay.gov service;
- Launching a new OTI Licensing Updates webpage to provide quicker delivery of OTI notices. Publishing this information on our website saves the Commission Federal Register publication costs and allows the FMC to improve the formatting and organization of this information; and

- Implementing a web services filing option for service contracts and NVOCC Service Arrangements (NSAs) that allows vessel-operating common carriers and non-vessel-operating common carriers to incorporate the filing of service contracts and amendments or NSAs into their contract management systems (CMS).

The FMC information technology capabilities have been enhanced in a number of areas. The multiyear transition to use Enterprise Content Management (ECM) technology for managing business activities and information needs is continuing to progress. FMC backup and recovery architecture was redesigned to a disk-based solution and has been implemented. Other FY 2014 IT achievements include:

- Initiated User Experience Modernization (UEM) of FMC desktop hardware and operating systems while simultaneously migrating/converting staff to a new cloud-based email and collaboration service;
- Received a project start date of December 2014 from the Department of Homeland Security (DHS) for the DHS Continuous Diagnostics and Mitigation (CDM) project in accordance with OMB M-14-03/04;
- Awarded a multi-year Enterprise Software Agreement with Microsoft;
- Initiated modernization of the agency's network and server infrastructure;
- Modernized the agency's copy/scan/print/fax infrastructure; and
- Initiated upgrades to the agency's mobile phone hardware and capabilities.

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

Financial Performance Overview

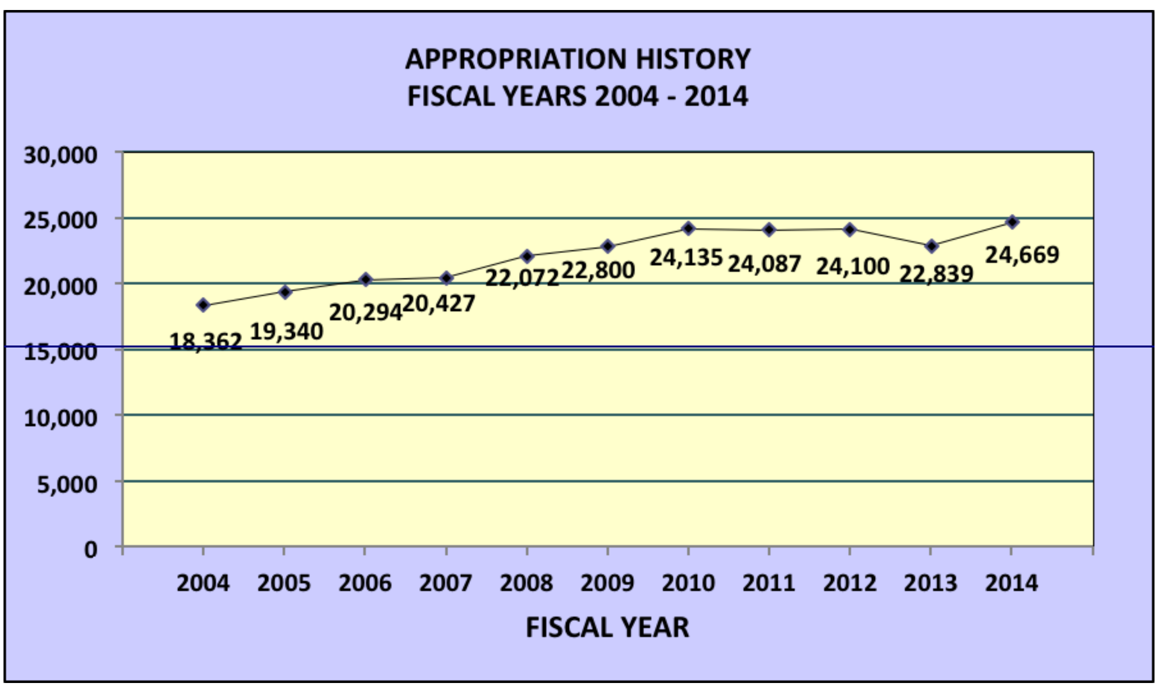
The FMC's financial condition as of September 30, 2014 is sound, and the Commission has sufficient internal controls in place to ensure its budget authority is not exceeded and that funds are utilized efficiently and effectively. The FMC's accounting services provider, the Bureau of the Fiscal Services (BFS), prepared the financial statements as required by the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of FMC in accordance with Generally Accepted Accounting Principles (GAAP) recognized in the USA, standards approved by the Federal Accounting Standards Advisory Board (FASAB), and OMB Circular A-136, *Financial Reporting Requirements.*

Source of Funds

The FMC has single source funding, Salaries and Expenses, funded by an annual appropriation available for commitments and obligations incurred during the fiscal year in which the authority was granted. Congress approved FY 2014 appropriations for the FMC in the amount of $24,669,000 through P.L. 113-76, which is an increase of $1,829,575 above the FY 2013 final appropriation level. Additionally, the Commission had reimbursable budget authority of $29,030 for work performed by FMC staff at other government entities.

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

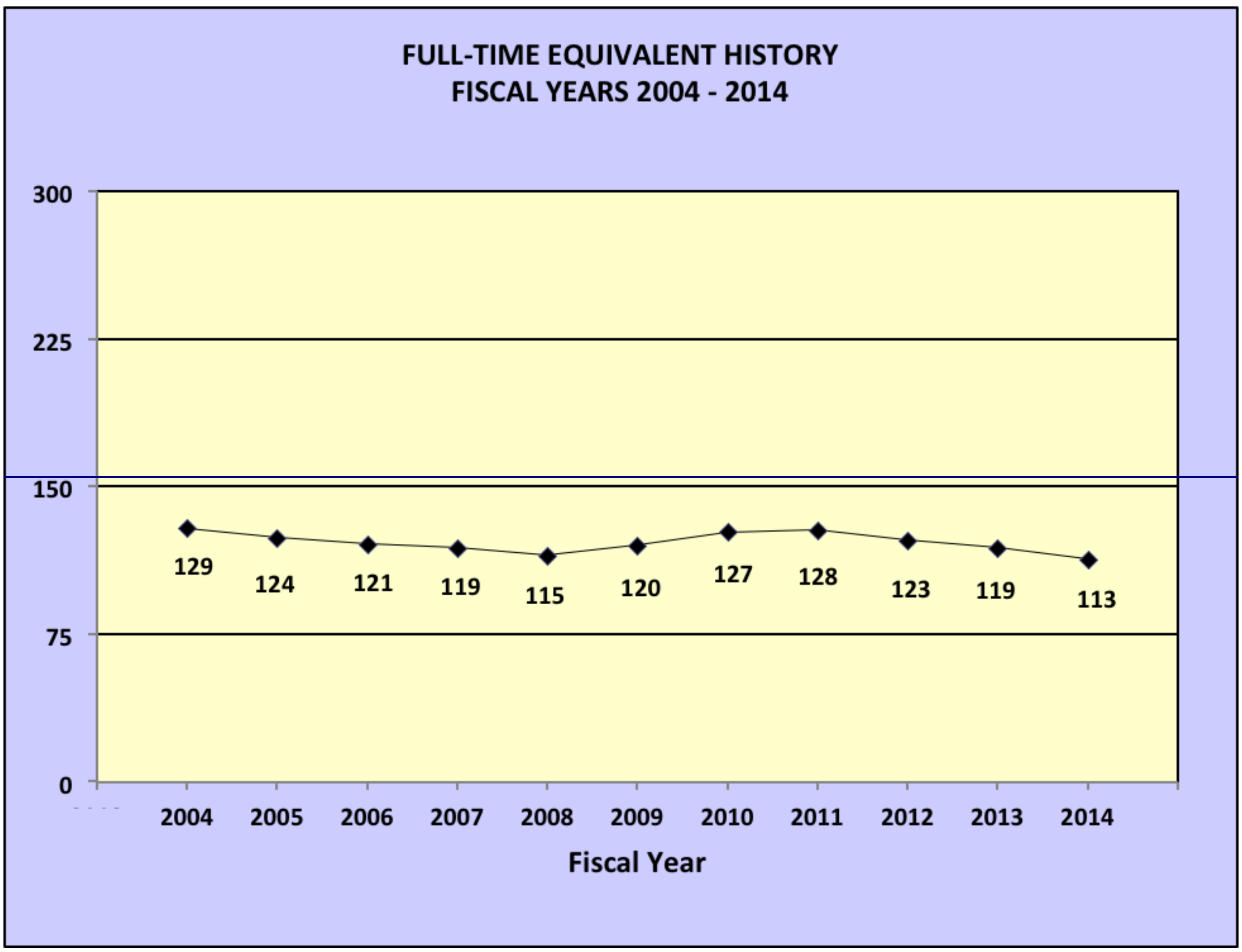
Appropriation History



Full-time Equivalent History

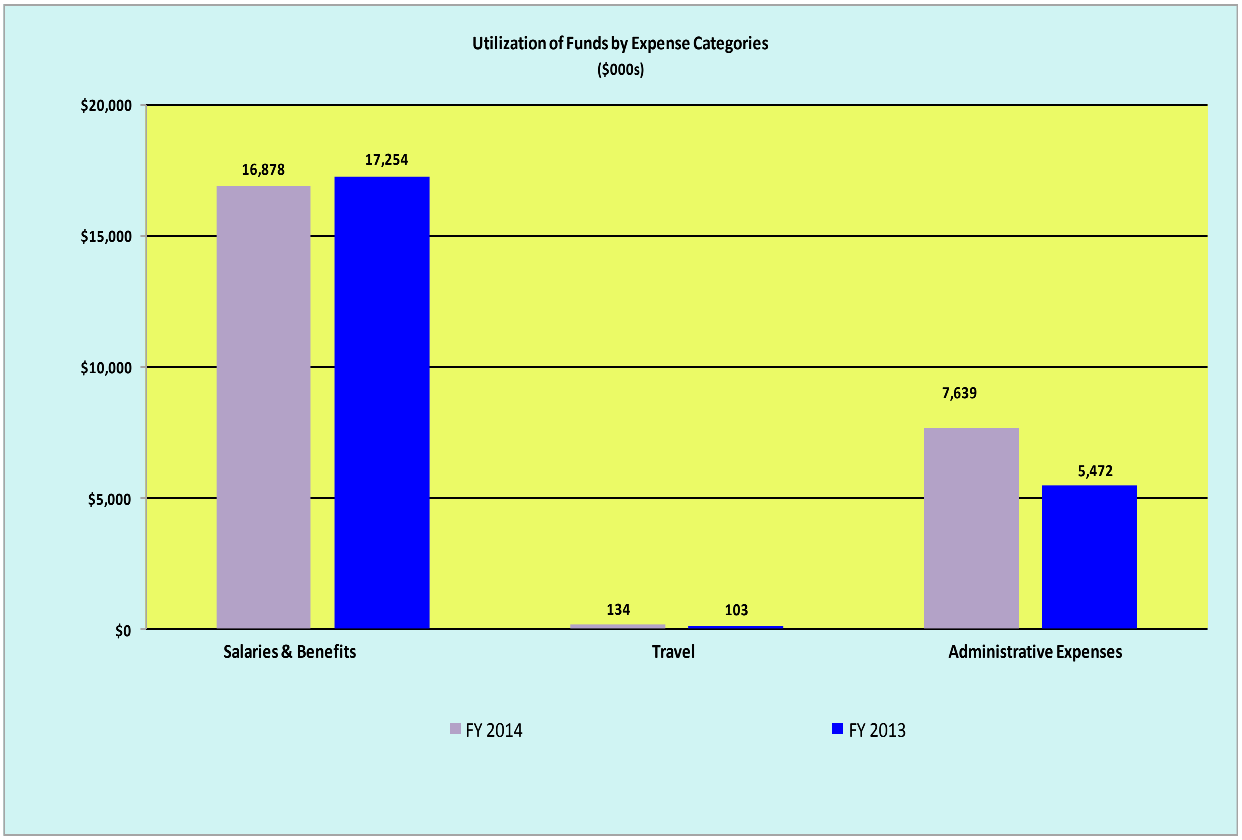
The FMC's FTE level is largely driven by our annual appropriation level; however, unanticipated vacancies in such offices as the Offices of the Commissioners have sometimes remained unfilled for lengthy periods of time, awaiting Presidential and Congressional action. The FMC has maintained a full complement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

The FTE level declined annually from 2004 through 2008, followed by increases in 2009 through 2011. In 2013, the Commission's FTE level dropped, and in 2014, it dropped further to the lowest level since the late 1970s. The agency experienced a number of unanticipated retirements and separations in 2014, resulting in a lower than anticipated FTE level. The agency has endeavored to develop the appropriate mix of staffing and other available means to ensure effective accomplishment of our mission.



Uses of Funds by Expense Category

During FY 2014, obligations against the FMC's appropriation totaled $24,650,789, representing 99.93% of the funding level. The Commission spent $24.651 million as follows: 68.5% for salaries and benefits, .5% for official travel expenses, and 31% for administrative expenses (e.g., rent, government and commercial contracts, telephones, printing, and supplies). The unobligated balance of $18,211 will remain available for legitimate increases to existing FY 2014 obligations.



Audit Results

The FMC again received an unqualified/unmodified opinion on its FY 2014 financial statements from the auditing firm of Regis & Associates, P.C. under contract through the FMC's OIG. Comparative statements are located in *Chapter Three, Auditor's Reports and Financial Statements.*

Financial Statement Highlights

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

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

Summary of Assets

The FMC's assets were $4,511,354 as of September 30, 2014. This represents an increase from FY 2013 of $1,580,177. The FMC's assets reported in the balance sheet are summarized in the accompanying table.

Summary of Assets as of September 30, 2014		
	FY 2014	FY 2013
Fund Balance with Treasury	$4,105,128	$2,620,747
Accounts Receivable	$1,520	$273
Capital Assets	$404,706	$345,626
Other	$0	$0
Total Assets	**$4,511,354**	**$2,966,646**

The Fund Balance with Treasury of $4,105,128 represents the FMC's largest asset and represents 91% of the agency's total assets. This is an increase of $1,484,381 from FY 2013. The Fund Balance with Treasury is comprised only of annual appropriations maintained by the Department of the Treasury to address current liabilities.

Accounts Receivable as of September 30, 2014 was $1,520 for outstanding receivables billed to non-Federal entities. This accounts for less than 1% of the FMC's assets.

Capital Assets, also known as Property, Equipment and Software, accounts for 9% of the FMC's total assets as of September 30, 2014. The net value of $404,706 accounts for the depreciation of all assets and represents the current book value of those assets.

Summary of Liabilities

The FMC's Liabilities totaled $2,101,645 as of September 30, 2014, an increase of $44,526 total liabilities from FY 2013. The majority of the increase is related to additional obligations where the goods and/or services have yet to be received or vendor(s) have not submitted billings for delivered orders.

Summary of Liabilities as of September 30, 2014		
	FY 2014	FY 2013
Accounts Payable	$529,765	$383,966
Payroll Taxes	$96,301	$104,709
Federal Employee Benefits	$787	$7,112
Custodial Liabilities	$1,753	$273
Accrued Liabilities	$1,473,039	$1,561,059
Total Liabilities	**$2,101,645**	**$2,057,119**

The FMC's accounts payable as of September 30, 2014 was $529,765. This represents the funds owed for goods and services received from vendors. Federal employee benefits represent accrued salaries and liabilities that are not funded by budgetary resources. These liabilities represent future workers' compensation and accrued annual leave that remains on the books. The Federal budget process does not recognize future benefits for today's employees; however, these liabilities will be recognized in future budget cycles as they are paid.

Analysis of Changes in Net Position Summary

The Changes in Net Position Summary reports the change in the agency's net position during the reporting period. The statement is a summary of two factors, Unexpended Appropriations - the amount of spending authority that remains unused at the end of the fiscal year and Cumulative Results of Operations - the cumulative excess of financing resources over expenses. The total net position for FY 2014 is an increase of $1,500,182 from FY 2013. The increase is attributed to obligations where the deliverables have not been received and/or vendors have not submitted invoices for delivered orders.

Changes in Net Position Summary as of September 30, 2014		
	FY 2014	FY 2013
Unexpended Appropriations	$3,129,440	$1,820,115
Cumulative Results of Operation	($719,731)	($910,588)
Total Net Position	**$2,409,709**	**$909,527**

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 for all active fiscal years.

Analysis of Net Cost Summary

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

Net Cost Summary as of September 30, 2014		
	FY 2014	**FY 2013**
Operational and Administrative	$16,120,903	$16,102,932
Formal Proceedings	$7,476,772	$7,603,646
Office of the Inspector General	$314,541	$614,320
Office of Equal Employment Opportunity	$193,139	$195,312
Total Net Cost	**$24,105,355**	**$24,516,210**

Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources (SBR) shows the source of the agency's budgetary resources, the status of those resources at the end of the reporting period, and the relationship between the two. Total budgetary resources must be equal to the status of budgetary resources at all times. A more detailed SBR can be found in *Chapter Three, Auditor's Report and Financial Statements.* During FY 2014, the FMC had total budgetary resources available of $25,181,530, representing an increase of $1,588,349 over 2013. The FMC incurred total obligations during FY 2014 of $24,794,326. The budgetary resources represent financial activity during the accounting period for the five active fiscal years.

Statement of Budgetary Resources as of September 30, 2014		
	FY 2014	**FY 2013**
Total Budgetary Resources	**$25,181,530**	**$23,593,181**
Obligations Incurred	$24,794,326	$23,007,870
Unobligated Balance Unavailable	$368,993	$575,060
Unobligated Balance Available	$18,211	$10,251
Total Status of Budgetary Resources	**$25,181,530**	**$23,593,181**

Controls, Systems, and Legal Compliance

Internal controls are fundamental to the systems and processes that the FMC utilizes in managing its operations and achieving its strategic goals. As noted in the Chairman's Statement of Assurance in the following section, the FMC does not have any material weaknesses or nonconformance to report for FY 2014.

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA) mandates that agencies establish controls that reasonably ensure that: (i) obligations and costs comply with applicable laws; (ii) assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (iii) revenues and expenditures are properly recorded and accounted for. This act encompasses program, operational, and administrative areas as well as accounting and financial management. The FMFIA requires the Chairman to provide an assurance statement of the adequacy of management controls and conformance of financial systems with Government wide standards, FMC managers are held accountable for efficient and effective performance of their duties in compliance with applicable laws and regulations, and for maintenance of the integrity of their activities through the use of controls.

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

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

During the fiscal year, the IG identified no significant deficiencies and there were no significant management decisions made on which the IG disagreed. Management and the OIG previously reached agreement on 13 OIG audit recommendations. During FY 2014, management took action with respect to all recommendations and remedied 11. These actions are pending review before OIG closure.

Debt Collection Improvement Act of 1996

The Debt Collection Improvement Act enhances the ability of the government to service and collect debts. The Act centralized the collection of non-tax delinquent debt owed to the government. Federal agencies are required to refer delinquent accounts in excess of 180 days to Treasury for collection. The collection of delinquent debts is conducted by the Bureau of Fiscal

Services through the Cross-Servicing Program and Treasury Offset Program where the names and taxpayer identification numbers (TIN) are matched against the TINs of recipients of government payments. The balance owed to the government is deducted or offset from the payment to the entity to satisfy the debt. The goal of the FMC is to minimize the amount of delinquent debt owed to the government.

Prompt Payment Act of 1982

The Prompt Payment Act requires agencies to make timely payments to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts when they are economically justified. In FY 2014, the FMC maintained a percentage of on-time payments of 97.7%.

In FY 2014, the FMC paid $92.00 in interest payments as a result of four late payments. The FMC will continue to strive towards maintaining 100% on-time vendor payments in future years.

Biennial Review of User Fees

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

A revised methodology for calculating user fees was developed in FY 2011. Performance goals and processing times for completion of certain user fee activities changed dramatically since the review was performed, and in FY 2012, management requested updated information from bureaus and offices on current processing times for all user fee activities in order to calculate user fees which accurately reflected the agency's costs. In FY 2014, the fees were updated based upon actual FY 2013 costs. The user fee working group is concluding its review and providing its recommendations for Commission consideration in early FY 2015.

Performance Measure Summary

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

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

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

Briefly, during FY 2014, the Inspector General completed the following audits and reviews:

- Evaluation of FMC's Compliance with the Federal Information Security Management Act FY 2013,
- Independent Auditors' Report of FMC's FY 2013 Financial Statements,
- FY2013 Financial Statement Management Letter, and
- Improper Payments Elimination and Recovery Act of 2010 (IPERA).

The Inspector General's reviews disclosed no instances of questioned costs. The agency addressed a number of recommendations from these reviews, and it is expected that progress will be made to address the remaining open recommendations during FY 2015.

During FY 2014, no significant deficiencies were identified.

Treasury Assurance Statement - USA Spending Reconciliation

The FMC has a plan for the regular and appropriate input of data into the USA Spending repository. During FY 2014, data had been under-reported via USA Spending due to a staffing shortage and ramifications of sequestration, resulting in an error rate of 10%. However, the error rate and obligations unreported declined significantly throughout the fiscal year. The FMC's goal is to achieve 100% data input and, thus, a zero percent error rate.

Freeze the Footprint

Section 3 of OMB Memorandum 12-12, *Promoting Efficient Spending to Support Agency Operations* and OMB Management Procedures Memorandum 2013-02, the "Freeze the Footprint" policy implementing guidance, require agencies to report the total square footage associated with agency assets and the annual operating costs. While the FMC is not a CFO Act agency, it is committed to working in partnership with the General Services Administration to act as steward to government resources and better align the size of Federal real property assets with actual program needs. In FY 2014, the FMC relocated a field office from New York City to New Jersey. That move resulted in an increase from 839 square feet to 1,161 square feet, however it netted a cost savings due to the cost of the respective leases. During the same period, the FMC released approximately 570 square feet of headquarters space to GSA.[1] The FMC identified further reductions and cost savings and will continue to evaluate its space needs going forward into FY 2015.

Agency FY 2014 Square Footage

Headquarters:	54,419 (53,132 with an additional 1,287 in joint use space)
Houston:	463
Los Angeles:	838
New Orleans:	250 (space is provided at no cost by DHS-CBP)
New York/New Jersey:	1,161
Seattle/Tacoma:	383
South Florida:	1,016
Total	58,530

Footprint Baseline Comparison

	FY 2012 (Baseline)	FY 2013	FY 2014
Total Square Footage	58,208	58,208	58,530[2]

Reporting of O&M Costs – Owned and Direct Lease Buildings

	FY 2012 Reported Cost	FY 2013 Reported Cost	FY 2014 Reported Cost	Change in Baseline 2012-2014
Operation and Maintenance Costs	$2,994,981	$3,191,702	$3,234,499	$239,518[3]

[1] The FMC did not receive a credit for the release of HQ space from GSA in FY 2014. It is anticipated that the credit will be received in FY 2015.
[2] This increase reflects the relocation of the NY/NJ field office to a more affordable location yielding a cost savings for the agency.
[3] The FMC executed a new 10-year lease agreement, effective on November 1, 2012, accounting for increased leasing costs. The FMC did not acquire additional headquarter space.

CHAIRMAN'S FMFIA STATEMENT OF ASSURANCE

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

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

Based on the results of this assessment, the FMC provides reasonable assurance that its internal controls over the effectiveness and efficiency of operations, reliable financial reporting and compliance with applicable laws and regulations as of September 30, 2014, were operating effectively and that no material weaknesses were found in the design or operation of our internal controls.

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

Mario Cordero
November 17, 2014

Chapter Two
PROGRAM PERFORMANCE INFORMATION

Annual Performance Report

Introduction to Performance

This report describes progress towards performance targets in 2014 in furtherance of the Commission's mission to foster a fair, efficient and reliable international ocean transportation system, and to protect the public from unfair and deceptive practices. The Performance Section presents detailed information on the performance results of the FMC's programs. The Performance Section is organized by the FMC's strategic goals. The strategic goals represent the FMC's mission and reflect the overall outcomes and objectives the agency is working to achieve. The strategic goals are then divided by objectives. The objectives are supported by performance measures. These measures track activities and determine if a program met targets for the fiscal year. When a performance target is unmet, an explanation is provided. The FMC's strategic goals and objectives are as follows:

Strategic Goal 1: Maintain an Efficient and Competitive International Ocean Transportation System.

Objective: Identify and take action to address substantially anti-competitive conduct or unfavorable conditions in U.S. trades.

Strategic Goal 2: Protect the Public from Unlawful, Unfair and Deceptive Ocean Transportation Practices and Resolve Shipping Disputes.

Objective: Identify and take action to end unlawful, unfair, and deceptive practices.

Objective: Prevent public harm through licensing and financial responsibility requirements.

Objective: Enhance public awareness of agency resources, remedies, and regulatory requirements through education and outreach.

Objective: Impartially resolve international shipping disputes through alternative dispute resolution and adjudication.

The FMC quantitatively measured seven performance goals during the fiscal year. Six out of seven measures reached and/or exceeded FY 2014 targets. Each measure, target, and actual result is reported in the summary table below (Table 1) and includes a description of the data used to measure performance, along with an explanation of the procedures in place to validate and ensure integrity of the reported result.

Trend data for measures in place since 2010 is reflected in a Table 2 below. This data reflects continuous increases in agency efficiency and productivity – a result of both improved and streamlined processes, and enhanced focus on improving the critical processes being measured. Table 3 provides a status update on unmet targets for FY 2010 through FY 2014.

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

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

Table 1: Summary of Performance Measure Results – FY 2014

Targeted performance compared to actual results.

Strategic Goal No. 1: Maintain an efficient and competitive international ocean transportation system.		
Performance Measure	**FY 2014 Target**	**FY 2014 Actual**
Measure: Percentage share of U.S. containerized cargo moving on other agreement parties' vessels in major U.S. trades.[1] **2014 Target:** 39.5% **Validation:** This outcome goal is measured by using information from several different commercial sources that collectively provide the number of loaded containers (TEUs) carried by vessels operating in selected major U.S. trade lanes, while separately enumerating the number of TEUs carried by each vessel for the ship operator's own account and the number of TEUs carried by the vessel on behalf of other vessel operating common carriers (i.e., on behalf of third-parties). The vessels' data are aggregated, and the total number of TEUs carried on behalf of third-parties is divided by the total number of TEUs carried in the trades selected. The measure is applied to the transpacific and transatlantic liner trades, which together account for about two-thirds of all U.S. container cargo.	39.5%	45.6%
Strategic Goal No. 2: Protect the public from unlawful, unfair and deceptive ocean transportation practices and resolve shipping disputes.		
Performance Measure	**FY 2014 Target**	**FY 2014 Actual**
Measure: Percentage of enforcement actions taken under the Shipping Act of 1984 successfully resolved through favorable judgment, settlement, issuance of default judgment, or compliance letter or notice. **2014 Target:** 76.5% **Validation:** This outcome goal is measured by examining enforcement case inventory and physically counting the number of cases resolved. The inventory is maintained for case load management, and monthly and quarterly reporting purposes. The data is constantly under review and frequently updated.	76.5%	83.8%
Measure: Percentage of decisions on completed OTI license applications rendered within 60-calendar days of receipt, facilitating lawful operation of OTIs with the appropriate character and experience requirements. **2014 Target:** 75% **Validation:** This outcome goal is measured by comparing data fields in an internal database that contains, among other data points, the date the OTI license application is accepted for processing and the date a licensing determination is made or the application	75%	71.3%

process has been completed. The difference between these two dates is the length of time to render a decision on an OTI application accepted for processing. The database is maintained for daily case load management, and monthly and quarterly reporting purposes. The data is constantly under review and frequently updated. **In FY 2014, the Commission achieved an overall completion rate of 71.3%. During the 1st quarter, the Commission processed 81.7% of applications received within the 60-day target goal, exceeding the yearly target goal of 75%. As a direct result of the 2 ½ week long government-wide shutdown during the 1st quarter, a significant backlog of applications was generated at the initial processing stage that negatively impacted 2nd quarter completion rates. Applications completed during the 2nd quarter declined to 48.5%. By the 3rd and 4th quarters, processing time improved, resulting in 82.8% and 70.6%, respectively, of applications processed. Absent the shutdown and the resulting disruption in processing OTI applications, the Commission was on track to meet or exceed its year-end target of 75%.**		
Measure: Percentage of cruise line operators examined during the year that have the full financial coverage required by regulation to protect against loss from non-performance or casualty. **2014 Target:** 94% **Validation:** This outcome goal is measured by comparing reported financial coverage amounts against required coverage amounts. Approximately 200 cruise vessels are registered in and monitored by the Commission's Passenger Vessel (Cruise) Operator program. Operators covered by this program file semi-annual, monthly, and weekly unearned passenger revenue reports. This information is used to compare reported coverage against required coverage amounts.	94%	96.7%
Measure: Percentage of key Commission issuances, orders and reports that are available through the Commission's website within 5 working days of receipt. **2014 Target:** 76% **Validation:** This outcome goal is measured by reviewing the workflow processes for posting documents to the Commission's website docket activity logs. The date that each docket activity log is updated with new filings or issuances is compared to the date the document is filed with or issued by the Commission in a particular proceeding. The case logs are used on a daily basis by agency staff and by the public, and as such, any discrepancies are discovered and remedied quickly.	76%	93%
Measure: Number of cases opened and closed each fiscal year using *ombuds* and ADR services assisting consumers to recover goods or funds. **2014 Target:** 825 **Validation:** This outcome goal is measured using data maintained by the Commission on each such case opened and closed.	825	994
Measure: Percentage of formal complaints or Commission-initiated orders of investigation completed within two years of filing or Commission initiation. **2014 Target:** 58% **Validation:** This outcome goal is measured using docket activity logs maintained by the Commission. The docket logs are used on a daily basis by agency staff and by the public, and as such, any discrepancies are discovered and remedied quickly.	58%	88%

[1] In consultation with OMB, beginning in FY 2014, this performance measure replaced the previous measure: "Percentage share of total U.S. international oceanborne trade moved by containership as an indicator of liner shipping efficiency."

Table 2: Performance Measure Trends FY 2010-2014

Strategic Goal No. 1: Maintain an efficient and competitive international ocean transportation system.										
Performance Measure	**FY 2010 Target**	**FY 2010 Actual**	**FY 2011 Target**	**FY 2011 Actual**	**FY 2012 Target**	**FY 2012 Actual**	**FY 2013 Target**	**FY 2013 Actual**	**FY 2014 Target**	**FY2014 Actual**
Measure: Percentage share of total U.S. international oceanborne trade moved by containership as an indicator of liner shipping efficiency.[1]	18%	17.4%	18.5%	17.9%	19%	18.7%	19.5%	19.5%	N/A	N/A
Measure: Percentage share of U.S. containerized cargo moving on other agreement parties' vessels in major U.S. trades.[1]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	39.5%	45.6%
Strategic Goal No. 2: Protect the public from unlawful, unfair and deceptive ocean transportation practices and resolve shipping disputes.										
Measure: Percentage of enforcement actions taken under the Shipping Act of 1984 successfully resolved through favorable judgment, settlement, issuance of default judgment, or compliance letter or notice.	70%	72.9%	72%	82%	74%	88%	76%	78.9%	76.5%	83.8%
Measure: Percentage of decisions on completed OTI license applications rendered within 60 calendar days of receipt, facilitating lawful operation of OTIs with the appropriate character and experience requirements.	55%	65%	60%	77%	70%	90.2%	75%	87.6%	75%	71.3%
Measure: Percentage of cruise line operators examined during the year that have the full financial coverage required by regulation to protect against loss from non-performance or casualty.	90%	90 %	91%	91%	92%	100%	93%	100%	94%	96.7%
Measure: Percentage of attendees at agency sponsored outreach presentations that rate the program as "Useful" or "Extremely Useful" in their compliance efforts.[2]	70%	100%	75%	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Measure: Percentage of key Commission issuances, orders and reports that are available through the Commission's website within 5 working days of receipt.	70%	77.1%	72%	72%	74%	79%	76%	86%	76%	93%

Measure: Number of cases opened and closed each fiscal year using *ombuds* and ADR services assisting consumers to recover goods or funds.	550	556	625	631	700	893	800	800	825	994
Measure: Percentage of formal complaints or Commission initiated orders of investigation completed within two years of filing or Commission initiation.	50%	56%	52%	60%	54%	73%	56%	91%	58%	88%

[1] In consultation with OMB, beginning in FY 2014, this performance measure was replaced with a new measure: "Percentage share of total U.S. international oceanborne trade moved by containership as an indicator of liner shipping efficiency." This new measure is a more accurate indicator and measure of the FMC's strategic goal to maintain an efficient and competitive international ocean transportation system.

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

Table 3: Status of 2010 – 2014 Unmet Targets

Performance Measure (2010)	FY 2010 Target	FY 2010 Actual
Measure: Percentage share of total U.S. international ocean borne trade moved by containership as an indicator of liner shipping efficiency. **Strategic Goal No. 1: Maintain An Efficient Competitive International Ocean Transportation System (2010)**	18%	17.4%
Performance Measure (2011)	**FY 2011 Target**	**FY 2011 Actual**
Measure: Percentage share of total U.S. international ocean borne trade moved by containership as an indicator of liner shipping efficiency. **Strategic Goal No. 1: Maintain An Efficient Competitive International Ocean Transportation System (2011)**	18.5%	17.9%
Performance Measure (2012)	**FY 2012 Target**	**FY 2012 Actual**
Measure: Percentage share of total U.S. international ocean borne trade moved by containership as an indicator of liner shipping efficiency. **Strategic Goal No. 1: Maintain An Efficient Competitive International Ocean Transportation System (2012)** **Report Status Update:** This measure is no longer tracked as it was replaced in FY 2014 with a new measure.	19%	18.7%
Performance Measure (2013)	**FY 2013 Target**	**FY 2013 Actual**
Measure: Strategic Goal No. 1: Maintain An Efficient Competitive International Ocean Transportation System (2013)	All Targets	All Targets Reached
Measure: Strategic Goal No. 2: Protect the public from unlawful, unfair and deceptive ocean transportation practices and resolve shipping disputes (2013)	All Targets	All Targets Reached
Performance Measure (2014)	**FY 2014 Target**	**FY 2014 Actual**
Measure: Strategic Goal No. 1: Maintain An Efficient Competitive International Ocean Transportation System (2014)	All Targets	All Targets Reached
Measure: Percentage of decisions on completed OTI license applications rendered within 60 calendar days of receipt, facilitating lawful operation of OTIs with the appropriate character and experience requirements. **Strategic Goal No. 2: Protect the public from unlawful, unfair and deceptive ocean transportation practices and resolve shipping disputes (2014)**	75%	71.3%

Chapter Three
FINANCIAL INFORMATION

Message from the Chief Financial Officer

I am pleased to present the financial section of this PAR. The accompanying financial statements and related notes fairly present the Commission's financial position and were prepared in conformity with accounting principles generally accepted in the U.S., and requirements set forth in Office of Management and Budget (OMB) Circular No, A-136, Financial Reporting Requirements.

During FY 2014, the FMC maintained its record of strong fiscal stewardship on behalf of the American people while achieving its mission to protect the shipping public and maintain a fair and competitive ocean transportation system. FY 2014 marks the 11th consecutive year that the FMC received an unqualified/unmodified (clean) opinion on our financial statements. This unqualified/unmodified opinion on the FMC's financial statements highlights for the President, the Congress, and the American people the continuing commitment of this agency to maintain sound financial management of the resources entrusted to us. The FMC's financial condition is sound, and the Commission has sufficient internal controls in place to ensure its budget authority is not exceeded and that funds are utilized efficiently and effectively.

FY 2014 included the following key accomplishments that demonstrate the effectiveness and efficiency of the FMC's acquisition and financial functions:

- Continuous record of no material weaknesses, significant control deficiencies, or nonconformance with the Federal Managers' Financial Integrity Act and other applicable laws and regulations,
- Collecting, in civil enforcement proceedings and user fees, more than $3,188,549 on behalf of the American public,
- Continued focus on internal controls, as mandated by OMB Circular A-123, providing budget information in concise and reliable formats, and
- Accurate and timely issuance of financial statements as required by the Accountability of Tax Dollars Act of 2002, which are prepared from, and fully supported by, the books and records of FMC in accordance with Generally Accepted Accounting Principles (GAAP), standards approved by the Federal Accounting Standards Advisory Board (FASAB), and OMB Circular A-136, *Financial Reporting Requirements.*

The FMC's Office of Budget and Finance, and the entire agency, are committed to exemplary financial management and the enhancement of operational efficiency. This report demonstrates our commitment to fulfill our fiduciary responsibilities. I am proud of the role the FMC has played in being effective stewards protecting the interest of the American public. We will continue to strive to make improvements and maintain high financial management standards in FY 2015.

Sincerely,

Vern W. Hill
Chief Financial Officer
November 17, 2014

PRINCIPAL FINANCIAL STATEMENTS

The principal financial statements presented include:

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

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

FEDERAL MARITIME COMMISSION
Washington, DC 20573

November 14, 2014

Office of Inspector General

Dear Chairman Cordero and Commissioners:

I am pleased to provide the attached audit report required by the Accountability for Tax Dollars Act of 2002 (ATDA), which presents an unmodified (clean) opinion on the Federal Maritime Commission's (FMC) fiscal year (FY) 2014 financial statements. The audit results indicate that the FMC has established an internal control structure that facilitates the preparation of reliable financial and performance information. The Office of Inspector General (OIG) commends the FMC for the noteworthy accomplishment of attaining an unmodified opinion.

The OIG contracted with the independent certified public accounting firm of Regis & Associates, P.C. (Regis) to perform the audit of the FMC's financial statements for the fiscal year ended September 30, 2014; consider internal control over financial reporting; and test the agency's compliance with certain provisions of applicable laws, regulations, and contracts that could have a direct and material effect on the financial statements. The contract required that the audit be performed in accordance with U.S. Generally Accepted Government Auditing Standards and Office of Management and Budget (OMB) audit guidance.

In its audit of the FMC, Regis found: the financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles; there were no material weaknesses or significant deficiencies in internal control over financial reporting; and no reportable noncompliance issues with the laws and regulations tested.

In connection with the contract, the OIG reviewed Regis & Associates' report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable the OIG to express, and we do not express, opinions on FMC's financial statements or internal control; or conclusions on compliance with laws and regulations. Regis & Associates is responsible for the attached auditors' report dated November 12, 2014 and the conclusions expressed in the report. However, our review disclosed no instances where Regis & Associates did not comply, in all material respects, with generally accepted government auditing standards.

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

Respectfully submitted,

Jon Hatfield
Inspector General

Attachment

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

REPORT ON THE

FINANCIAL STATEMENTS AUDIT

OF FEDERAL MARITIME COMMISSION

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 and 2013

REGIS & ASSOCIATES, PC

MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON THE

FINANCIAL STATEMENTS AUDIT

OF FEDERAL MARITIME COMMISSION

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 and 2013

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REGIS
ASSOCIATES, PC
MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Honorable Mario Cordero
Chairman
Federal Maritime Commission
Washington, DC

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements, based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements.* Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federal Maritime Commission as of September 30, 2014 and 2013;

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and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Accompanying Information

Required Supplementary Information
U.S. generally accepted accounting principles require that the information in the other accompanying information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Internal Control over Financial Reporting Specific to the Financial Statements
In planning and performing our audit of the financial statements as of, and for the years ended September 30, 2014 and 2013, we also considered Federal Maritime Commission' s internal control over the financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of Federal Maritime Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Federal Maritime Commission's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in their normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable

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possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Compliance and Other Matters Specific to the Financial Statements

As part of obtaining reasonable assurance about whether Federal Maritime Commission's financial statements are free from material misstatement, we also performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements. However, we limited our tests of compliance to these provisions, and did not test compliance with all laws, regulations, and contracts applicable to the Federal Maritime Commission.

The results of our tests of compliance disclosed no instances of non-compliance with laws, regulations, contracts, and agreements; or other matters that are required to be reported herein, under *Government Auditing Standards* and OMB Bulletin No. 14-02.

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

Purpose of the Other Reporting Required by Government Auditing Standards

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

Agency Comments and Our Evaluation

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

Regis + Associates, PC

Regis & Associates, PC
Washington, DC
November 12, 2014

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

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

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

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

The accompanying notes are an integral part of these financial statements

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

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

The accompanying notes are an integral part of these financial statements

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

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

The accompanying notes are an integral part of these financial statements

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

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

The accompanying notes are an integral part of these financial statements

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

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

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

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

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

B. Basis of Presentation

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

The Statement of Net Cost presents the agency's operating results. The Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency's resources; and follows the rules for the Budget of the United States Government.

The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of FMC, in accordance with the hierarchy of accounting principles generally accepted in the United States of America; standards issued by the Federal Accounting Standards Advisory Board (FASAB); Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended; and FMC accounting policies, which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control FMC's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Basis of Accounting

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

D. Fund Balance with Treasury

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

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

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

E. Accounts Receivable

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

F. Property, Equipment, and Software

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

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

G. Advances and Prepaid Charges

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

H. Liabilities

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

The FMC reports its liabilities under two categories, Intragovernmental, and With the Public. Intragovernmental liabilities represent funds owed to another government agency. Liabilities With the Public represent funds owed to any entity or person that is not a Federal agency, including private sector firms and Federal employees. Each of these categories may include

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

liabilities that are covered by budgetary resources, and liabilities not covered by budgetary resources.

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

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

I. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned, but not taken. Non-vested leave is expensed when used. Any liability for sick leave that is accrued, but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees, effective at 50%, beginning FY 2010; and 100% in 2014.

J. Accrued and Actuarial Workers' Compensation

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

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

K. Retirement Plans

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

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

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

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

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

L. Other Post-Employment Benefits

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

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

M. Use of Estimates

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

N. Imputed Costs/Financing Sources

Federal government entities often receive goods and services from other Federal government entities without reimbursing the providing entity for all of the related costs. In addition, Federal government entities also incur costs that are paid, in total or in part, by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities.

FMC recognized imputed costs and financing sources in fiscal years 2014 and 2013 to the extent directed by accounting standards.

O. Contingencies

Liabilities are deemed contingent when the existence or amount of the liability cannot be determined with certainty, pending the outcome of future events. FMC recognizes contingent liabilities in the accompanying balance sheet and statement of net cost, when it is both probable and can be reasonably estimated. FMC discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met, or when a loss from the outcome of future events is more than remote. In some cases, once losses are certain, payments may be made from the Judgment Fund maintained by the U.S. Treasury, rather than from the amounts appropriated to FMC for agency operations. Payments from the Judgment Fund are recorded as an "Other Financing Source" when made.

P. Reclassifications

Certain fiscal year 2013 balances have been reclassified, re-titled, or combined with other financial statement line items for consistency with the current year presentation.

NOTE 2- FUND BALANCE WITH TREASURY

Fund Balance With Treasury account balances as of September 30, 2014 and 2013 are as follows:

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

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

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

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation, or for paying claims attributable to the appropriations.

The obligated balance not yet disbursed, includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations, but have not yet decreased the fund balance on hand (see also Note 12).

NOTE 3- ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2014 and 2013, are as follows:

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

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

NOTE 4- PROPERTY, EQUIPMENT, AND SOFTWARE

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

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

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

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

NOTE 5- LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities of FMC as of September 30, 2014 and 2013 include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2014	2013
Intragovernmental – FECA	$ -	$ 200
Unfunded Leave	1,123,416	1,249,227
Actuarial FECA	788	6,912
Custodial Liabilities	1,753	273
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Total Liabilities Covered by Budgetary Resources	975,688	800,507
Total Liabilities	$ 2,101,645	$ 2,057,119

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

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NOTE 6- OPERATING LEASES

FMC occupies office space in seven locations, of which six of the lease agreements are required to be accounted for as operating leases. Lease payments are increased annually, based on the adjustments for operating cost and real estate tax escalations. The total operating lease expense for fiscal years 2014 and 2013 were $3,433,323 and $2,985,156, respectively. The lease locations and terms are listed below:

Location	Term	Lease Expiration Date
Washington, DC	10 years	10/31/2022
Houston, TX	10 years	09/14/2018
Tacoma, WA	10 years	06/30/2019
Hollywood, FL	10 years	05/31/2020
San Pedro, CA	10 years	09/30/2021
Iselin, New Jersey	10 years	03/15/2024

NOTE 6- OPERATING LEASES Cont'd

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

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

NOTE 7- CONTINGENT LIABILITIES

FMC records commitments and contingent liabilities for legal cases in which payment has been deemed probable, and for which the amount of potential liability has been estimated, including certain judgments that have been issued against the agency. There was one legal action pending against FMC, with an estimated possible liability of $300,000 in FY 2013. The FMC has no knowledge of lawsuits/investigations arising from FMC operations in FY 2014.

NOTE 8- INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

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

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

The accompanying notes are an integral part of these financial statements

NOTE 9- IMPUTED FINANCING SOURCES

FMC recognizes as imputed financing, the costs of future benefits, which include health benefits, life insurance, pension, and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the fiscal years ended September 30, 2014 and 2013, imputed financing was as follows:

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

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

The President's budget that will include fiscal year 2014 actual budgetary execution information has not yet been published. The President's budget is scheduled for publication in February 2015, and will be found at the OMB Web site: http://www.whitehouse.gov/omb/. The 2015 Budget of the United States Government, with the "Actual" column completed for 2014, has been reconciled to the Statement of Budgetary Resources, and there were no material differences.

NOTE 11- APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2014 and 2013 consisted of the following:

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

Category A apportionments distribute budgetary resources by fiscal quarters.

NOTE 12- UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the fiscal years ended September 30, 2014 and 2013, budgetary resources obligated for undelivered orders amounted to $2,742,237 and $1,234,929, respectively.

NOTE 13- CUSTODIAL ACTIVITY

FMC is an administrative agency, collecting funds for another entity or the General Fund. As a collecting entity, FMC measures and reports cash collections and refunds. These collections are reported as custodial activity on the "Statement of Custodial Activity". The type of cash collected is for fines, penalties, and administrative fees. A small portion is for interest on the past due fines. Another part of the custodial activity is application for licenses issued to qualified Ocean Transportation Intermediaries (OTI's) in the U.S., Commission reviews, petitions, status changes, and special permission fees.

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

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

NOTE 14- RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

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

NOTE 15- SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 12, 2014, which is the date the financial statements are available to be issued.

APPENDIX A -

FEDERAL MARITIME COMMISSION COMMENTS ON
DRAFT AUDIT REPORT

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

Office of the
Managing Director

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

November 12, 2014

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

Dear Mr. Regis:

I have reviewed the financial statements audit report provided to me for fiscal year 2014. I concur with the audit report's findings that the Federal Maritime Commission's financial statements fairly present the agency's financial position during the fiscal year. This audit report is the FMC's eleventh consecutive unmodified/unqualified or "clean" audit opinion, which means that the audit found the FMC's financial statements are in conformity with U.S. generally accepted accounting principles; that the FMC maintained, in all material respects, effective internal control over financial reporting; and that there were no instances of reportable noncompliance with laws and regulations tested by the auditors.

The Commission appreciates Regis & Associates' work over the past fiscal year.

Sincerely,

Vern W. Hill
Chief Financial Officer

FEDERAL MARITIME COMMISSION NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

The 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 of voyages or death or injury occurring to passengers.

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

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

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

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

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

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

B. Basis of Presentation

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

The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of FMC in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended, and FMC accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control FMC's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Basis of Accounting

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

D. Fund Balance with Treasury

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

E. Accounts Receivable

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

F. Property, Equipment, and Software

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

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

G. Advances and Prepaid Charges

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

H. Liabilities

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

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

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

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

I. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees effective at 50% beginning FY 2010 and 100% in 2014.

J. Accrued and Actuarial Workers' Compensation

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

K. Retirement Plans

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

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

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

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

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

L. Other Post-Employment Benefits

FMC employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGLIP) may continue to participate in these programs after their retirement. The OPM has provided the

FMC with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The FMC recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by the FMC through the recognition of an imputed financing source.

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

N. Imputed Costs/Financing Sources
Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. FMC recognized imputed costs and financing sources in fiscal years 2014 and 2013 to the extent directed by accounting standards.

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

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

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Penalties and Fines Receivable	131	34
Total Accounts Receivable	$ 1,520	$ 273

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Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2014 and 2013.

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Schedule of Property, Equipment, and Software as of September 30, 2014

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

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

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
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The liabilities for FMC as of September 30, 2014 and 2013 include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

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Unfunded Leave	1,123,416	1,249,227
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Total Liabilities Covered by Budgetary Resources	975,688	800,507
Total Liabilities	$ 2,101,645	$ 2,057,119

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

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

NOTE 6. OPERATING LEASES

FMC occupies office space in seven locations, of which six of the lease agreements are required to be accounted for as operating leases. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. The total operating lease expense for fiscal years 2014 and 2013 were $3,433,323 and $2,985,156, respectively. The lease locations and terms are listed below:

Location	Term	Lease Expiration Date
Houston, TX	10 years	09/14/2018
Tacoma, WA	10 years	06/30/2019
Hollywood, FL	10 years	05/31/2020
San Pedro, CA	10 years	09/30/2021
Washington, DC	10 years	10/31/2022
Iselin, New Jersey	10 years	03/15/2024

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

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

NOTE 7. CONTINGENT LIABILITIES

FMC records commitments and contingent liabilities for legal cases in which payment has been deemed probable, and for which the amount of potential liability has been estimated, including certain judgments that have been issued against the agency. There was one legal action pending against FMC, with an estimated possibly liability of $300,000 in FY 2013. The FMC has no knowledge of lawsuits/investigations arising from FMC operations in FY 2014.

NOTE 8. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

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

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

NOTE 9. IMPUTED FINANCING SOURCES

FMC recognizes as imputed financing the costs of future benefits which include health benefits, life insurance, pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the fiscal years ended September 30, 2014 and 2013 imputed financing was as follows:

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

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

The President's Budget that will include fiscal year 2014 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2015 and can be found at the OMB Web site: http://www.whitehouse.gov/omb/. The 2015 Budget of the United States Government, with the "Actual" column completed for 2013, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 11.APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2014 and 2013 consisted of the following:

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

Category A apportionments distribute budgetary resources by fiscal quarters.

NOTE 12. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the fiscal years months ended September 30, 2014 and 2013, budgetary resources obligated for undelivered orders amounted to $2,742,237 and $1,234,929, respectively.

NOTE 13. CUSTODIAL ACTIVITY

FMC is an administrative agency collecting for another entity or the General Fund. As a collecting entity, FMC measures and reports cash collections and refunds. These collections are reported as custodial activity on the "Statement of Custodial Activity." The type of cash collected is for fines, penalties and administrative fees. A small portion is for interest on the past due fines. Another part of the custodial activity is application for licenses issued to qualified Ocean Transportation Intermediaries (OTI's) in the U.S., commission reviews, petitions, status changes and special permission fees.

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

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

NOTE 14. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

	2014	2013
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	$24,794,326	$23,007,870
Spending Authority from Offsetting Collections and Recoveries	(297,987)	(251,735)
Offsetting Receipts	(220,316)	(219,812)
Net Obligations	24,276,023	22,536,323
Other Resources		
Imputed Financing from Costs Absorbed by Others	1,307,305	1,418,039
Net Other Resources Used to Finance Activities	1,307,305	1,418,039
Total Resources Used to Finance Activities	25,583,328	23,954,362
Resources Used to Finance Items Not Part of the Net Cost of Operations	(1,560,406)	404,990
Total Resources Used to Finance the Net Cost of Operations	24,022,922	24,359,352
Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	82,433	156,858
Net Cost of Operations	$24,105,355	$24,516,210

NOTE 15. SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 12, 2014, which is the date the financial statements are available to be issued.

Chapter Four
OTHER INFORMATION

FEDERAL MARITIME COMMISSION
Washington, DC 20573

October 15, 2014

Office of Inspector General

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

FROM: 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) [or Agency Financial Report (AFR)] for fiscal year (FY) 2014.

This year, the Office of Inspector General (OIG) has identified two management and performance challenges for inclusion in the FMC's FY 2014 PAR: information technology security and workplace satisfaction. These assessments are based on information derived from a combination of sources, including OIG audit and inspection work, Commission reports, and a general knowledge of the Commission's programs.

The Reports Consolidation Act of 2000 permits agency comment on the inspector general's statements. Agency comments, if applicable, are to be included in the final version of the PAR / AFR that is due by November 17, 2014.

Jon Hatfield

Jon Hatfield, Inspector General

Attachment

cc: Vern Hill, Managing Director

Office of Inspector General - Fiscal Year 2014 Management Challenges

The Management Challenge: Information Technology Security

Information technology (IT) security, while improving each year at the Federal Maritime Commission (FMC), continues to be a challenge for the agency. One of the primary challenges the FMC shares with other Federal government departments and agencies is the evolving and growing threats to government information systems. Risks to information and communication systems include insider threats from disaffected or careless employees and business partners, escalating and emerging threats from around the globe, the ease of obtaining and using hacking tools, the steady advance in the sophistication of attack technology, and the emergence of new and more destructive attacks.

The Government Accountability Office (GAO) releases a *High Risk List* every two years to identify the high risk areas that exist government-wide. Since 1997, GAO's *High Risk List* has identified the protection of the Federal government's information systems as a risk related to many government agencies. According to GAO, the underlying cause for this weakness in IT security controls is that agencies have not fully or effectively implemented agency-wide information security programs. An agency-wide security management program should be in place to establish a framework and continuing cycle of activity to manage security risks, develop security policies, assign responsibilities, and monitor the adequacy of computer security related controls. The program should also represent the foundation for an entity's security control structure and a reflection of senior management's commitment to addressing security risks.

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

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

Agency Progress in Addressing the Challenge:

The FMC has taken important steps to establish and implement an effective information security program. In the OIG's *Evaluation of the FMC's Compliance with the Federal Information Security Management Act (FISMA) FY 2013*, the OIG found the FMC had successfully deployed complexity settings on the servers supporting the major applications. It is also noteworthy to recognize the OIG's FY 2013 FISMA evaluation did not report any new deficiencies. Although there were no new deficiencies, the OIG suggested in the FY 2013 FISMA evaluation report that the FMC consider purchasing specialized computer software to better enable the agency to manage and respond to risks. As a result of this suggestion, the agency purchased the software to identify vulnerabilities, outdated patches and virus definitions, among other benefits. The FMC is also partnering with the Department of Homeland Security (DHS) to complete a vulnerability assessment of the FMC's systems and implementation of DHS' dashboard for continuous monitoring of IT systems.

The OIG is currently conducting the FY 2014 FISMA evaluation and continued progress is being made by the agency to address security weaknesses; the final report is expected to be issued in November 2014. In addition, the OIG has completed the fieldwork for the *Evaluation of the FMC's FY 2014 Privacy and Data Protection.* The FMC has made significant progress on the establishment of an effective privacy program and compliance with applicable Federal privacy laws and regulations. This privacy evaluation report is also expected to be issued in November 2014.

Challenge Ahead:

Continued advancements in computer and communication technologies will likely result in ongoing challenges protecting FMC's systems. In 2012, GAO reported the number of cyber security computer incidents reported by Federal agencies to the Federal information security incident center during a six year period had increased by nearly 680 percent. These incidents included unauthorized access to systems; improper use of computing resources; and the installation of malicious software, among others. To respond to this increasing challenge, it will be critical for the agency to prioritize security controls and enhancements based on risk, as well as continue to properly plan and partner with Federal agencies to protect vital agency resources.

The Management Challenge: Workplace Satisfaction

The OIG identified workplace satisfaction at the FMC as a management challenge for the first time in 2013. In December 2012, the Partnership for Public Service (PPS), a nonprofit organization that works to revitalize the Federal government, released its rankings for the *Best Places to Work in the Federal Government.* The December 2012 report ranked the FMC the second lowest of small agencies. The PPS uses data from the Office of Personnel Management's (OPM) *Federal Employee Viewpoint Survey* to rank agencies according to a *Best Places to Work* index score. OPM surveys agency employees and then the agencies are measured on overall employee satisfaction, as well as 10 workplace categories, such as effective leadership, employee skills/mission match, pay, teamwork and work/life balance.

As a result of the OIG's identification of this management challenge last year, in September 2014, the OIG initiated an independent evaluation of the FMC's workplace environment. Through a competitive bid process, the OIG contracted with an organization with expertise in this area to evaluate the FMC's workplace environment. The objectives are to evaluate: (1) the historical and most recent OPM Federal Employee Viewpoint Survey results for the FMC; (2) the effectiveness of the agency to implement corrective action related to workplace issues requiring improvement; (3) and provide recommendations for improvement, where warranted.

The OIG's evaluation should result in a detailed assessment of the strengths and weaknesses of the FMC's workplace environment. The evaluation will involve analysis of current and historical Viewpoint survey results; several workshops and one-on-one meetings with staff at all levels of the agency; as well as an action planning session with management officials able to effect positive change within the agency. The OIG expects to complete the evaluation and issue the final report in late 2014.

Agency Progress in Addressing the Challenge:

In January 2013, the PPS provided a briefing to senior agency officials and made recommendations on how to proceed, based on best practices from other Federal government agencies. Subsequently, the agency's senior executives produced a Statement of Principles (Statement), signed and released on May 22, 2013.The Statement asserts the senior executives' commitment "to work together to create a positive working environment at the Commission that is achieved through communication, recognition, empowerment and accountability." The agency also drafted in May 2013 a "Plan of Action to Improve FMC Working Environment & Employee Morale." Although the draft plan of action appears to recognize completion of several action items, as of October 2014, the plan of action has not been finalized and issued to FMC staff.

There have been several changes at the FMC in the last couple of years; among these are changes in senior leadership, including a newly designated Chairman in April 2013 and a new Managing Director. Since the 2012 OPM Viewpoint survey, there has been some improvement in the survey results. Specifically, the 2013 OPM survey results showed a 7.8 point increase in the FMC's Best Places to Work Index Score, from 34.7 to 42.5. Although the agency has experienced some improvement in the workplace satisfaction results since 2012, the agency's relative ranking to other small agencies continues to languish; the FMC was ranked 27 out of 29 small agencies in 2013.

The Challenge Ahead:

The OIG recommends the agency utilize the results of the Viewpoint surveys, the OIG's anticipated workplace evaluation final report, and other relevant information to finalize the "Plan of Action to Improve FMC Working Environment & Employee Morale." In addition, the OIG's evaluation and other information should provide the agency with the workplace strengths to capitalize on, and weaknesses to improve. Lastly, inclusion of staff at all levels in the agency to help develop measurable and transparent objectives will increase the likelihood of success.

Comments on IG-Identified Management and Performance Challenges

The Inspector General identified two management and performance challenges facing the FMC. The FMC's responses to these challenges are outlined below:

I Information Technology Security

Management agrees that with the growing number of cyber attacks on Federal government networks, the FMC will have to deal with a state of "continuous transition" in its efforts to provide cyber security and information privacy. The agency has taken a number of actions to mitigate risk and its overall readiness in 2014. The FMC has implemented a software solution that provides a centralized risk management platform for enterprise security intelligence through continuous compliance monitoring and electronic IT asset inventory. Additionally, in order to improve the agency's ability to identify and mitigate cyber threats, the FMC is implementing, in coordination with the Department of Homeland Security (DHS), a Continuous Diagnostics and Mitigation (CDM) Program. The CDM Program will enable the agency to expand its capabilities for continuous monitoring of its IT system infrastructure. The agency has also transitioned its Certification and Accreditation (C&A) process to the Risk Management Framework (RMF). Staff continues to work and has made significant progress on development of an IT plan for the next several years, weighing risk and prioritizing needs to protect our vital computer and communications technologies.

II Workplace Satisfaction

The Commission is committed to performing its mission and providing quality service to the public. We recognize that performance is improved when employees are satisfied with their employer and the work that they do. The FMC participates in the Federal Employees Viewpoint Survey (FEVS) to gather information on employee satisfaction. The FEVS, administered by the Office of Personnel Management (OPM), measures employee satisfaction and changes in employee engagement and workplace environment.

As recently as 2009, the FMC ranked highly in the FEVS. In 2012, however, the FMC's results indicated that employee satisfaction had decreased significantly. The recent years' results continue to demonstrate lower employee satisfaction from the 2009 ranking. Some of the decrease may be attributable to factors outside of the Commission's control, such as payroll freezes, sequestration, and budget issues. The FMC can, however, positively influence workplace satisfaction in terms of leadership, transparency, matching skills to its mission, and work/life balance, and it is in those areas that the FMC seeks improvement. In 2014, 86 employees, comprising 81% of the Commission's staff, completed the FEVS. Staff reports that they feel the work they do is important[4] and that they are held accountable for achieving results.[5] Despite this, employees' overall workplace satisfaction can and must be improved.

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[4] This number consistently remains high among responders. In 2013, 82% responded that they feel the work they do is important. In 2014, 81% responded affirmatively.
[5] This figure remained at 77% for both 2013 and 2014 FEVS results.

The FMC's Chairman, Commissioners, and the senior executive service staff (SES) work closely on efforts to improve workplace satisfaction. Chairman Cordero has identified improvement of employee morale and workplace satisfaction as a priority objective. The Chairman initiated all hands meetings with the staff to provide updates on important Commission initiatives and improve transparency in Commission actions and general communications. The Chairman issued invitations to all staff to meet one-on-one with him to address any workplace matters they wished to discuss. These meetings, while not mandatory, facilitated an open dialogue with employees about Commission goals and workplace conditions.

Senior leadership continues to address workplace satisfaction. On May 22, 2013, the SES issued a Statement of Principles, which was endorsed by Chairman Cordero. Since then, all SES have updated their SES contracts to incorporate the principles into their performance plans, and the Statement of Principles was discussed with staff at the office and bureau level. The SES has focused efforts on improving the agency's commitment to work together towards creating a positive working environment, fostering an environment where communication and employee engagement is welcome and encouraged at all levels, increasing employees' sense of empowerment, and providing additional training and recognition for jobs well done. The SES meets regularly to revisit and reinforce their commitment to these leadership principles. Senior leadership continues to encourage involvement and provide opportunities for participation in agency sponsored programs.

As the Inspector General mentions above, workplace satisfaction has been identified as a management challenge and the Office of the Inspector General has undertaken an independent evaluation of the FMC's workplace environment with the assistance of an external organization specializing in this area. The evaluation process has begun, and senior leadership welcomes the feedback and information that will result from the process. FMC senior leaders are participating fully in the evaluation, and are actively encouraging employee participation at all levels. Concerted effort will continue to improve workplace satisfaction at the Commission.

Improper Payments Information Act

Narrative Summary of Implementation Efforts for FY 2014

I. The Federal Maritime Commission has not identified any program that in and of itself constitutes a high-risk for improper payments. Therefore, the FMC considers all of its payments to fall within the realm of low-risk. As such, the FMC has instituted a separation of duties concerning payments that has been very successful in curtailing any improper payments. The National Finance Center (NFC) became the agency's payroll provider in 2002 and is responsible for monitoring and reporting on any payroll-related payments. Any overpayments made to an FMC employee by the NFC on behalf of the FMC would be offset by NFC. In FY 2014, the FMC had no overpayments. The FMC did not identify any improper collections through Intergovernmental Payments and Collections (IPAC) collections.

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

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

IV. The table below represents the improper payments made by the FMC in FY 2014 with percentage forecasts through FY 2017.

Improper Payments Information Act Reduction Outlook FY 2014 - 2017 (millions)						
Program	**FY 14 Outlays**	**FY14 IP %**	**FY14 IP $**	**FY15 %**	**FY16 %**	**FY17 %**
Formal Proceedings	$0.00	0.00	$0.00	0.00	0.00	0.00
Inspector General	$0.00	0.00	$0.00	0.00	0.00	0.00
Equal Employment Opportunity	$0.00	0.00	$0.00	0.00	0.00	0.00
Operations and Administrative	$0.00	0.00	$0.00	0.00	0.00	0.00
Totals	**$0.00**	**0.00**	**$0.00**	**0.00**	**0.00**	**0.00**

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

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

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

b. In 2014, the FMC requested funding to maintain the contract between the FMC and BFS for financial support and platform access to the Oracle database through Oracle's Discoverer portal.

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

IX. The IPAC system does not allow an agency to refuse or charge back a collection from another agency it deems improper or incorrect. The end result is a requirement to make the payments during the accounting period in which the collection was made and reverse the collection at a later date. The ability to challenge the collection would reduce the number of improper collections made against the agency.

Summary of Financial Statement Audit

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