Federal Maritime Commission

Performance and Accountability Report

Fiscal Year 2015

Chairman Mario Cordero

November 2015

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) 2015, 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 and accomplishments from October 1, 2014, through September 30, 2015 (FY 2015).

About this Report

This Performance and Accountability Report is a year-end progress report, where the FMC reviews its strategic goals, objectives, and performance measures and provides program and financial information which 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 Government Management Reform Act of 1994 requires the submission of audited financial statements.
- 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 Improper Payments Elimination and Recovery Act of 2010 provides for estimates and reports of improper payments by Federal agencies.

This Report can be downloaded at http://www.fmc.gov/about/performance_and_accountability_reports.aspx.

The FMC-at-a-Glance

Laws Enforced

In 1961, the Federal Maritime Commission was established by an executive order (titled Reorganization Plan No. 7). The Commission was charged with regulating U.S. foreign ocean commerce. The FMC administers the Shipping Act of 1984 (1984 Act, Shipping Act) as amended by the Ocean Shipping Reform Act of 1998 (OSRA); § 19 of the Merchant Marine Act, 1920 (1920 Act); the Foreign Shipping Practices Act of 1988 (FSPA); and §§ 2 and 3 of P.L. 89-777 (46 U.S.C. §§ 44102 and 44103).

Profile

- The FMC is headquartered in Washington, D.C. and has nine Area Representatives in key U.S. maritime port locations.
- The Commission had 121 full-time equivalent employees onboard at the end of FY 2015 (September 30, 2015).
- The FMC's total budget authority for FY 2015 was $25.66 million.

HOW THIS REPORT IS ORGANIZED

This report includes four major sections.

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.

Program Performance Information provides data on the Commission's progress toward meeting its strategic goals and targets during fiscal year 2015.

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

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 Commission; 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 provide you the Federal Maritime Commission's Performance and Accountability Report for fiscal year 2015. During the past year, the FMC has tirelessly carried out the Commission's mission to foster an equitable, secure, and reliable ocean transportation system for the American people. This report illustrates how the FMC exemplifies good government by properly managing limited resources, providing an analysis of program performance and financial activities, and addressing the Commission's plan to meet the challenges ahead.

The Commission is charged by Congress to enforce the ocean liner shipping laws of the United States. The FMC 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.

In fiscal year 2015, the Commission continued to serve a paramount role in U.S. commerce – ensuring competition and reliable service to U.S. exporters and importers. The aforementioned role will continue in order to positively impact the nation's oceanborne transportation system in the coming years. The work of the Commission supports U.S. exports, the economic recovery, and job growth. Congestion at U.S. ports is an ongoing concern that threatens both economic and job growth, and is a top priority for the Commission. In 2015, the FMC issued key reports on port congestion and related demurrage and detention issues, and continues to work with industry to facilitate not only solutions to congestion, but in addition, avoiding congestion in the supply chain. Ultimately, the negative impacts of congestion affect the American shipper's bottom line.

The Commission regulates U.S. oceanborne foreign commerce valued at $984.2 billion and accounting for 31.4 million twenty-foot equivalent units (TEUs) of containerized import and export cargo. The Commission is focused on supporting U.S. exports and the country's continued economic growth. 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 advance the President's National Export Initiative by promoting access to foreign markets for American exports and efficient supply chains for the importation of goods for domestic production and consumption. The Commission will continue to play an integral role in implementing a regulatory system that ensures a competitive playing field, facilitates commerce, and encourages reliable service to U.S. exporters and importers, while minimizing government intervention and costs.

The FMC's Strategic Plan for 2014-2018 embraces our statutory mandate and agency objectives referenced above. Fiscal year 2015 was the 7th year in which there has been a quantitative measurement of performance goals, which employs measures and targets. The Commission's actual performance is compared with the targeted levels of performance established in the Strategic Plan. For the 12th straight year, the FMC received an unmodified ("clean") opinion on its financial statements.

As outlined in the Management Assurances section (see page 24), the Commission has completed evaluations of its assessment of its internal controls over operations, systems, and financial reporting. The referenced evaluations and reports 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.

I take great pride in the performance and dedication of Commission employees and my fellow Commissioners in achieving our mission. In every bureau and office of the Commission, our professionals exhibit hard work, cooperation, and dedication to advance the Commission's mission. All of us at the FMC look forward to continuing our work to foster an equitable, secure, and reliable ocean transportation system that protects American shippers.

Sincerely,

/s/
Mario Cordero
Chairman

November 16, 2015

MANAGEMENT’S DISCUSSION and ANALYSIS

Fiscal Year 2015

Mission and Organization

The FMC: Our Purpose and History

In 1961, the Kennedy Administration and Congress decided that 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). The Commission was charged with regulating U.S. foreign ocean commerce, and MARAD was formed to promote America's merchant marine. Since that time, the FMC has worked to ensure that neither the activities of liner shipping groups nor foreign government laws or regulations could impose unfair costs on American exports, or on American consumers of imported goods.

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 FMC administers the Shipping Act of 1984 (1984 Act, Shipping Act) as amended by the Ocean Shipping Reform Act of 1998 (OSRA); § 19 of the Merchant Marine Act, 1920 (1920 Act); the Foreign Shipping Practices Act of 1988 (FSPA); and §§ 2 and 3 of P.L. 89-777 (46 U.S.C. §§ 44102 and 44103).

The Commission has been charged by Congress with many responsibilities, including: (1) monitoring activities of ocean common carriers, marine terminal operators (MTOs), ports, and ocean transportation intermediaries (OTIs) that operate in the U.S. foreign commerce to ensure just and reasonable practices; (2) reviewing competitive activities, such as rate discussion agreements, carrier alliances, and other agreements among common carriers and/or MTOs; (3) licensing qualified OTIs in the U.S., and ensuring that all OTIs (including foreign OTIs) operating in U.S. trades are bonded or maintain other evidence of financial responsibility; (4) 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 § 10 of the 1984 Act; (5) providing dispute resolution services to the industry and consumers; (6) monitoring the laws and practices of foreign governments for discriminatory or otherwise adverse impact on shipping conditions in U.S. trades, and imposing appropriate remedial action pursuant to § 19 of the 1920 Act or FSPA; (7) enforcing special regulatory requirements applicable to carriers owned or controlled by foreign governments; (8) ensuring that passenger vessel operators (PVO) demonstrate adequate financial responsibility to indemnify passengers in the event of non-performance of voyages or passenger injury or death pursuant to 46 U.S.C. §§ 44102 and 44103; (9) processing and reviewing agreements, service contracts, and service arrangements pursuant to the 1984 Act for compliance with statutory requirements; and (10) reviewing common carriers' privately published tariff systems for accessibility, accuracy, and reasonable terms.

Our Organization

MEMBERS OF THE COMMISSION

Mario Cordero
Chairman

Rebecca F. Dye
Commissioner

Richard A. Lidinsky, Jr.
Commissioner

Michael A. Khouri
Commissioner

William P. Doyle
Commissioner

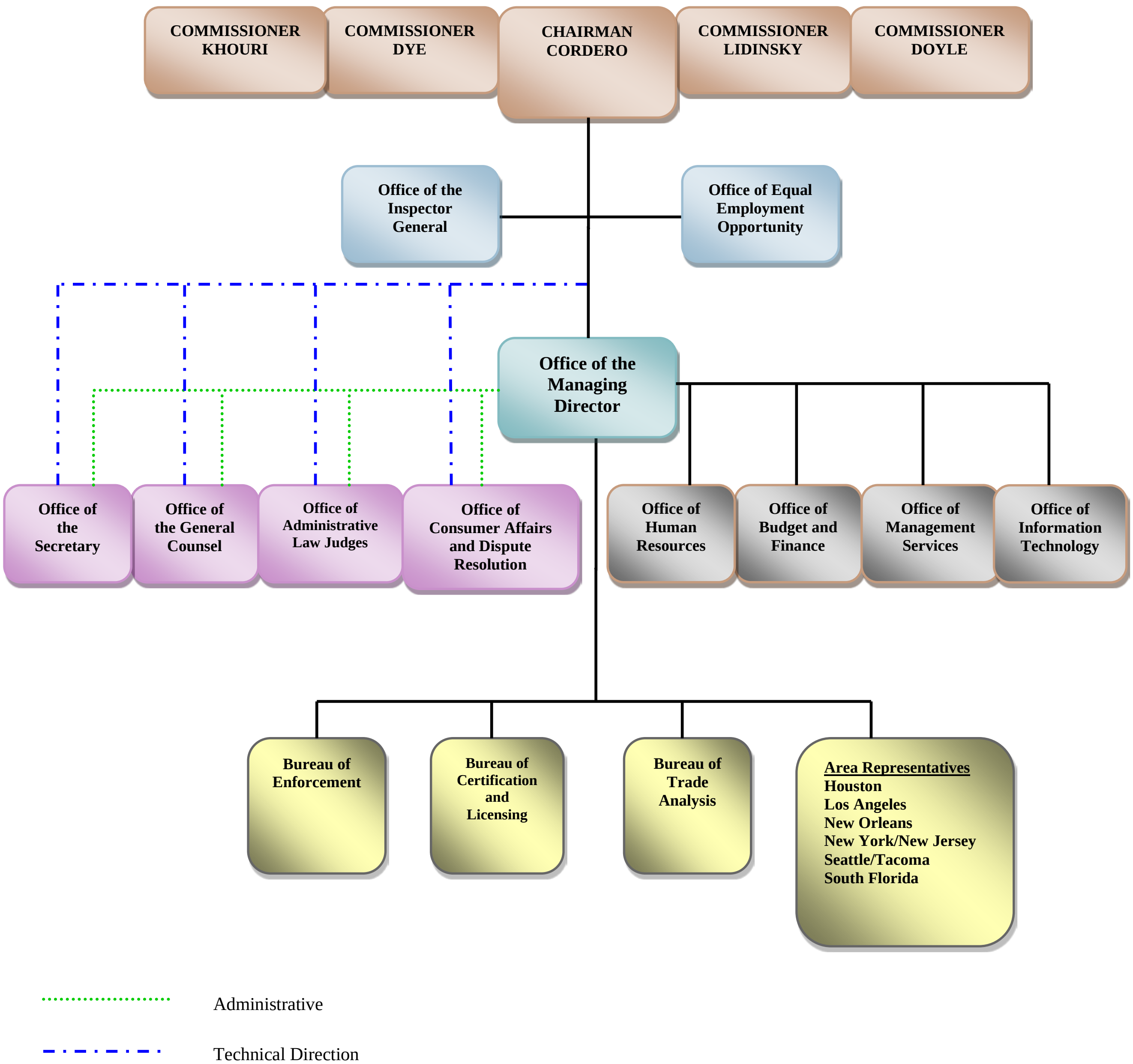
The FMC is directed by five commissioners nominated by the President and confirmed by the Senate, each serving a staggered five-year term. No more than three members of the Commission may be from the same political party. The President designates one commissioner to serve as Chairman. The post is currently 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 Commission.

The FMC maintains a small workforce of highly experienced economists, attorneys, and experts in ocean transportation and government administration. The specific roles and responsibilities of each office within the Commission can be found at http://www.fmc.gov/about/orgchart.aspx. The FMC's organizational units consist of:

Offices of the Commissioners	Office of the Inspector General (OIG)	Office of the Secretary (OS)
Office of the Administrative Law Judges (OALJ)	Office of Consumer Affairs and Dispute Resolution Services (CADRS)	Office of the General Counsel (OGC)
Office of the Managing Director (OMD)	Bureau of Certification and Licensing (BCL)	Bureau of Enforcement (BOE)
Bureau of Trade Analysis (BTA)	Area Representatives (ARs)	Office of Equal Employment Opportunity (EEO)
Office of Budget and Finance (OBF)	Office of Human Resources (OHR)	Office of Information Technology (OIT)
	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 in Houston, Los Angeles, New Orleans, New York/New Jersey, Seattle/Tacoma, and South Florida.

FEDERAL MARITIME COMMISSION ORGANIZATION CHART
as of
SEPTEMBER 30, 2015



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 operating 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;
- providing dispute resolution services to the industry and consumers;
- maintaining trade monitoring, enforcement, and dispute resolution programs to assist regulated entities in achieving compliance, and to detect and remedy malpractice and violations of § 10 of the 1984 Act;
- 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 § 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); § 19 of the Merchant Marine Act, 1920 (1920 Act); the Foreign Shipping Practices Act of 1988 (FSPA); and §§ 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. 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 agency 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, and additionally, 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, budget and financial management, human resources, and management services.

Agency Mission Challenges

The Commission is well-informed of the issues and challenges facing the U.S. ocean transportation system at present, and will continue to center its efforts on fostering a viable and vibrant liner shipping environment so vital to the nation's international trade and economic growth. As a small, independent agency with a broad mandate, we strive to accomplish our strategic goals by improving efficiencies and closely managing our resources in order to enforce the Commission's governing statutes and regulations to protect the shipping public. As the agency's financial resources allow, we will continue to invest in information technology to improve information security, efficiency, and greater public access, while reducing costs over time.

Regulatory Review

Although small, the FMC is tasked with a large mandate. The Commission's size, which provides for challenges in balancing workloads and required functions, is also an advantage. Offices and bureaus effectively work together to complete its goals. As part of its program evaluation, the Commission has undertaken a retrospective review plan to systematically examine and seek public input on its key regulations.

The FMC systematically reviews its processes and regulatory requirements for efficiency and effectiveness. 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 (initiated in FY 2012), the FMC is reviewing, evaluating, and making recommendations for improvements to its regulatory requirements concerning the filing and processing of agreements, quarterly monitoring reports, and agreement meeting minutes.

In FY 2015, the Commission considered a staff recommendation and comments from industry and the public regarding new ocean transportation intermediary licensing and financial responsibility requirements. In October 2015, the Commission voted to issue new regulations that will require online license renewal every three years, beginning in late 2016. A review of the regulations governing service contracts and NVOCC service arrangements continued in FY 2015, and the Commission will issue an Advanced Notice of Proposed Rulemaking in early FY 2016. A review of the Marine Terminal Operator Schedule regulations is underway and, in FY 2016, a review of the Carrier Automated Tariff regulations is scheduled.

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 among vessel operating carriers with respect to the complexity and scope of agreements 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. New operational agreements among carriers and marine terminal operators seek to address operations at numerous U.S. ports. The Commission weighs the competitive impacts of agreements. Recent agreements filed with the Commission have cleared its review, but with the imposition of specifically tailored reporting requirements and the Commission's requests for additional information. The additional information 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

The FMC remains focused on efficiency in the United States' ocean transportation system. The growing problem of widespread congestion at U.S. ports and inland locations challenges efficient transportation. In FY 2015, the Commission put forward reports on port congestion and demurrage and detention issues facing U.S. shippers and the industry. The Commission continues to work with the industry to develop strategies to create solutions to port congestion and other industry-related problems. The Commission has reviewed two significant agreement filings to address severe congestion at ports and terminals along the U.S. west coast, the Los Angeles and Long Beach Port Infrastructure and Environmental Programs Cooperative Working Agreement and the Pacific Ports Operational Improvements Agreement. The Commission will closely monitor these agreements for any emerging competitive impacts. Further, in FY 2015, the FMC weighed in on congestion surcharges that may not have met legal requirements. Ultimately, congestion surcharges were not assessed.

The FMC participates with other agencies in U.S. oceanborne commerce security initiatives to protect the U.S. public. The Commission shares data with Federal agencies engaged in homeland security to improve the flow of information and identification of entities providing and utilizing maritime transportation services. To facilitate these activities, the FMC has executed a Memorandum of Understanding (MOU) with U.S. Customs and Border Protection providing for more efficient utilization of existing systems and services. The FMC also has an active MOU with the Census Bureau, U.S. Department of Commerce, providing the FMC with access to the Census' Automated Export System (AES) database. These MOUs allow the FMC to handle and use confidential U.S. export shipment data to accomplish its mission and to protect the nation's security interests. The FMC also supports the Nation's economic and security interests by partnering with the National Intellectual Property Rights Coordination Center (IPR Center), a Department of Homeland Security-led partnership of 21 Federal and international agencies targeting intellectual property- and trade-related crimes.

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 Commission's Bureau of Enforcement, through the Commission's statutory and regulatory mandate, protects the shipping public and ensures industry adherence to U.S. shipping laws.

The FMC provides direct services to the public through a number of offices, programs, and the FMC's website. The Commission's Office of Consumer Affairs and Dispute Resolution Services receives time-sensitive requests for assistance (through e-mail and calls to its toll-free number) from shippers and carriers. The Commission's Area Representatives, strategically located at key maritime ports (Los Angeles, South Florida, Houston, New Orleans, New York/New Jersey and Seattle/Tacoma), commonly operate as the "front line" for questions and issues facing the industry. The Commission's Office of the Secretary updates the FMC's website and social media frequently, providing time sensitive and important information to the public. The FMC also responds to requests for information from the press and the public, delivering key information directly to potentially affected shippers through on-camera interviews and print media.

The FMC plays an important role in improving international commerce and assisting with industry-driven solutions to ocean shipping issues. In FY 2015, the Commission released reports analyzing the problems of port-related congestion and demurrage and detention, and continues to develop strategies to create solutions to industry-related problems.

Encouraging Economic Growth

The FMC's mission directly supports the President's commitment to economic growth and job creation. The FMC's important work fosters economic growth through effective shipping and infrastructure practices. Commission programs related to monitoring international oceanborne trade conditions, and carrier and marine terminal operator agreements ensure the free flow of shipping commerce and efficient supply chains for both the import and export 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 2015 Program Performance Report is contained in the *Program Performance* section of this report.

During FY 2015, the Commission continued to make progress in modernizing its business processes. The Commission is responding to changing conditions affecting the state of our trades, including licensing, agreements, and contracting practices. In FY 2015, the Commission issued a proposed rule updating ocean transportation intermediary licensing and financial responsibility requirements. The Commission will issue a final rule in early FY 2016. A review of the regulations governing service contracts and NVOCC service arrangements continued in FY 2015, and the Commission will issue an Advanced Notice of Proposed Rulemaking regarding its service contract regulations in early FY 2016.

Achieving Strategic Goal Results

The FMC developed performance goals that promote both of its strategic goals and support the its mission. In developing the performance goals, the Commission considered the outcome resulting from achieving each performance goal. Specific targets and activities must be accomplished to meet the identified performance goals. Fiscal year 2015 was the seventh year in which the FMC undertook to quantify and measure performance goals. The Commission's actual performance in FY 2015 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 2014 enabled us to set realistic targets for FY 2015 in the revised strategic plan.

Historical Performance of Strategic Goals and Objectives						
Strategic Goal	**Objective**	**Performance Measures**	**2012**	**2013**	**2014**	**2015**
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%	40%
			ACTUAL			
			18.7%	19.5%	45.6%	49%
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%	77%
			ACTUAL			
			88%	78.9%	83.8%	83.4%
	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%	75%
			ACTUAL			
			90.2%	87.6%	71.3%	72%
		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%	95%
			ACTUAL			
			100%	100%	96.7%	96%
	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%	78%
			ACTUAL			
			79%	86%	93%	92%
	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	825
			ACTUAL			
			893	800	994	882
		Percentage of formal complaints or Commission-initiated orders of investigation completed within 2 years of filing or Commission initiation.	**TARGET**			
			54%	56%	58%	58%
			ACTUAL			
			73%	91%	88%	90%

* 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 successes includes the following:

Strategic Management of Human Capital – In 2015, the FMC continued to implement the strategic goals, strategies, and measures of results outlined in the 2012-2017 Human Capital Plan, Workforce Plan, and Accountability Plan. The Commission's Human Capital Plan was developed under the OPM's Human Capital Assessment and Accountability Framework, and provides for recruiting and retaining a talented workforce, and to appropriately manage succession in the Commission's small workforce.

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. 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.

Strong leadership is a critical asset, and at the close of FY 2015, 50 percent of the FMC's executives were eligible for optional retirement. The Commission is engaged in succession management and projecting its future needs. Current staff are developed to 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 2015 Federal Activities Inventory Reform Act (FAIR Act) Inventory to OMB in June 2015. The Inventory identified 68 of the agency's 124 authorized Full-time Equivalent employees (FTEs) as commercial activity FTEs. No challenges to its commercial inventories have ever been received.

Improved Financial Performance - The FMC received an unmodified ("clean") opinion on its financial statements in FY 2015. The FMC will continue to strive to achieve unmodified audit opinions.

Expanded E-Government - During FY 2015, the FMC continued to monitor public usage trends and leverage user feedback to implement ongoing improvements to www.fmc.gov. Public feedback was used to increase the quality, clarity, and accessibility of content provided to the shipping public. Achievements in FY 2015 include:

- Improving global navigation based on user search terms and improving visibility of important information;
- Archiving and streamlining content to improve delivery and accuracy of information; and
- Planning and initiation of a major platform migration and extensive improvements to the information architecture of www.fmc.gov.

The Commission's information technology capabilities were modernized and enhanced in a number of areas. The planned multiyear transition to use Enterprise Content Management (ECM) technology for managing business activities and information needs is continuing to progress. Notable FY 2015 IT achievements include:

- Data previously stored on in-house fileservers was migrated to the One Drive for ease of access for collaboration, teleworking, and to aid in our Continuity of Operations Plan;
- All desktop operating systems were upgraded to Windows 8.1, and the Microsoft Office Suite 2007 was upgraded to Office 2013. VPN connections to all six field offices were upgraded. The Commission's email system was migrated from Google mail to Office 365 in the Cloud;
- All servers were replaced with more robust servers which are more productive. This upgrade had an instant impact on SERVCON and all of the application databases that support both the FMC and the industry;
- All server operating systems were upgraded to Microsoft Server 2012, the database server was upgraded from Microsoft SQL 2005 to Microsoft SQL 2012, and all Cisco routers, switches, and firewalls were upgraded;
- SharePoint in the Cloud was implemented, and the Commission's new Intranet site was launched, allowing FMC users easy access to its business applications anywhere they are able to connect to the internet through Office 365;
- The Commission's Disaster Recovery (DR) site is now configured, tested, and fully functional. New technology was used to make the DR site a "hot site," which is configured so that the production server at FMC headquarters frequently replicates data to the server at the DR site. If a disaster occurs, the DR site would allow access to current systems to maintain Commission operations; and
- Line of Business applications are being modernized. The Commission is currently in the User Acceptance testing stage of the Licensing and Registration Application ("LARA" - formerly known as the FMC-18 application). We anticipate that the modernization of this application will be completed in FY 2016.

Performance Improvement – The Strategic Plan represents the fundamental framework for the Commission's planning and budgeting activities. Funding and FTE levels are integrated into the Commission's performance budget planning document by strategic goal to identify clearly the budgetary and staff resources that are committed to the performance of each goal.

Financial Performance Overview

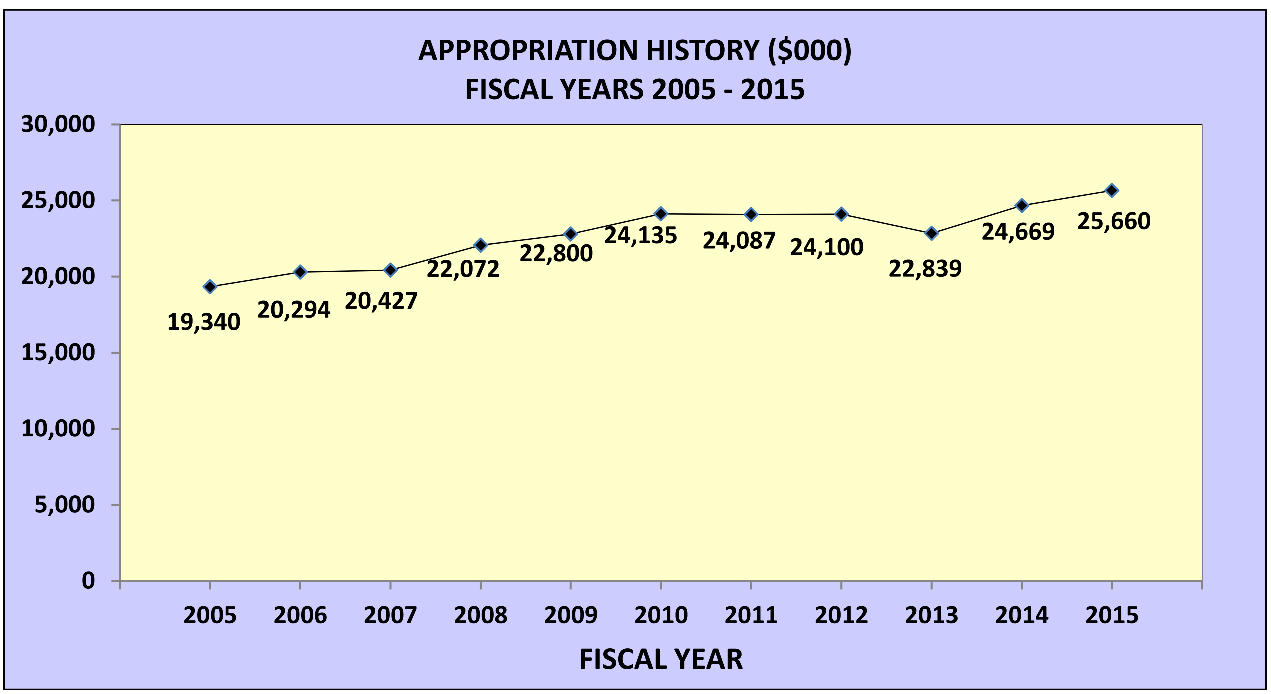
The FMC's financial condition as of September 30, 2015, is sound, and a number of internal controls are in place to ensure its budget authority is not exceeded, and that funds are utilized efficiently and effectively. The FMC's accounting services provider, the Bureau of the Fiscal Services (BFS), prepared 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 the 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.*

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 2015 appropriations for the FMC in the amount of $25,660,000 through P.L. 113-235, which is an increase of $991,000 above the FY 2014 final appropriation level. Additionally, the Commission had reimbursable budget authority of $138,030 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 the *Financial Information* section of this report.

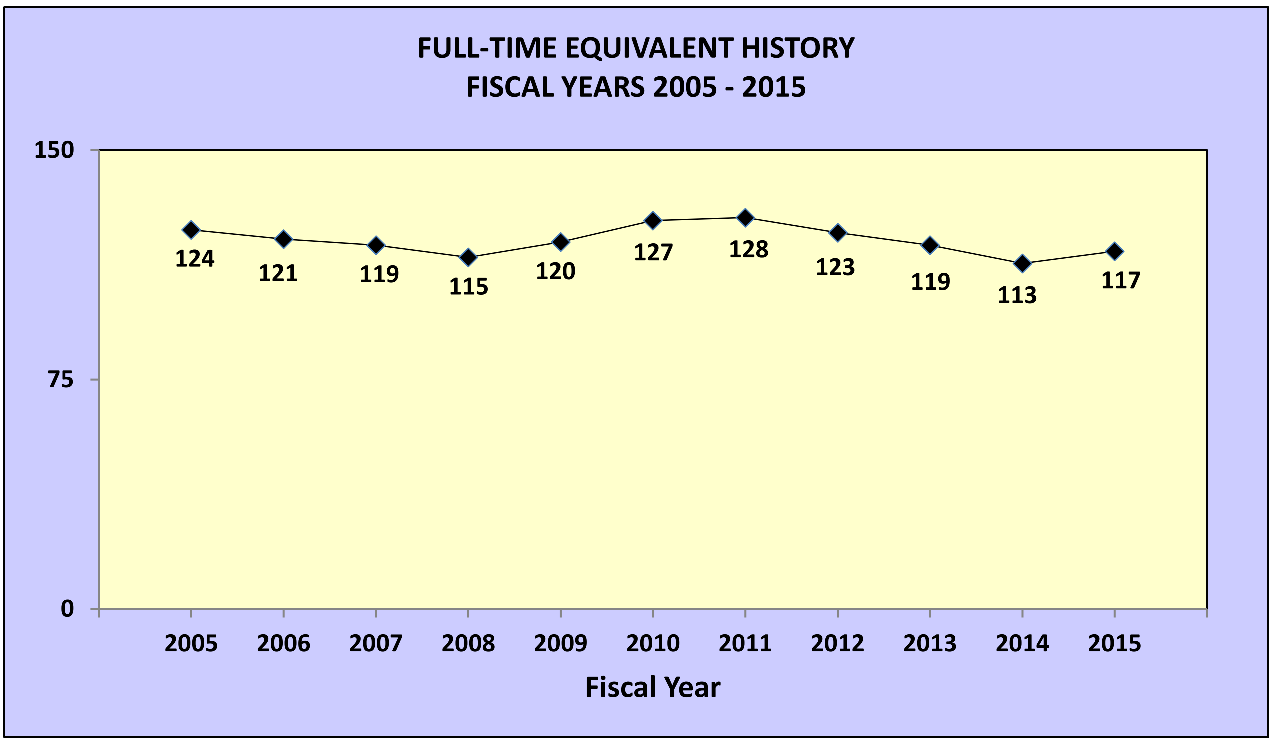
Appropriation History



Full-time Equivalent History

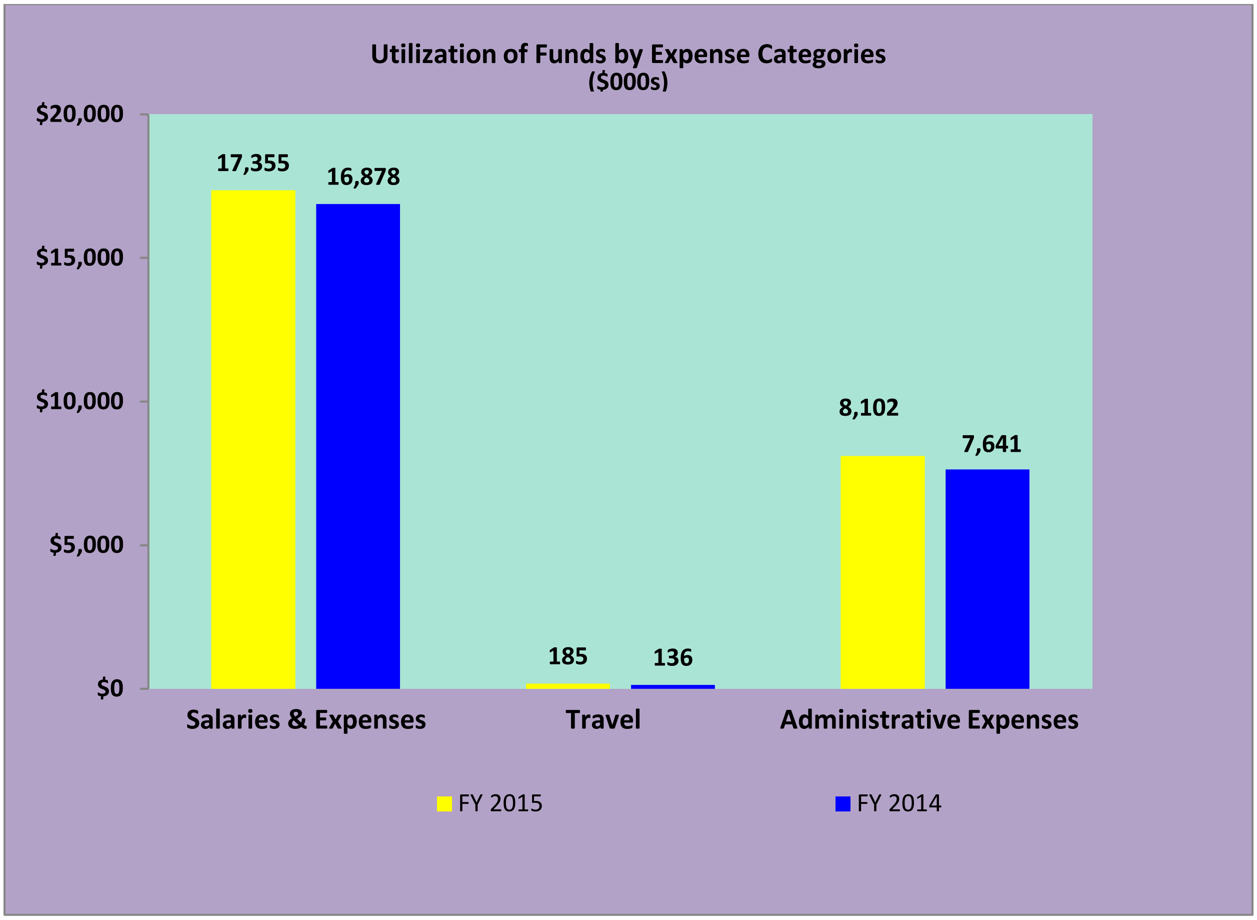
The FMC's FTE level is largely driven by our annual appropriation level; however, unanticipated vacancies in such offices as the Offices of the Commissioners have sometimes remained unfilled for lengthy periods of time, awaiting Presidential and Congressional action. The FMC has maintained a full complement 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 Commission experienced a number of unanticipated retirements and separations in 2014, resulting in a lower than anticipated FTE level. The FMC's actual FTE level for 2015 was 117, with 121 employees on board at fiscal year's end. The Commission has endeavored to develop the appropriate mix of staffing and other available means to ensure effective accomplishment of its mission.



Uses of Funds by Expense Category

During FY 2015, obligations against the FMC's appropriation totaled $25,642,375, representing 99.93% of the funding level. The Commission spent $25.642 million as follows: 67.7% for salaries and benefits, 0.7% for official travel expenses, and 31.6% for administrative expenses (e.g., rent, government and commercial contracts, telephones, and IT services and equipment). The balance of $17,625 will be allocated to legitimate increases to existing FY 2015 obligations.



Audit Results

The FMC again received an unmodified ("clean") opinion on its FY 2015 financial statements from the auditing firm of Regis & Associates, P.C. under contract through the FMC's OIG. Comparative statements are located in the *Financial Information* section of this report.

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 the *Financial Information* section of this report. A brief analysis of the principal statements follows.

Summary of Assets

The FMC's assets were $4,825,958 as of September 30, 2015. This represents an increase from FY 2014 of $314,604. The FMC's assets reported in the balance sheet are summarized in the accompanying table.

Summary of Assets as of September 30, 2015		
	FY 2015	FY 2014
Fund Balance with Treasury	$4,397,659	$4,105,128
Accounts Receivable	$19,987	$1,520
Capital Assets	$408,312	$404,706
Other	$0	$0
Total Assets	**$4,825,958**	**$4,511,354**

The Fund Balance with Treasury of $4,397,659 represents the FMC's largest asset and represents 91.1% of the agency's total assets. This is an increase of $292,531 from FY 2014. 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, 2015 was $19,987 for outstanding receivables billed to both Federal and non-Federal entities. This accounts for 0.4% of the FMC's assets.

Capital Assets, also known as Property, Equipment and Software, accounts for 8.5% of the FMC's total assets as of September 30, 2015. The net value of $408,312 accounts for the depreciation of all assets and represents the current book value of those assets.

Summary of Liabilities

The FMC's Liabilities totaled $2,443,691 as of September 30, 2015, an increase of $342,046 total liabilities from FY 2014. 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, 2015		
	FY 2015	FY 2014
Accounts Payable	$537,340	$529,765
Payroll Taxes	$130,733	$96,301
Federal Employee Benefits	$0	$787
Custodial Liabilities	$2,163	$1,753
Accrued Liabilities	$1,773,455	$1,473,039
Total Liabilities	**$2,443,691**	**$2,101,645**

The FMC's accounts payable as of September 30, 2015 was $537,340. 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 Commission'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 2015 is a decrease of $27,442 from FY 2014.

Changes in Net Position Summary as of September 30, 2015		
	FY 2015	FY 2014
Unexpended Appropriations	$3,167,730	$3,129,440
Cumulative Results of Operation	($785,463)	($719,731)
Total Net Position	**$2,382,267**	**$2,409,709**

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 for the 5 year period ending on September 30, 2015. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation for the same period. 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 the *Financial Information* section of this report.

Net Cost Summary as of September 30, 2015		
	FY 2015	FY 2014
Operational and Administrative	$18,283,294	$16,120,903
Formal Proceedings	$7,781,594	$7,476,772
Office of the Inspector General	$450,246	$314,541
Office of Equal Employment Opportunity	$153,307	$193,139
Total Net Cost	**$26,668,441**	**$24,105,355**

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 the *Financial Information* section of this report. During FY 2015, the FMC had total budgetary resources available of $26,470,532, representing an increase of $1,289,002 over 2014. The FMC incurred total obligations during FY 2015 of $26,168,073. The budgetary resources represent financial activity during the accounting period for the five active fiscal years.

Statement of Budgetary Resources as of September 30, 2015		
Statement of Budgetary Resources as of September 30, 2014		
	FY 2015	FY 2014
Obligations Incurred	$26,168,073	$24,794,326
Unobligated Balance Unavailable	$284,834	$368,993
Unobligated Balance Available	$17,625	$18,211
Total Status of Budgetary Resources	**$26,470,532**	**$25,181,530**

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 2015.

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 that the Chairman provide an assurance statement of the adequacy of management controls and conformance of financial systems with Government-wide standards, that 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, including management knowledge gained from the daily operation of Commission programs and reviews, discussions with the Managing Director, and the Directors of the Offices of Budget and Finance and Management Services, audits of the financial statements, annual performance plans, and OIG reports, among other sources. Additionally, the Chairman meets regularly with the Commission's Senior Executive Service 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. During FY 2015, management and the OIG reached agreement on 20 OIG audit recommendations. Management took action with respect to all recommendations and remedied 8. Management will continue work to implement the remainder of the IG's recommendations during the next fiscal year.

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 2015, the FMC maintained a percentage of on-time payments of 99.3%.

In FY 2015, the FMC paid $148.00 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 had changed dramatically since the review was performed in 2008, thus 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 concluded its review and provided its recommendations for Commission consideration. The Commission subsequently requested updated financial calculations from staff, which will be reviewed in early FY 2016.

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 2015, the Inspector General issued the following audit and review reports:

- Independent Auditors' Report of FMC's FY 2014 Financial Statements;
- FY2014 Financial Statement Management Letter;
- Evaluation of FMC's Compliance with the Federal Information Security Management Act FY 2014;
- Evaluation of the FMC's FY 2014 Privacy and Data Protection;
- FMC Workplace Evaluation Report;
- Audit of Expenditures for Furnishing or Redecorating Commissioners' Offices; and
- Improper Payments Elimination and Recovery Act of 2010 (IPERA).

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 2016.

During FY 2015, no significant deficiencies were identified.

Treasury Assurance Statement - USA Spending Reconciliation

The FMC has implemented its plan to ensure data completeness and accuracy on USAspending.gov by using control totals with financial statement data, and comparing samples of financial data to actual award documents. The prime Federal award financial data reported on USAspending.gov is correct at the reported percentage of accuracy, and the FMC has adequate internal controls over the underlying spending.

Freeze the Footprint

OMB Memorandum 12-12, Section 3, *Promoting Efficient Spending to Support Agency Operations* and Management Procedures Memorandum 2013-02, "Freeze the Footprint" policy implementation guidance, require agencies to report total square footage associated with agency assets and annual operating costs. Although not a CFO Act agency, the FMC is committed to working closely with the General Services Administration to better steward government resources and 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, slightly increasing its space but resulting in savings due to the lower cost of the new lease. Also in FY 2014, approximately 705 rentable square feet of headquarters space was released to GSA.[1] In FY 2015, FMC released approximately 1,615 rentable square feet. An additional potential reduction in office space (and associated cost savings) was identified, and the FMC is currently working with GSA to reduce and reconfigure space at headquarters. The agency will continue to evaluate its space needs going forward.

FY 2015 - FMC Square Footage[2] (Rentable Square Footage)

Location	Square Footage	Comment
Headquarters	61,191	60,822 + 1,369 in joint use space[3]
Houston	547	
Los Angeles	838	
New Orleans	250[4]	Space is provided at no cost by DHS–CBP
New York/New Jersey	1,405	
Seattle/Tacoma	451	
South Florida	1,249	
TOTAL	**66,931**	

Footprint Baseline Comparison (Usable Square Footage)

	FY 2012 (Baseline)	FY 2013	FY 2014	FY 2015
Total Square Footage	58,208	58,208	58,530	57,237

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

	FY 2012 Reported Cost	FY 2013 Reported Cost	FY 2014 Reported Cost	FY 2015 Reported Cost	Change in Baseline 2012-2015
Operation and Maintenance Costs	$2,994,981	$3,191,702	$3,234,499	$3,296,731	$301,750

[1] The FMC received a credit in FY 2015 for HQ space that was released to GSA in FY 2014 and FY 2015.
[2] Previous years reported on usable square footage rather than rentable square footage. The usable square footage for FY 2015 is 57,237, which is a decrease from the usable square footage of 58,530 reported for FY 2014. FY 2015 reported cost is based on rentable square footage.
[3] Joint use space is only applicable to the HQ office space. Joint use space includes the fitness center, health unit and security office, which is divided among the tenant agencies in the building.
[4] The square footage provided for the New Orleans field office is approximate. The FMC does not maintain a lease or pay rent on this space.

Chairman's FMFIA Statement of Assurance

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

The FMC conducted its annual assessment of the effectiveness of the internal controls put in place by the organization 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 in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control.*

The FMC can provide 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, 2015, were operating effectively and that no material weaknesses were found in the design or operation of our internal controls based on the results of this assessment.

Additionally, based on our assessment, we have 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.

/s/

Mario Cordero
November 16, 2015

PROGRAM PERFORMANCE INFORMATION

Annual Performance Report

Introduction to Performance

The FMC's performance management system includes specific strategic goals, performance measures, and targets. The strategic goals represent the FMC's mission and reflect the overall outcomes and objectives the Commission is working to achieve. This report describes progress towards performance targets in 2015 in furtherance of the Commission's mission to foster a fair, efficient and reliable international ocean transportation system, and to protect the public from unfair and deceptive practices. The FMC's strategic goals and objectives are as follows:

- **Maintain an Efficient and Competitive International Ocean Transportation System.**
  - Identify and take action to address substantially anti-competitive conduct or unfavorable conditions in U.S. trades.

- **Protect the Public from Unlawful, Unfair and Deceptive Ocean Transportation Practices and Resolve Shipping Disputes.**
  - Identify and take action to end unlawful, unfair, and deceptive practices.
  - Prevent public harm through licensing and financial responsibility requirements.
  - Enhance public awareness of agency resources, remedies, and regulatory requirements through education and outreach.
  - Impartially resolve international shipping disputes through alternative dispute resolution and adjudication.

The FMC quantitatively measured seven performance goals during the fiscal year. Six out of seven measures reached and exceeded FY 2015 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 2011 is reflected in Table 2 below. This data reflects continuous increases in agency efficiency and productivity – a result of both improved and streamlined processes, and enhanced focus on improving the critical processes being measured. Table 3 provides a status update on unmet targets for FY 2011 through FY 2015.

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 Commission 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 2015

Targeted performance compared to actual results.

Performance Measure	FY 2015 Target	FY 2015 Actual
Strategic Goal No. 1: Maintain an efficient and competitive international ocean transportation system.		
Performance Measure	**FY 2015 Target**	**FY 2015 Actual**
Measure: Percentage share of U.S. containerized cargo moving on other agreement parties' vessels in major U.S. trades. **2015 Target:** 40% **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.	40%	49%
Strategic Goal No. 2: Protect the public from unlawful, unfair and deceptive ocean transportation practices and resolve shipping disputes.		
Performance Measure	**FY 2015 Target**	**FY 2015 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. **2015 Target:** 77% **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.	77%	83.4%
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. **2015 Target:** 75% **Validation:** This outcome goal is measured by comparing data fields in an internal database that contains, among other data points, the date the OTI license application is accepted for processing and the date a licensing determination is made or the application process has been completed. The difference between these two dates is the length of time to render a decision on an OTI application accepted for processing. The database is maintained for daily case load management, and monthly and quarterly reporting purposes. The data is constantly under review and frequently updated. BCL's target for processing OTI applications was not fully met, i.e., 72%, the target of 75%, due to hiring and retention challenges in BCL. BCL is now operating at a full complement and the FMC anticipates meeting this goal next fiscal year.	75%	72%

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. **2015 Target:** 95% **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.	95%	96%
Measure: Percentage of key Commission issuances, orders and reports that are available through the Commission's website within 5 working days of receipt. **2015 Target:** 78% **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.	78%	92%
Measure: Number of cases opened and closed each fiscal year using *ombuds* and ADR services assisting consumers to recover goods or funds. **2015 Target:** 825 **Validation:** This outcome goal is measured using data maintained by the Commission on each such case opened and closed.	825	882
Measure: Percentage of formal complaints or Commission initiated orders of investigation completed within two years of filing or Commission initiation. **2015 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%	90%

Table 2: Performance Measure Trends FY 2011-2015

Strategic Goal No. 1: Maintain an efficient and competitive international ocean transportation system.										
Performance Measure	FY 2011 Target	FY 2011 Actual	FY 2012 Target	FY 2012 Actual	FY 2013 Target	FY 2013 Actual	FY 2014 Target	FY 2014 Actual	FY 2015 Target	FY 2015 Actual
Measure: Percentage share of U.S. containerized cargo moving on other agreement parties' vessels in major U.S. trades.	18.5% *	17.9%	19%*	18.7%	19.5% *	19.5%	39.5%	45.6%	40%	49%
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.	72%	82%	74%	88%	76%	78.9%	76.5%	83.8%	77%	83.4%
Measure: Percentage of decisions on completed OTI license applications rendered within 60 calendar days of receipt, facilitating lawful operation of OTIs with appropriate character and experience requirements.	60%	77%	70%	90.2%	75%	87.6%	75%	71.3%	75%	72%
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.	91%	91%	92%	100%	93%	100%	94%	96.7%	95%	96%
Measure: Percentage of attendees at agency sponsored outreach presentations that rate the program as "Useful" or "Extremely Useful" in their compliance efforts.	75%	**N/A***	**N/A***	**N/A***	**N/A***	**N/A***	**N/A***	**N/A***	**N/A***	**N/A***
Measure: Percentage of key Commission issuances, orders and reports available through the Commission's web-site within 5 working days of receipt.	72%	72%	74%	79%	76%	86%	76%	93%	78%	92%
Measure: Number of cases opened and closed each fiscal year using *ombuds* and ADR services assisting consumers to recover goods or funds.	625	631	700	893	800	800	825	994	825	882
Measure: Percentage of formal complaints or Commission-initiated orders of investigation completed within two years of filing or Commission initiation.	52%	60%	54%	73%	56%	91%	58%	88%	58%	90%

* In consultation with OMB, results for performance measure, "Percentage share of total U.S. international oceanborne trade moved by containership as an indicator of liner shipping efficiency" is reflected in the years 2010-2013. The outcome goal was changed in 2013. Also, the measure "Percentage of attendees at agency sponsored outreach presentations that rate the program as 'Useful' or 'Extremely Useful' in their compliance efforts," 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. This outcome goal was removed for FY 2011 – 2015.

Table 3: Status of Unmet Targets, 2011 - 2015

Performance Measure (2011)	FY 2011 Target	FY 2011 Actual
Measure: Percentage share of total U.S. international ocean borne trade moved by containership as an indicator of liner shipping efficiency. **Strategic Goal No. 1: Maintain An Efficient Competitive International Ocean Transportation System (2011)**	18.5%	17.9%
Performance Measure (2012)	FY 2012 Target	FY 2012 Actual
Measure: Percentage share of total U.S. international ocean borne trade moved by containership as an indicator of liner shipping efficiency. **Strategic Goal No. 1: Maintain An Efficient Competitive International Ocean Transportation System (2012)**	19%	18.7%
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%**
Performance Measure (2015)	FY 2015 Target	FY 2015 Actual
Measure: Strategic Goal No. 1: Maintain An Efficient Competitive International Ocean Transportation System (2015)	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 (2015)**	75%	**72%**

FINANCIAL INFORMATION

Message from the Chief Financial Officer

I am pleased to present the financial section of this Performance and Accountability Report. The Commission's financial position is fairly presented in the accompanying financial statements and related notes, which 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 2015, the Commission continued to focus on its statutory responsibilities while practicing fiscal discipline on behalf of the American people. FY 2015 marks the 12th consecutive year that the FMC received an unmodified ("clean") opinion on our financial statements. This unmodified opinion on the FMC's financial statements highlights 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 that its budget authority is not exceeded, and that funds are utilized efficiently and effectively.

FY 2015 included the following key accomplishments, demonstrating the effectiveness and efficiency of the FMC's acquisition and financial functions:

- A 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 $2,299,800 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 remains committed to exemplary financial management and strives to enhance operational efficiency. This report makes evident our commitment to fulfill our fiduciary responsibilities. I am proud of the role the FMC has played in effectively stewarding its limited resources, continuing to protect the interest of the American shipping public, particularly during times of fiscal challenges. I am confident that we will continue to use sound business practices to accomplish our regulatory mission, and that we will continue such improvements in the future.

Sincerely,

/s/
Vern W. Hill, Chief Financial Officer
November 16, 2015

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 (net 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. 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 agency 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. Therefore, 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 10, 2015

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) 2015 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, 2015; 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 OIG's 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 4, 2015 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,

/s/
Jon Hatfield
Inspector General

Attachment

cc: Office of the Managing Director
Office of the General Counsel
Office of Budget and Finance

REPORT ON THE

FINANCIAL STATEMENTS AUDIT

OF FEDERAL MARITIME COMMISSION

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2015 and 2014

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, 2015 and 2014

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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 comprises the Balance Sheet as of September 30, 2015 and 2014, 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, 2015 and 2014.

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's (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements.* Those standards and OMB Bulletin No. 15-02 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, 2015 and 2014; 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 audits of the financial statements as of, and for the years ended September 30, 2015 and 2014, we also considered Federal Maritime Commission's internal control over the financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of Federal Maritime Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Federal Maritime Commission's internal control.

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

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

A significant deficiency is a deficiency, or a combination of deficiencies in internal control, that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance. There were no deficiencies in the accompanying financial statements that are 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. 15-02.

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 4, 2015

FEDERAL MARITIME COMMISSION
BALANCE SHEET
AS OF SEPTEMBER 30, 2015 AND 2014
(IN DOLLARS)

	2015	2014
Assets:		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	$ 4,397,659	$ 4,105,128
Accounts Receivable (Note 3)	14,540	-
Total Intragovernmental	4,412,199	4,105,128
Accounts Receivable, Net (Note 3)	5,447	1,520
Property, Equipment, and Software, Net (Note 4)	408,312	404,706
Total Assets	$ 4,825,958	$ 4,511,354
Liabilities:		
Intragovernmental:		
Accounts Payable	$ 65,788	$ 104,117
Other (Note 6)	117,760	86,032
Total Intragovernmental	183,548	$ 190,149
Accounts Payable	471,552	425,648
Federal Employee and Veterans' Benefits (Note 5)	-	787
Other (Note 6)	1,788,591	1,485,061
Total Liabilities (Note 5)	$ 2,443,691	$ 2,101,645
Net Position:		
Unexpended Appropriations - Other Funds	$ 3,167,730	$ 3,129,440
Cumulative Results of Operations - Other Funds	(785,463)	(719,731)
Total Net Position	$ 2,382,267	$ 2,409,709
Total Liabilities and Net Position	$ 4,825,958	$ 4,511,354

The accompanying notes are an integral part of these financial statements

FEDERAL MARITIME COMMISSION
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(IN DOLLARS)

	2015	2014
Program Costs:		
Operational and Administrative		
Gross Costs	$ 18,323,598	$ 16,120,903
Less: Earned Revenue	(40,304)	-
Net Program Costs	$ 18,283,294	$ 16,120,903
Formal Proceedings		
Gross Costs	$ 7,803,458	$ 7,505,802
Less: Earned Revenue	(21,864)	(29,030)
Net Program Costs	$ 7,781,594	$ 7,476,772
Office of Inspector General		
Gross Costs	$ 450,246	$ 314,541
Net Program Costs	$ 450,246	$ 314,541
Office of Equal Employment Opportunity		
Gross Costs	$ 153,307	$ 193,139
Net Program Costs	$ 153,307	$ 193,139
Total Other Program Costs:	$ 8,407,011	$ 7,984,452
Net Cost of Operations (Note 9)	$ 26,668,441	$ 24,105,355

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, 2015 AND 2014
(IN DOLLARS)

	2015	2014
Cumulative Results of Operations:		
Beginning Balances	$ (719,731)	$ (910,588)
Budgetary Financing Sources:		
Appropriations Used	25,464,081	22,988,907
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 10)	1,138,628	1,307,305
Total Financing Sources	26,602,709	24,296,212
Net Cost of Operations	(26,668,441)	(24,105,355)
Net Change	(65,732)	190,857
Cumulative Results of Operations	$ (785,463)	$ (719,731)
Unexpended Appropriations:		
Beginning Balances	$ 3,129,440	$ 1,820,115
Budgetary Financing Sources:		
Appropriations Received	25,660,000	24,669,000
Other Adjustments	(157,629)	(370,768)
Appropriations Used	(25,464,081)	(22,988,907)
Total Budgetary Financing Sources	38,290	1,309,325
Total Unexpended Appropriations	$ 3,167,730	$ 3,129,440
Net Position	$ 2,382,267	$ 2,409,709

The accompanying notes are an integral part of these financial statements

FEDERAL MARITIME COMMISSION
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(IN DOLLARS)

	2015	2014
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	$ 387,204	$ 585,311
Recoveries of Prior Year Unpaid Obligations	518,708	268,870
Other changes in unobligated balance	(157,629)	(370,768)
Unobligated balance from prior year budget authority, net	748,283	483,413
Appropriations	25,660,000	24,669,000
Spending authority from offsetting collections	62,249	29,117
Total Budgetary Resources	$ 26,470,532	$ 25,181,530
Status of Budgetary Resources:		
Obligations Incurred (Note 12)	$ 26,168,073	$ 24,794,326
Unobligated balance, end of year:		
Apportioned (Note 2)	17,625	18,211
Unapportioned (Note 2)	284,834	368,993
Total unobligated balance, end of year	302,459	387,204
Total Budgetary Resources	$ 26,470,532	$ 25,181,530
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	$ 3,717,924	$ 2,035,436
Obligations Incurred (Note 12)	26,168,073	24,794,326
Outlays (gross)	(25,257,549)	(22,842,968)
Recoveries of Prior Year Unpaid Obligations	(518,708)	(268,870)
Unpaid Obligations, End of Year (Gross)	$ 4,109,740	$ 3,717,924
Uncollected payments		
Change in Uncollected payments, Federal Sources	(14,540)	-
Uncollected Customer Payments, Federal Sources, End of Year	(14,540)	-
Obligated Balance, End of Year	$ 4,095,200	$ 3,717,924
Budget Authority and Outlays, Net:		
Budget authority, gross	$ 25,722,249	$ 24,698,117
Actual offsetting collections	(47,709)	(29,117)
Change in uncollected Payments, Federal Sources	(14,540)	-
Budget Authority, net (total)	$ 25,660,000	$ 24,669,000
Outlays, gross	$ 25,257,549	$ 22,842,968
Actual offsetting collections	(47,709)	(29,117)
Outlays, net (total)	25,209,840	22,813,851
Distributed Offsetting Receipts	(248,451)	(220,316)
Agency Outlays, net	$ 24,961,389	$ 22,593,535

The accompanying notes are an integral part of these financial statements

FEDERAL MARITIME COMMISSION
STATEMENT OF CUSTODIAL ACTIVITY
AS OF SEPTEMBER 30, 2015 AND 2014
(IN DOLLARS)

	2015	**2014**
Revenue Activity:		
Sources of Cash Collections:		
Miscellaneous	$ 2,299,802	$ 3,185,724
Total Cash Collections (Note 14)	2,299,802	3,185,724
Accrual Adjustments	(643)	(1,247)
Total Custodial Revenue	2,299,159	3,184,477
Disposition of Collections:		
Transferred to Others (by Recipient)	2,300,035	3,185,491
Increase/(Decrease) in Amounts Yet to be Transferred	410	1,480
Retained by the Reporting Entity	(1,286)	(2,494)
Net Custodial Activity	$ -	$ -

The accompanying notes are an integral part of these financial statements

FEDERAL MARITIME COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Federal Maritime Commission ("FMC" or "the Commission") 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, and the Government Management Reform Act of 1994. 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. 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% for the 1st quarter of FY 2014, and 100% thereafter.

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 2015 and 2014 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. Reclassification

Certain fiscal year 2014 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, 2015 and 2014 were as follows:

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

	2015	2014
Fund Balances:		
Appropriated Funds	$ 4,397,659	$ 4,105,128
Total	$ 4,397,659	$ 4,105,128
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 17,625	$ 18,211
Unavailable	284,834	368,993
Obligated Balance Not Yet Disbursed	4,095,200	3,717,924
Total	$ 4,397,659	$ 4,105,128

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 13).

NOTE 3- ACCOUNTS RECEIVABLE

Accounts receivable balances for as of September 30, 2015 and 2014, were as follows:

	2015	2014
Intragovernmental		
Accounts Receivable	$ 14,540	$ -
Total Intragovernmental Accounts Receivable	$ 14,540	$ -

	2015	2014
With the Public		
Miscellaneous Accounts Receivable	$ 5,141	$ 1,389
Interest Receivable	21	-
Penalties and Fines Receivable	285	131
Total Public Accounts Receivable	$ 5,447	$ 1,520
Total Accounts Receivable	$ 19,987	$ 1,520

The accounts receivable is primarily made up of services provided to other Intragovernmental agencies. Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2015 and 2014.

NOTE 4- PROPERTY, EQUIPMENT, AND SOFTWARE

The Schedule of Property, Equipment, and Software as of September 30, 2015 is as follows:

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Leasehold Improvements	$ 225,000	$ 225,000	$ -
Furniture & Equipment	502,537	324,249	178,288
Software-in-Development	230,024	-	230,024
Total	$ 957,561	$ 549,249	$ 408,312

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

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

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

NOTE 5- LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities of FMC as of September 30, 2015 and 2014 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.

	2015	2014
Unfunded Leave	$ 1,197,058	$ 1,123,416
Actuarial FECA	-	787
Custodial Liabilities	2,163	1,753
Total Liabilities Not Covered by Budgetary Resources	$ 1,199,221	$ 1,125,956
Total Liabilities Covered by Budgetary Resources	1,244,470	975,689
Total Liabilities	$ 2,443,691	$ 2,101,645

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- OTHER LIABILITIES

Other liabilities account balances as of September 30, 2015 were as follows:

	Current	Non Current	Total
Intragovernmental			
Payroll Taxes Payable	$ 115,597	$ -	$ 115,597
Custodial Liabilities	2,163	-	2,163
Total Intragovernmental Other Liabilities	$ 117,760	$ -	$ 117,760
With the Public			
Payroll Taxes Payable	$ 15,136	$ -	$ 15,136
Accrued Funded Payroll and Leave	576,397	-	576,397
Unfunded Leave	1,197,058	-	1,197,058
Total Public Other Liabilities	$ 1,788,591	$ -	$ 1,788,591

Other liabilities account balances as of September 30, 2014 were as follows:

	Current	Non Current	Total
Intragovernmental			
Payroll Taxes Payable	$ 84,279	$ -	$ 84,279
Custodial Liabilities	1,753	-	1,753
Total Intragovernmental Other Liabilities	$ 86,032	$ -	$ 86,032
With the Public			
Payroll Taxes Payable	$ 12,022	$ -	$ 12,022
Accrued Funded Payroll and Leave	349,623	-	349,623
Unfunded Leave	1,123,416	-	1,123,416
Total Public Other Liabilities	$ 1,485,061	$ -	$ 1,485,061

NOTE 7- 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 2015 and 2014 were $3,277,725 and $3,433,323, 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 minimum payments for the term of the leases is as follows:

Fiscal Year	Totals
2016	$ 3,189,633
2017	3,221,574
2018	3,419,625
2019	3,454,859
2020	3,469,921
Thereafter	7,330,851
Total Future Minimum Payments	$ 24,086,463

NOTE 8- 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. The FMC has knowledge of one lawsuit/investigation from FY 2014 where the amount of potential loss exceeds $48,000. The FMC has knowledge of one lawsuit/investigation from FY 2015 where the amount of potential loss exceeds $48,000. The Commission will be vigorously contesting both cases.

NOTE 9- 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:

	2015	2014
Operational and Administrative		
Intragovernmental Costs	$ 3,727,051	$ 3,793,654
Public Costs	14,596,547	12,327,249
Total Program Costs	18,323,598	16,120,903
Less: Intragovernmental Earned Revenue	(40,304)	-
Net Program Costs	18,283,294	16,120,903
Formal Proceedings		
Intragovernmental Costs	1,096,851	1,021,862
Public Costs	6,706,607	6,483,940
Total Program Costs	7,803,458	7,505,802
Less: Intragovernmental Earned Revenue	(21,864)	(29,030)
Net Program Costs	7,781,594	7,476,772
Office of Inspector General		
Intragovernmental Costs	89,391	246,955
Public Costs	360,855	67,586
Total Program Costs	450,246	314,541
Net Program Costs	450,246	314,541
Office of Equal Employment Opportunity		
Intragovernmental Costs	20,242	20,323
Public Costs	133,065	172,816
Total Program Costs	153,307	193,139
Net Program Costs	153,307	193,139
Total Intragovernmental Costs	4,933,535	5,082,793
Total Public Costs	21,797,074	19,051,592
Total Costs	26,730,609	24,134,385
Less: Total Intragovernmental Earned Revenue	(62,168)	(29,030)
Net Cost of Operations	$ 26,668,441	$ 24,105,355

NOTE 10- 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, 2015 and 2014, imputed financing was as follows:

	2015	2014
Office of Personnel Management	$ 1,138,628	$ 1,307,305
Total Imputed Financing Sources	$ 1,138,628	$ 1,307,305

NOTE 11- BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's budget that will include fiscal year 2015 actual budgetary execution information has not yet been published. The President's budget is scheduled for publication in February 2016, and will be found at the OMB Web site: http://www.whitehouse.gov/omb/. The 2016 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 12- APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2015 and 2014 consisted of the following:

	2015	2014
Direct Obligations, Category A	$ 26,105,905	$ 24,765,296
Reimbursable Obligations, Category A	62,168	29,030
Total Obligations Incurred	$ 26,168,073	$ 24,794,326

Category A apportionments distribute budgetary resources by fiscal quarters.

NOTE 13- UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the fiscal years ended September 30, 2015 and 2014, budgetary resources obligated for undelivered orders amounted to $ 2,865,271and $2,742,237, respectively.

NOTE 14- 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 for the application on licenses issued to qualified Ocean Transportation Intermediaries (OTIs) in the U.S., commission reviews, petitions, status changes, and special permission fees.

Custodial receipts are broken out in the general receipt funds:

	2015	2014
Fines, Penalties, and Forfeitures	$ 2,052,514	$ 2,968,000
General Fund Proprietary Receipts (user fees)	253,476	220,549
Refund of user fees	(6,188)	(2,825)
Total Custodial Collections	$ 2,299,802	$ 3,185,724

NOTE 15- 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.

	2015	2014
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	$ 26,168,073	$ 24,794,326
Spending Authority from Offsetting Collections and Recoveries	(580,957)	(297,987)
Offsetting Receipts	(248,451)	(220,316)
Net Obligations	25,338,665	24,276,023
Other Resources		
Imputed Financing from Costs Absorbed by Others	1,138,628	1,307,305
Net Other Resources Used to Finance Activities	1,138,628	1,307,305
Total Resources Used to Finance Activities	26,477,293	25,583,328
Resources Used to Finance Items Not Part of the Net Cost of Operations	42,414	(1,560,406)
Total Resources Used to Finance the Net Cost of Operations	26,519,707	24,022,922
Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	148,734	82,433
Net Cost of Operations	$ 26,668,441	$ 24,105,355

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 4, 2015

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 the Federal Maritime Commission for fiscal year 2015. I concur with the audit report's findings that the financial statements fairly present the agency's financial position during the fiscal year and that the FMC's financial statements are in conformity with U.S. Generally Accepted Accounting Principles; that the FMC has 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. This audit report is the FMC's twelfth consecutive unmodified or "clean" audit opinion.

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

Sincerely,

/s/
Vern W. Hill
Chief Financial Officer

APPENDIX B

FEDERAL MARITIME COMMISSION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

SEPTEMBER 30, 2015 and 2014

FEDERAL MARITIME COMMISSION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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FEDERAL MARITIME COMMISSION
BALANCE SHEET
AS OF SEPTEMBER 30, 2015 AND 2014
(In Dollars)

		2015		2014
Assets:				
Intragovernmental				
Fund Balance With Treasury (Note 2)	$	4,397,659	$	4,105,128
Accounts Receivable (Note 3)		14,540		-
Total Intragovernmental		4,412,199		4,105,128
Accounts Receivable, Net (Note 3)		5,447		1,520
Property, Equipment, and Software, Net (Note 4)		408,312		404,706
Total Assets	$	4,825,958	$	4,511,354
Liabilities:				
Intragovernmental				
Accounts Payable	$	65,788	$	104,117
Other (Note 6)		117,760		86,032
Total Intragovernmental		183,548		190,149
Accounts Payable		471,552		425,648
Federal Employee and Veterans' Benefits (Note 5)		-		787
Other (Note 6)		1,788,591		1,485,061
Total Liabilities (Note 5)	$	2,443,691	$	2,101,645
Net Position:				
Unexpended Appropriations - Other Funds	$	3,167,730	$	3,129,440
Cumulative Results of Operations - Other Funds		(785,463)		(719,731)
Total Net Position	$	2,382,267	$	2,409,709
Total Liabilities and Net Position	$	4,825,958	$	4,511,354

FEDERAL MARITIME COMMISSION
STATEMENT OF NET COST
FOR THE YEAR ENDING SEPTEMBER 30, 2015 AND 2014
(In Dollars)

		2015		2014
Program Costs:				
Operational and Administrative				
Gross Costs	$	18,323,598	$	16,120,903
Less: Earned Revenue		(40,304)		-
Net Program Costs	$	18,283,294	$	16,120,903
Formal Proceedings				
Gross Costs	$	7,803,458	$	7,505,802
Less: Earned Revenue		(21,864)		(29,030)
Net Program Costs	$	7,781,594	$	7,476,772
Office of Inspector General				
Gross Costs	$	450,246	$	314,541
Net Program Costs	$	450,246	$	314,541
Office of Equal Employment Opportunity				
Gross Costs	$	153,307	$	193,139
Net Program Costs	$	153,307	$	193,139
Net Cost of Operations (Note 9)	$	26,668,441	$	24,105,355

FEDERAL MARITIME COMMISSION
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDING SEPTEMBER 30, 2015 AND 2014
(In Dollars)

	2015	2014
Cumulative Results of Operations:		
Beginning Balances	$ (719,731)	$ (910,588)
Budgetary Financing Sources:		
Appropriations Used	25,464,081	22,988,907
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 10)	1,138,628	1,307,305
Total Financing Sources	26,602,709	24,296,212
Net Cost of Operations	(26,668,441)	(24,105,355)
Net Change	(65,732)	190,857
Cumulative Results of Operations	$ (785,463)	$ (719,731)
Unexpended Appropriations:		
Beginning Balances	$ 3,129,440	$ 1,820,115
Budgetary Financing Sources:		
Appropriations Received	25,660,000	24,669,000
Other Adjustments	(157,629)	(370,768)
Appropriations Used	(25,464,081)	(22,988,907)
Total Budgetary Financing Sources	38,290	1,309,325
Total Unexpended Appropriations	$ 3,167,730	$ 3,129,440
Net Position	$ 2,382,267	$ 2,409,709

FEDERAL MARITIME COMMISSION
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEAR ENDING SEPTEMBER 30, 2015 AND 2014
(In Dollars)

		2015		2014
Budgetary Resources:				
Unobligated Balance Brought Forward, October 1	$	387,204	$	585,311
Recoveries of Prior Year Unpaid Obligations		518,708		268,870
Other changes in unobligated balance		(157,629)		(370,768)
Unobligated balance from prior year budget authority, net		748,283		483,413
Appropriations		25,660,000		24,669,000
Spending authority from offsetting collections		62,249		29,117
Total Budgetary Resources	$	26,470,532	$	25,181,530
Status of Budgetary Resources:				
Obligations Incurred (Note 12)	$	26,168,073	$	24,794,326
Unobligated balance, end of year:				
Apportioned (Note 2)		17,625		18,211
Unapportioned (Note 2)		284,834		368,993
Total unobligated balance, end of year		302,459		387,204
Total Budgetary Resources	$	26,470,532	$	25,181,530
Change in Obligated Balance				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	$	3,717,924	$	2,035,436
Obligations Incurred (Note 12)		26,168,073		24,794,326
Outlays (gross)		(25,257,549)		(22,842,968)
Recoveries of Prior Year Unpaid Obligations		(518,708)		(268,870)
Unpaid Obligations, End of Year (Gross)		4,109,740		3,717,924
Uncollected payments:				
Change in Uncollected Payments, Federal Sources		(14,540)		-
Uncollected Customer Payments, Federal Sources, End of Year		(14,540)		-
Obligated Balance, End of Year	$	4,095,200	$	3,717,924
Budget Authority and Outlays, Net:				
Budget authority, gross	$	25,722,249	$	24,698,117
Actual offsetting collections		(47,709)		(29,117)
Change in Uncollected Payments, Federal Sources		(14,540)		-
Budget Authority, Net, (Total)	$	25,660,000	$	24,669,000
Outlays, gross	$	25,257,549	$	22,842,968
Actual offsetting collections		(47,709)		(29,117)
Outlays, net, (total)		25,209,840		22,813,851
Distributed Offsetting Receipts		(248,451)		(220,316)
Agency Outlays, Net	$	24,961,389	$	22,593,535

FEDERAL MARITIME COMMISSION
STATEMENT OF CUSTODIAL ACTIVITY
FOR THE YEAR ENDING SEPTEMBER 30, 2015 AND 2014
(In Dollars)

	2015	2014
Revenue Activity:		
Sources of Cash Collections:		
Miscellaneous	$ 2,299,802	$ 3,185,724
Total Cash Collections (Note 14)	2,299,802	3,185,724
Accrual Adjustments	(643)	(1,247)
Total Custodial Revenue	2,299,159	3,184,477
Disposition of Collections:		
Transferred to Others (by Recipient)	2,300,035	3,185,491
Increase/(Decrease) in Amounts Yet to be Transferred	410	1,480
Retained by the Reporting Entity	(1,286)	(2,494)
Total Disposition of Collections	2,299,159	3,184,477
Net Custodial Activity	$ -	$ -

FEDERAL MARITIME COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Federal Maritime Commission (FMC or Commission) 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. 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 Commission. The Statement of Net Cost presents the Commission's operating results; the Statement of Changes in Net Position displays the changes in the Commission's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the Commission'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, and the Government Management Reform Act of 1994. 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. 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% for the 1st quarter of FY 2014 and 100% thereafter.

J. Accrued and Actuarial Workers' Compensation

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

K. Retirement Plans

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

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. Both CSRS and FERS employees may participate in the federal Thrift Savings Plan (TSP). FERS employees receive an automatic agency contribution equal to 1% of pay and FMC matches any employee contribution up to an additional 4% 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 2015 and 2014 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. Reclassification

Certain fiscal year 2014 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, 2015, and 2014 were as follows:

	2015		2014	
Fund Balances:				
Appropriated Funds	$	4,397,659	$	4,105,128
Total	$	4,397,659	$	4,105,128
Status of Fund Balance with Treasury:				
Unobligated Balance				
Available	$	17,625	$	18,211
Unavailable		284,834		368,993
Obligated Balance Not Yet Disbursed		4,095,200		3,717,924
Total	$	4,397,659	$	4,105,128

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 13).

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2015, and 2014, were as follows:

	2015		2014	
Intragovernmental				
Accounts Receivable	$	14,540	$	-
Total Intragovernmental Accounts Receivable	$	14,540	$	-

	2015		2014	
With the Public				
Miscellaneous Accounts Receivable	$	5,141	$	1,389
Interest Receivable		21		-
Penalties and Fines Receivable		285		131
Total Public Accounts Receivable	$	5,447	$	1,520
Total Accounts Receivable	$	19,987	$	1,520

The accounts receivable is primarily made up of services provided to other Intragovernmental agencies. Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2015 and 2014.

NOTE 4. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2015

Major Class	Acquisition Cost		Accumulated Amortization/ Depreciation		Net Book Value	
Leasehold Improvements	$	225,000	$	225,000	$	-
Furniture & Equipment		502,537		324,249		178,288
Software-in-Development		230,024		-		230,024
Total	$	957,561	$	549,249	$	408,312

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

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

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for FMC as of September 30, 2015 and 2014 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.

		2015		2014
Unfunded Leave	$	1,197,058	$	1,123,416
Federal Employee and Veterans' Benefits		-		787
Custodial Liabilities		2,163		1,753
Total Liabilities Not Covered by Budgetary Resources	$	1,199,221	$	1,125,956
Total Liabilities Covered by Budgetary Resources		1,244,470		975,689
Total Liabilities	$	2,443,691	$	2,101,645

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. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2015 were as follows:

	Current	Non Current	Total
Intragovernmental			
Payroll Taxes Payable	$ 115,597	$ -	$ 115,597
Custodial Liability	2,163	-	2,163
Total Intragovernmental Other Liabilities	$ 117,760	$ -	$ 117,760
With the Public			
Payroll Taxes Payable	$ 15,136	$ -	$ 15,136
Accrued Funded Payroll and Leave	576,397	-	576,397
Unfunded Leave	1,197,058	-	1,197,058
Total Public Other Liabilities	$ 1,788,591	$ -	$ 1,788,591

Other liabilities account balances as of September 30, 2014 were as follows:

	Current	Non Current	Total
Intragovernmental			
Payroll Taxes Payable	$ 84,279	$ -	$ 84,279
Custodial Liability	1,753	-	1,753
Total Intragovernmental Other Liabilities	$ 86,032	$ -	$ 86,032
With the Public			
Payroll Taxes Payable	$ 12,022	$ -	$ 12,022
Accrued Funded Payroll and Leave	349,623	-	349,623
Unfunded Leave	1,123,416	-	1,123,416
Total Public Other Liabilities	$ 1,485,061	$ -	$ 1,485,061

NOTE 7. 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 2015 and 2014 were $3,277,725 and $3,433,323, 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, NJ	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
2016	$ 3,189,633
2017	3,221,574
2018	3,419,625
2019	3,454,859
2020	3,469,921
Thereafter	7,330,851
Total Future Minimum Payments	$ 24,086,463

NOTE 8. 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. The FMC has knowledge of one lawsuit/investigation from FY 2014 where the amount of potential loss exceeds $48,000. The FMC has knowledge of one lawsuit/investigation from FY 2015 where the amount of potential loss exceeds $48,000. The Commission will be vigorously contesting both cases.

NOTE 9. 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:

	2015	2014
Operational and Administrative		
Intragovernmental Costs	$ 3,727,051	$ 3,793,654
Public Costs	14,596,547	12,327,249
Total Program Costs	18,323,598	16,120,903
Less: Intragovernmental Earned Revenue	(40,304)	-
Net Program Costs	18,283,294	16,120,903
Formal Proceedings		
Intragovernmental Costs	1,096,851	1,021,862
Public Costs	6,706,607	6,483,940
Total Program Costs	7,803,458	7,505,802
Less: Intragovernmental Earned Revenue	(21,864)	(29,030)
Net Program Costs	7,781,594	7,476,772
Office of Inspector General		
Intragovernmental Costs	89,391	246,955
Public Costs	360,855	67,586
Total Program Costs	450,246	314,541
Net Program Costs	450,246	314,541
Office of Equal Employment Opportunity		
Intragovernmental Costs	20,242	20,323
Public Costs	133,065	172,816
Total Program Costs	153,307	193,139
Net Program Costs	153,307	193,139
Total Intragovernmental costs	4,933,535	5,082,793
Total Public Costs	21,797,074	19,051,592
Total Costs	26,730,609	24,134,385
Less: Total Intragovernmental Earned Revenue	(62,168)	(29,030)
Net Cost of Operations	$ 26,668,441	$ 24,105,355

NOTE 10. 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 years ended September 30, 2015 and 2014 imputed financing was as follows:

	2015	2014
Office of Personnel Management	$ 1,138,628	$ 1,307,305
Total Imputed Financing Sources	$ 1,138,628	$ 1,307,305

NOTE 11. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include fiscal year 2015 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2016 and can be found at the OMB Web site: *http://www.whitehouse.gov/omb/*. The 2016 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 12. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2015 and 2014 consisted of the following:

	2015	2014
Direct Obligations, Category A	$ 26,105,905	$ 24,765,296
Reimbursable Obligations, Category A	62,168	29,030
Total Obligations Incurred	$ 26,168,073	$ 24,794,326

Category A apportionments distribute budgetary resources by fiscal quarters.

NOTE 13. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the years ended September 30, 2015 and 2014, budgetary resources obligated for undelivered orders amounted to $2,865,271 and $2,742,237, respectively.

NOTE 14. CUSTODIAL REVENUES

FMC is an administrative agency, collecting for another entity or the General Fund of the Treasury. As a collecting entity, FMC measures and reports cash collections and refunds. These collections are reported as custodial revenue 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 component of the custodial revenue is general proprietary receipts (User Fees) for the application of licenses issued to qualified Ocean Transportation Intermediaries (OTI's) in the U.S., FMC reviews petitions, status changes and special permission fees. FMC believes that all fines, penalties, administrative fees and user fees will be collected in full. There are no material uncollectible accounts as of September 30, 2015 and 2014.

Custodial collections are reported on the Statement of Custodial Activity. The miscellaneous receipts are broken out in the general receipt funds as follows:

	2015	2014
Custodial Collections:		
Fines, Penalties, and Forfeitures	$ 2,052,514	$ 2,968,000
General Fund Proprietary Receipts (User fees)	253,476	220,549
Refunds of Proprietary Receipts (User fees)	(6,188)	(2,825)
Total Custodial Collections	$ 2,299,802	$ 3,185,724

NOTE 15. 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.

	2015	2014
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	$ 26,168,073	$ 24,794,326
Spending Authority from Offsetting Collections and Recoveries	(580,957)	(297,987)
Offsetting Receipts	(248,451)	(220,316)
Net Obligations	25,338,665	24,276,023
Other Resources		
Imputed Financing from Costs Absorbed by Others	1,138,628	1,307,305
Net Other Resources Used to Finance Activities	1,138,628	1,307,305
Total Resources Used to Finance Activities	26,477,293	25,583,328
Resources Used to Finance Items Not Part of the Net Cost of Operations	42,414	(1,560,406)
Total Resources Used to Finance the Net Cost of Operations	26,519,707	24,022,922
Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	148,734	82,433
Net Cost of Operations	$ 26,668,441	$ 24,105,355

OTHER INFORMATION

FEDERAL MARITIME COMMISSION
Washington, DC 20573

October 15, 2015

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

The Reports Consolidation Act of 2000 (Public Law 106-531) 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) 2015.

This year, the Office of Inspector General (OIG) has identified two management and performance challenges for inclusion in the FMC's FY 2015 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 16, 2015.

/s/
Jon Hatfield

Attachment

Cc: Vern Hill, Managing Director

Office of Inspector General

Fiscal Year 2015 Management Challenges

1. ***The Management Challenge***: Information Technology Security

Information technology (IT) security is a challenge the Federal Maritime Commission (FMC) shares with other Federal government departments and agencies due to 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.

Since 1997, the Government Accountability Office (GAO) has designated Federal information security as a government-wide high-risk area, and in 2003, expanded this area to include computerized systems supporting the nation's critical infrastructure. In GAO's 2015 high-risk update, GAO further expanded this area to include protecting the privacy of personal information that is collected, maintained, and shared by both Federal and non-Federal entities. In a GAO report on Federal information security dated September 29, 2015[5], GAO recognizes how the widespread use of the Internet has changed the way that our government, our nation, and the rest of the world communicates and conducts business. GAO further acknowledges that the benefits of the Internet have been enormous, but the connectivity of the Internet, without effective cybersecurity, can also pose significant risks to computer systems and networks as well as to the critical operations and key infrastructures they support.

Significant examples of the challenges faced by Federal agencies protecting information and communication systems are the cybersecurity incidents that were reported in 2015 by the Office of Personnel Management (OPM). OPM is the independent agency that manages the civil service of the Federal government, to include providing Federal investigative services for background checks. Early in 2015, OPM first reported the discovery that the personnel data, such as full name, birth date, home address and social security numbers, of 4.2 million current and former Federal government employees had been stolen through a cybersecurity incident. In June 2015, OPM also discovered that the background investigation records of current, former, and prospective Federal employees and contractors had been stolen through a cybersecurity incident. Specifically, OPM and an interagency incident response team concluded with high confidence that sensitive information, including social security numbers, of 21.5 million individuals was stolen from the OPM background investigation databases. The frequency and

[5] U.S. Government Accountability Office, Federal Information Security, *Agencies Need to Correct Weaknesses and Fully Implement Security Programs*, GAO-15-714 (Washington, DC, 2015),, http://www.gao.gov/assets/680/672801.pdf.

increased sophistication of cyber threats underscores the need to manage and bolster the security of Federal information systems.

<u>Agency Progress in Addressing the Challenge</u>:

The *Federal Information Security Management Act of 2002* (FISMA) established information security program and evaluation requirements for Federal agencies in the executive branch, including the FMC. Each year, the FMC OIG performs an independent evaluation of the information security program and practices of the agency. The results of the evaluation are reported annually to the Office of Management and Budget, selected congressional committees, the Comptroller General and the FMC's Commission.

Overall, the FMC is demonstrating a commitment to maintain an effective information security program. In the OIG's *Evaluation of the FMC's Compliance with the Federal Information Security Management Act (FISMA) FY 2014*, the OIG found the FMC had effectively implemented eight of the 12 outstanding prior year FISMA recommendations. Further, the FY 2014 FISMA evaluation contained five recommendations to address three findings, and the agency agreed to implement all of the OIG's recommendations. The OIG is nearing completion of the FY 2015 FISMA evaluation and the preliminary results indicate continued progress is being made by the agency to address security weaknesses; the final report is expected to be issued in November 2015.

The OIG believes the positive results of recent OIG FISMA evaluations can be attributed, at least in part, to FMC leadership accountability, and an effective working relationship between the agency's information security team and the OIG. First, as evidenced during the OIG's interactions with agency staff involved in information security, the FMC Chairman demonstrates a high-level of accountability for his management team. The OIG believes the Chairman's leadership and holding management officials accountable are critical elements contributing to positive results with information security. In addition, the effective working relationship between the agency's information security team and the OIG help ensure that everyone involved is working towards a common goal, to ensure an effective information security program for the agency. Although the OIG's work does identify problems, agency officials responsible for information security are responsive, cooperative and dedicated in their work to address these problems.

<u>The Challenge Ahead</u>:

The 2015 OPM cybersecurity incidents highlight that continued advancements in computer and communication technologies will likely result in ongoing challenges protecting Federal systems. In GAO's September 2015 report on Federal Information Security (GAO-15-714), GAO reported the number of information security incidents affecting systems supporting the Federal government has continued to increase: since fiscal year 2006, the number rose from

5,503 to 67,168 in FY 2014, an increase of 1,121 percent. These incidents included unauthorized access to systems; improper use of computing resources; and the installation of malicious software, among others. Particularly because of the FMC's small size and limited resources, it is critical for the FMC to prioritize security controls and enhancements based on risk, and continue to properly plan and partner with Federal agencies to protect vital agency resources.

2. *The Management Challenge*: Workplace Satisfaction

The OIG identified workplace satisfaction at the FMC as a management challenge for the first time in 2013, and again in 2014, due to low survey results as reported by the Office of Personnel Management (OPM) in their annual Federal Employee Viewpoint Survey (FEVS). OPM's 2015 FEVS results indicate some meaningful improvements in the FMC's workplace satisfaction and employee engagement, but continued improvements are needed.

Workforce satisfaction, or employee engagement, is defined as an employee's sense of purpose: this is evident in their display of dedication, persistence, and effort in their work or overall commitment to their organization and its mission. OPM conducts the annual FEVS to provide government employees, including the FMC, the opportunity to candidly, and anonymously, share their perceptions of their work experiences, their agency, and their leaders. An engaged and satisfied workforce is central to effectively achieving agency goals, retaining staff, and recruitment of new staff.

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 FMC ranked the third lowest of small agencies in both the 2013 and 2014 rankings. The PPS uses data from the OPM's FEVS 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.

Due to the low FEVS results, the OIG completed an independent evaluation of the FMC's workplace environment in March 2015. The goal of the evaluation was to validate the FEVS results, receive additional or updated feedback from employees, identify areas of agreement and disagreement and provide specific ideas for improving the workplace.

Overall, the OIG evaluation found the major cause of disengagement was in the area of effective leadership. Within this area, three main themes were uncovered: (1) leadership legacy - challenges with previous leaders remain top-of-mind at the agency and continue to impact morale; (2) low levels of trust - management and staff exhibit signs of distrust and a fear of retribution for speaking up or being perceived as out of favor; and (3) poor communication - information is not widely or effectively shared across the agency, which results in rumors and misinformation. During the OIG evaluation process, it was found that the FMC has been taking positives steps to improve low employee satisfaction and commitment scores. In particular, employees pointed to several areas as organizational strengths: (1) positive actions taken to address low leadership scores; (2) transparency in the hiring and promotion process; (3) expertise and talent among staff; and (4) a small agency culture and environment. To address the weaknesses, and build upon the workplace strengths, the OIG provided several recommendations to the agency, centered on the implementation of a robust action planning process, to focus on high impact and achievable action items. The agency agreed to implement all of the recommendations.

Agency Progress in Addressing the Challenge:

The FMC made progress in 2015 to address the challenge of employee satisfaction and employee engagement. This progress is reflected through improved results in OPM's 2015 FEVS and the agency's progress implementing the recommendations from the OIG's March 2015 evaluation of the FMC's workplace environment.

The 2015 FEVS was administered by OPM from May 4, 2015, through June 12, 2015. The survey was anonymous, web based, and offered to all permanent FMC employees on board as of October 31, 2014. Of the 98 employees surveyed, 77, or 78%, chose to participate. Answers to the survey questions enable the FMC to develop effective strategies and tools for driving continuous improvement in the workplace.

Among the notable OPM 2015 FEVS results for the FMC are a 14% increase in the global satisfaction index, the fourth largest increase among small agencies. On average, government-wide, the global satisfaction index increased by one percentage point from 2014. The global satisfaction index measures employee satisfaction about four aspects related to their work: their job, their pay, their organization, and whether they would recommend their organization as a good place to work.

The FMC also increased the FEVS engagement index by eight percent as compared to 2014; this is the fifth largest percent increase among small agencies. On average, government-wide, the engagement index increased by one percentage point from 2014. The engagement index is a measure of the employee's sense of purpose, the display of dedication, persistence, and effort in their work or overall commitment to their organization and its mission. The index is comprised of numerous FEVS questions in the following sub-factors: leaders lead - reflects the employees' perceptions of the integrity of leadership, as well as leadership behaviors such as communication and workforce motivation; supervisors - reflects the interpersonal relationship between worker and supervisor, including trust, respect, and support; and intrinsic work experience - reflects the employees' feelings of motivation and competency relating to their role in the workplace.

In addition to the improvements reported in the 2015 FEVS results, the agency made considerable progress implementing the recommendations contained in the OIG's March 2015 evaluation of the FMC workplace. Specifically, the agency updated the FMC-wide action plan to focus on high impact and achievable action items in the workplace. The improved action plan added important elements, to include detailed action items, key deliverables, a timeline, responsible parties, resources needed and metrics for evaluating progress. The action plan was communicated in several ways to all employees, through email, meetings, and posted on the agency's intranet. Several initiatives for fiscal year 2015 were included in the new action plan, to include an updated telework program, diversity training, the appraisal process, and a refresh to the agency's employee suggestion program. As one example, the employee suggestion program is made up of a cross section of employees from the agency who volunteered to serve a six month term. The plan is for this team to meet monthly, review employee suggestions and make recommendations to the agency's senior leaders. In addition, the Chairman, in his capacity as executive champion of the workplace improvement efforts, instituted regular meetings with the senior leaders to review progress and plan for next steps in the workplace improvement efforts.

***The Challenge Ahead*:**

The agency's actions and results in fiscal year 2015 demonstrate a strong commitment to improve the FMC workplace. While there is much work still to do, the agency has put in place an effective action planning process, and beneficial communication and feedback mechanisms. Most importantly, the agency must ensure the efforts being made are resulting in real change for the employees, and continuous feedback at all levels is critical to ascertain the pulse of the workforce.

Comments on IG-Identified Management and Performance Challenges

The FMC appreciates the work of its Inspector General in reviewing the agency's actions and compliance with Federal laws and mandates. The role of the Inspector General is important government-wide to ensure accountability to the U.S. public. The Commission agrees with the FMC's Inspector General on its identified Management and Performance Challenges and commits itself to continuing efforts to meet these challenges with planning, attention, and diligence. A response to each challenge is outlined below:

1. Information Technology Security

   Management agrees that it is critical for this agency to continue to prioritize information technology security controls and risk-based enhancements, especially in view of the many highly-publicized recent incidents and data breaches at other Federal agencies. In recent fiscal years, the Commission has responded quickly to identify critical vulnerabilities, mitigate risk and strengthen our cybersecurity readiness with upgrades to our information technology infrastructure. However, the Commission's limited resources hinder its ability to stay ahead of the latest cybersecurity threats. Strategic planning and partnering with other Federal agencies to protect our information technology infrastructure is essential. The FMC is a participant in the General Services Administration and Department of Homeland Security's Continuous Diagnostics and Mitigation and Continuous Monitoring as a Service programs, which will enable the agency to implement tools and services to strengthen the security posture of our information technology network.

2. Workplace Satisfaction

   Management agrees that, although much has been accomplished, efforts must and will continue to be made to improve the FMC workplace. The results of the FEVS discussed by the IG are encouraging, but the Commission remains focused on continued improvement. Workplace satisfaction and employee engagement remain mission-critical priorities at the FMC.

   In FY 2015, the Commission made strides and implemented actions and initiatives that demonstrate the leadership's commitment to workplace satisfaction and employee engagement. The FMC's Statement of Principles was updated and published on August 31, 2015, and is on display in FMC offices. The FMC's Workplace Improvement Plan was updated, and provided to all employees by the Chairman.

   Employees were encouraged to collaborate in several improvement initiatives by participating in working groups, and information is available to staff in their respective charter plans on the FMC intranet, and include:

   (1) Diversity Training: will be provided annually to SES and Managers (completed for FY2015). A diversity training working group was formed and is in progress;

(2) Appraisal Process: A working group was formed with employee participation, and training for supervisors and staff was provided in June and July, 2015. An After Actions Report was made to supervisors and managers in July 2015, and to employees in September 2015;

(3) Telework: A Cross-Bureau/Office employee working group was established to examine and modernize the Commission's telework policy and update Commission Order 71. Training for all employees was provided in July 2015. The new policy is effective in October 2016;

(4) Employee Suggestion Program: A working group was formed to refresh and modernize the employee suggestion program. Early in FY 2016, the working group will present suggestions to the SES. It is anticipated that employee recognition for adopted employee suggestions will be completed by the end of calendar year 2015; and

(5) Social Interaction: A social events program working group was formed. Various social events were held throughout FY 2015, and several are planned for FY 2016.

The Chairman, in his capacity as executive champion, together with the SES, continue to hold regular (monthly/bimonthly) meetings to review progress and implement next steps. The Chairman and SES completed identified FY2015 actions by the end of the fiscal year, and with staff input and discussion, are now identifying FY2016 actions. All actions are being communicated via all-hands meetings, and inter- and intra-Bureau/Office meetings are ongoing.

Improper Payments Information Act

Narrative Summary of Implementation Efforts for FY 2015

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 2015, the FMC had no overpayments. The FMC did not identify any improper collections through the Intergovernmental Payments and Collections (IPAC).

II. The FMC used a statistical sample conducted by BFS to determine its improper payment rate.

III. The FMC will continue to monitor 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 2015 with percentage forecasts through FY 2018.

Improper Payments Information Act Reduction Outlook FY 2015 - 2018 (millions)						
Program	**FY 15 Outlays**	**FY15 IP %**	**FY15 IP $**	**FY16 %**	**FY17 %**	**FY18 %**
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
Operational 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 Contracting Officer's Representative (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. OBF 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 has delegated administrative funds control 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 Commission 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 2015, 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.

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