FEDERAL MARITIME COMMISSION

An independent agency of the U.S. Government

Performance and Accountability Report

FISCAL YEAR 2019

Chairman Michael A. Khouri

November 2019

MESSAGE FROM CHAIRMAN KHOURI

Federal Maritime Commission
Washington, D.C. 20573-0001

Office of the Chairman
November 19, 2019

I am pleased to present the Fiscal Year (FY) 2019 Performance and Accountability Report (Report or PAR) for the Federal Maritime Commission (Commission or FMC). This report provides the results of this year's independent audit of the FMC's FY 2019 financial statements and measures our actual performance against the Commission's five-year Strategic Plan.

The FMC ensures a competitive and reliable international ocean transportation supply system that supports the U.S. economy and protects the public from unfair and deceptive practices. International ocean shipping and the international supply chain are essential to our Nation's economy, moving more than $1 trillion in U.S. exports and imports annually. By implementing and enforcing the Shipping Act of 1984 and other related maritime statutes, the FMC plays a vital role in strengthening American economic competitiveness through international shipping.

The FMC accomplishes its mission by managing its limited resources against clear strategic goals and performance targets. The FY 2019 Performance and Accountability Report showcases the FMC's achievements in meeting its strategic goals. Furthermore, this report shows our commitment to proper operational oversight, with safeguards in place to protect the agency and the public from financial risks. For the 16th consecutive year, the Commission's financial statements have earned an unmodified ("clean") opinion. The Commission's annual assessment of internal controls over operations, systems, and financial reporting identified no material weaknesses. Both the performance and financial data contained in this report are reliable and complete.

Our Nation's economy relies on the services provided by the industries and companies the Commission oversees. I am proud of the FMC's role in ensuring competition and integrity for America's ocean supply chain.

Sincerely,

/s/

Chairman

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PART ONE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year 2019

HISTORY, MISSION, AND ORGANIZATION

HISTORY

First constituted over 100 years ago as the United States Shipping Board in the Shipping Act of 1916, the Federal Maritime Commission was authorized in its current form as an independent Executive Branch agency in 1961. The Commission is an independent, non-CFO Act agency that regulates the international ocean transportation supply system (vessel liner carriers, ocean transportation intermediaries, and marine terminal operators). The FMC's mission to ensure a competitive and reliable international ocean transportation supply system that supports the U.S. economy and protects the public from unlawful, unfair, and deceptive ocean transportation practices is vital to the Nation's commerce.

THE FMC TODAY

Moving more than $1 trillion in U.S. exports and imports each year, international ocean shipping is a critical component that supports our Nation's commerce. Continuing a trend that started 10 years ago, the industry continues to adjust and react to challenging market conditions. Carriers and marine terminal operators (MTOs) have been forced to find ways to cut costs and realize greater efficiencies, whether individually or through consolidation, mergers, or operational cooperation with their competitors under agreements filed with the FMC. These changes in carrier- and MTO-concerted activity and market structure likewise require the FMC to quickly respond by timely and efficiently analyzing the competitive impact of proposed carrier and MTO agreements to guard against possible anticompetitive abuse of the filed agreement authority; to avoid unreasonable increases in transportation costs or decreases in transportation services; and to address other activities prohibited by the Shipping Act.

The FMC ensures a competitive and reliable international ocean transportation supply system in part by balancing cost-containment strategies and cooperative working arrangements among carriers or MTOs with the legitimate business needs of the Nation's many exporters/importers to ensure their goods reach international markets efficiently and reliably. As the industry evolves and changes, the FMC will continue its focus upon competition and integrity for America's ocean supply chain by:

- Analyzing and monitoring key U.S. trade lanes;
- Assessing the competitive effects of agreement parties' activities, particularly focusing on issues of costs (freight rates), vessel capacity (supply) and equipment availability upon the business community;
- Licensing our Nation's non-vessel-operating common carriers (NVOCCs) and freight forwarders, (collectively ocean transportation intermediaries, or OTIs), registering foreign-based NVOCCs, and administering an effective surety bond program to ensure payment of judgments for damages by OTIs; and
- Monitoring changes taking place in the provision of chassis for the inland movement of containerized goods, and the competitive effects of changing carrier alliance structures, particularly as they may affect concerted procurement of carrier services in U.S. ports.

STATUTORY AUTHORITY

The principal statutes administered by the Commission, codified at 46 U.S.C. §§ 40101-44106, are:

- The Shipping Act of 1984, as amended by the Ocean Shipping Reform Act of 1998 (Shipping Act);

- The Foreign Shipping Practices Act of 1988 (FSPA);
- Section 19 of the Merchant Marine Act, 1920 (1920 Act); and
- Sections 2 and 3 of Pub. L. No. 89-777, 80 Stat. 1350.

ORGANIZATION

The FMC is composed of up to five Commissioners nominated by the President and confirmed by the Senate, each serving a staggered five-year term. The Commission is a bipartisan body; no more than three members of the Commission may be of the same political party. One Commissioner, designated by the President, serves as Chairman, Chief Executive, and Chief Administrative Officer of the Commission.

Comprised of economists, attorneys, and experts in ocean transportation, most of the FMC's staff is located at its Washington, D.C. headquarters; however, the Commission also maintains a presence in six major port locations nationwide. In addition to the Commissioners' offices, the FMC staff are organized into 10 bureaus and offices:

Bureau of Certification and Licensing (BCL) protects the public from financial harm through its OTI licensing, registration, and surety bonding programs. BCL also protects the public by requiring passenger vessel operators (PVOs) to maintain adequate financial coverage to reimburse cruise cancellations or to cover liability in the event of death or injury at sea.

Bureau of Enforcement (BOE) is the prosecutorial arm of the Commission. Bureau attorneys serve as trial counsel in formal proceedings, and protect the shipping public by working closely with the Commission's Area Representatives in investigations of potential violations of the Shipping Act and Commission regulations. BOE negotiates settlements and informal compromises of civil penalties, and may act as investigative officers in formal fact-finding investigations.

Bureau of Trade Analysis (BTA) analyzes and monitors the concerted activities of vessel-operating common carriers (VOCCs or carriers) and MTOs to detect and guard against possible anticompetitive abuse of authority contained in filed agreements which could result in substantial increases in transportation costs or decreases in transportation services. BTA also reviews and analyzes service contracts, monitors rates of foreign, government-owned controlled carriers; and reviews carrier-published tariff systems under the accessibility and accuracy standards of the Shipping Act.

Office of the Administrative Law Judges (OALJ) resolves cases of alleged violations of the Shipping Act within the Commission's jurisdiction. Through trial hearings and the issuance of an initial decision, the OALJ ensures that the rights of all parties are preserved.

Office of Consumer Affairs and Dispute Resolution Services (CADRS) provides assistance to shippers, OTIs, cruise operators and passengers, truckers, MTOs, and carriers by providing alternative dispute resolution (ADR) services, ombuds assistance, mediation, facilitation, and arbitration to resolve disputes involving cargo shipments, household goods shipments, and cruises.

Office of Equal Employment Opportunity (OEEO) advises and assists the Commission in carrying out its responsibilities relative to Titles VI and VII of the Civil Rights Act of 1964 (as amended), other laws, executive orders, and regulatory guidelines implementing affirmative employment; and the processing of EEO complaints.

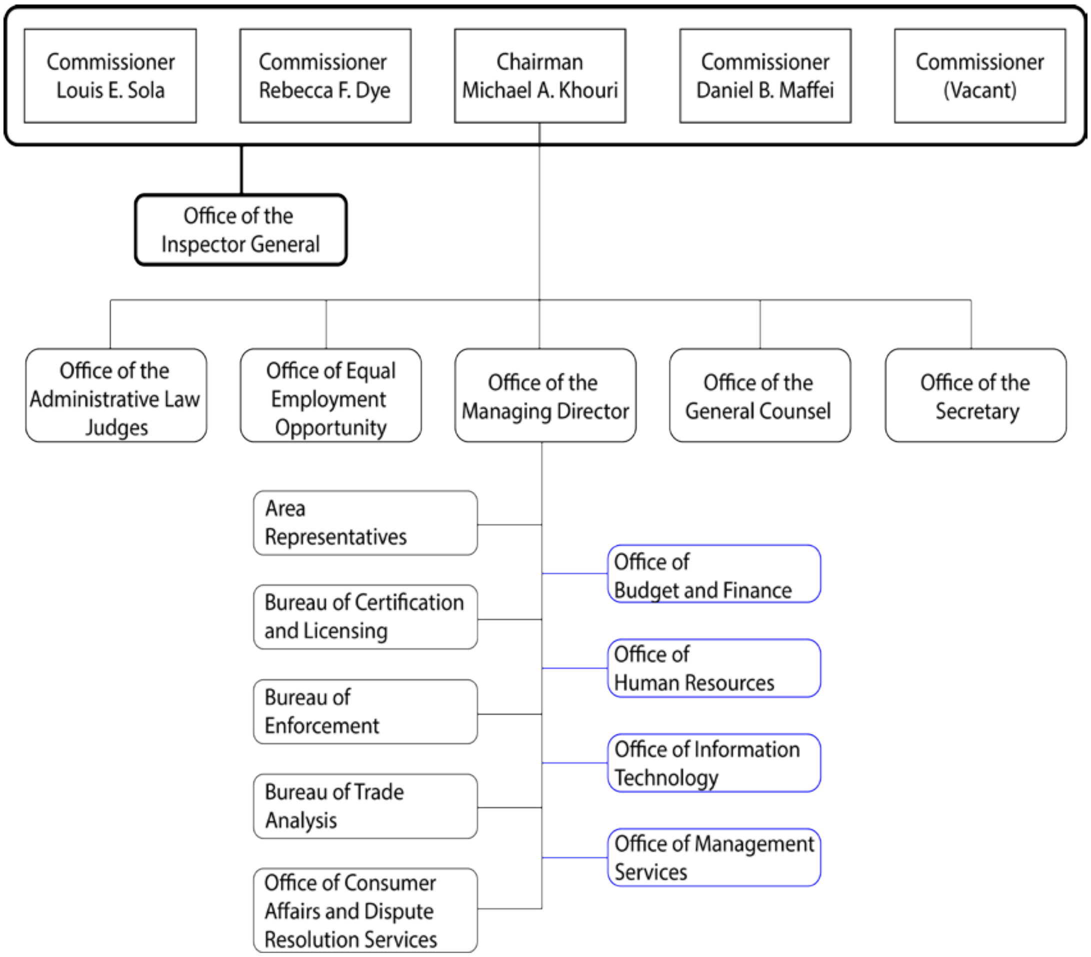
Office of the Inspector General (OIG) is an independent and objective oversight office created within the FMC by the Inspector General Act of 1978 (as amended) to conduct and supervise audits, inspections, and investigations relating to the FMC's programs; detect and prevent waste, fraud, and abuse; promote economy, efficiency, and effectiveness; keep the Chairman, Commissioners, and Congress fully informed of serious problems and deficiencies and recommend corrective actions; and, as appropriate, report violations of law to the U.S. Attorney General.

Office of the General Counsel (OGC) provides sound and timely legal services to the Commission and staff as it fulfills responsibilities that include: preparing final decisions, orders, and regulations for Commission approval and issuance; representing the Commission in litigation before the courts; providing technical and policy assistance to other government agencies engaged in international negotiations or discussions on shipping matters; and providing legal opinions to the Commission, its staff, and the general public in appropriate instances. OGC also oversees the Commission's international affairs activities. The General Counsel is the Commission's Chief Legal Officer.

Office of the Managing Director (OMD) is responsible for implementing the administrative directives of the Chairman; the management and coordination of Commission program offices and bureaus; and overseeing the agency's Area Representatives located in six major port areas nationwide. It has direct oversight of the administrative offices of the Commission, which include the offices of Budget and Finance (OBF), Human Resources (OHR), Information Technology (OIT), and Management Services (OMS). The Managing Director is the FMC's Chief Financial and Operating Officer.

Office of the Secretary (OS) serves as the office through which all filings are made in Commission proceedings, notices of proceedings are given, and from which all official actions are issued by the Commission. The OS prepares and maintains agenda matters and actions taken by the Commission; maintains official files and records of formal proceedings; ensures compliance with the Freedom of Information, Government in the Sunshine, and Privacy Acts; responds to information requests from the public; issues publications and authenticates instruments and documents of the Commission; maintains a public reference/law library and a docket library; and oversees the organization and content of the Commission's website.

Federal Maritime Commission Organization Chart*



*This is the current organization chart for the Commission, depicting a Congressionally-authorized realignment of the Office of Consumer Affairs and Dispute Resolution Services under the Managing Director, approved April 27, 2018. Counterpart changes in 46 C.F.R. Part 501 are currently pending publication.

REGULATORY RESPONSIBILITY AND OVERSIGHT

The FMC ensures a competitive and reliable ocean transportation supply system by:

- Reviewing and monitoring agreements among and between carriers and among and between MTOs serving the U.S. foreign oceanborne trades to ensure that they do not cause unreasonable increases in transportation costs or decreases in transportation services;
- Maintaining and reviewing confidentially filed service contracts to guard against detrimental effects to shipping;
- Providing a forum for exporters, importers, and other members of the shipping public to obtain relief from ocean shipping practices or disputes that impede the flow of commerce;
- Ensuring common carriers' tariff rates and charges are published in private, automated tariff systems and publicly available;
- Acting to address unfavorable conditions caused by foreign government or foreign business practices in U.S. foreign shipping trades; and
- Monitoring rates, charges, and rules of government-owned or -controlled carriers to ensure they are just and reasonable.

The FMC protects the public from financial harm and contributes to the integrity and security of the Nation's import and export supply chains and ocean transportation system. FMC activities include:

- Licensing and registering NVOCCs, and licensing U.S.-based freight forwarders, collectively OTIs;
- Administering and enforcing a surety bond program to ensure payment of judgments for damages by OTIs;
- Investigating and prosecuting violations of the Shipping Act and related statutes;
- Helping resolve disputes involving the shipment of goods or the carriage of passengers;
- Adjudicating private party complaints alleging Shipping Act violations;
- Ensuring that passenger vessel operators maintain proper financial coverage to reimburse cruise passengers in the event their cruise is cancelled or to cover liability in the event of death or injury at sea; and
- Registering and annually verifying VOCC status of ocean common carriers operating in U.S. trades.

ALLIANCE, VESSEL SHARING, AND MARINE TERMINAL OPERATOR AGREEMENTS

The FMC monitors key trade lanes, and reviews and analyzes the competitive impact of agreements with particular emphasis on issues concerning carrier consolidation, adequate vessel capacity, and equipment availability. World-wide economic conditions continue to drive changes among ocean carriers and MTOs resulting in more complex or novel agreements filed with the Commission.

For example, the trend toward agreements reflecting novel types of MTO cooperation continued as MTOs filed agreements to combine certain operations at the ports of Savannah and Charleston, and at terminals in San Juan, Puerto Rico, in FY 2019. Also, in FY 2019, unique cooperation among a group of five ocean carriers was reflected in the filing of the *Digital Container Shipping Association Agreement*. The purpose of the Agreement was to develop common information technology standards and guidelines for digital information used in the movement of cargo throughout the ocean transportation supply chain.

A comprehensive audit of all MTO Agreements on file with the Commission was completed during the fiscal year. The audit eliminated obsolete and inactive agreements from the FMC's publicly-available online agreements library. Additionally, all MTO agreements may now be filed and amended using the online eAgreements system which eliminated the costs associated with paper agreement filings.

During FY 2019, working with the Office of the General Counsel, BTA developed a new process to track and review incoming and existing agreements subject to new provisions of the Frank LoBiondo Coast Guard Authorization Act, Pub. L. No. 115-282 (LoBiondo Act), regarding joint procurement by carriers of certain covered services. BTA is in the process of identifying existing agreements that may fall under the LoBiondo Act, and will place new monitoring requirements on agreements containing authority to jointly purchase certain covered services to ensure any future activity is timely reported to the FMC. The initial phase of this review has resulted in agreement parties removing language that would bring them under the LoBiondo reporting requirements and in terminating other, outdated agreements.

As the industry responds to trade conditions and economic developments, the FMC will continue to analyze agreements for anti-competitive behavior, and address unreasonable practices as necessary.

LICENSING PROCESS

The Commission continued to streamline its OTI licensing processes. In May 2019, the Commission voted to update its OTI rules to clarify who is eligible to be a Qualified Individual when partnerships are involved; require NVOCCs to file a Form FMC-1 (providing its tariff location) before being issued a license; and to clarify renewal processes and timelines to allow the Commission to evenly distribute the number of licenses identified for renewal each month, ensuring efficient and timely responsiveness to the industry.

In FY 2020, the Commission will consider additional regulatory reforms related to its PVO program and monitoring procedures. The Commission also will continue to leverage information on surety bond usage to measure how effectively bonds are protecting the industry and the public.

PORT DEMURRAGE, DETENTION, AND FREE TIME PRACTICES

In March 2018, the FMC initiated Fact Finding 28 to investigate port demurrage, detention, and free time practices. Specifically, reports about uncertainty stemming from differing practices between MTOs and carriers on the collection of charges from shippers, consignees, drayage providers, or carriers led to questions about whether current practices allow for a competitive and reliable American freight delivery system. Commissioner Rebecca F. Dye was appointed as the Fact-Finding Officer. Commissioner Dye's December 2018 Report on findings recommended in part that the Commission organize FMC Innovation Teams composed of industry leaders who would meet on a limited, short-term basis to refine commercially viable demurrage and detention approaches. In the spring of 2019, FMC Innovation Teams met and worked on demurrage and detention practices. In May 2019, Commissioner Dye testified at the Surface Transportation Board oversight hearing on demurrage and accessorial charges, speaking about the Commission's innovation team approach to develop commercial solutions to freight delivery system operational problems. A final report on the last phase of Fact Finding 28 was issued in September 2019.

On September 13, 2019, the Commission initiated a related rulemaking, Docket No. 19-05, *Interpretive Rule on Detention and Demurrage Under the Shipping Act*, seeking public comment on its interpretation of the Shipping Act prohibition against failing to establish, observe, and enforce just and reasonable regulations and practices relating to or connected with receiving, handling, storing, or delivering property with respect to demurrage and detention. The due date for comments responding to the proposed interpretive rule is October 31, 2019.

SECURITY INITIATIVES AND CROSS-AGENCY COOPERATION

The FMC remains active in security initiatives, as they relate to U.S. ocean commerce, and works to coordinate the use of available database systems with other agencies engaged in homeland security to improve identification of entities providing and utilizing maritime transportation services. To facilitate these activities, the FMC executed a Memorandum of Understanding (MOU) with the U.S. Customs and Border Protection (CBP) to provide a more efficient utilization of existing systems and services, such as CBP's Automated Commercial Environment (ACE). The FMC also has an active Inter-Agency Agreement (IAA) with the Census Bureau, U.S. Department of Commerce, for access to the Census' Automated Export System (AES) database. These relationships allow the FMC to access confidential U.S. export shipment data to accomplish its mission and to protect the Nation's security interests. The Commission also supports the Nation's economic and security interests by partnering with the National Intellectual Property Rights Coordination Center (IPR Center), a U.S. Department of Homeland Security-led partnership of 25 federal and international agencies targeting intellectual property- and trade-related crimes. This partnership has resulted in coordinated enforcement efforts to address international criminal activity.

ENFORCEMENT, DISPUTE RESOLUTION, AND PUBLIC INFORMATION

The Commission is aware of the ever-increasing pressure of industry consolidation and port congestion and its impact on U.S. exporters and their need for efficient ocean transportation to reach foreign markets. The FMC will continue its focus on monitoring agreements, service contracts, and tariffs in key trades as barometers of market cycles and shifts in the balance of supply and demand; as well as expand and promote its compliance-focused program to monitor and audit 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 Commission completed a significant informal enforcement action involving four carriers in the American Samoa trades with Australia and New Zealand pursuant to agreements that were neither filed nor effective as required by the Shipping Act. The efforts resulted in a compromise agreement with the four carriers, including a payment of $350,000 and in the filing of an agreement among these carriers with the Commission that complies with the Shipping Act.

The Commission provides information in many forms to educate regulated entities, stakeholders, and the public about resources, remedies, and regulatory requirements. The Commission's website offers brochures, how-to guides, forms and applications, reference libraries, news releases, information on investigations, and advice on topics such as FMC regulations, OTI licensing, household goods moves, and use of ADR services to assist parties with resolving cruise- and cargo-related disputes.

The Commission's CADRS office receives time-sensitive requests for assistance from shippers and carriers. Area Representatives, strategically located near six maritime ports, operate as the Commission's 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 notifications 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 and consumers.

The FMC assists with industry-driven solutions to ocean shipping issues. For example, the Commission regularly provides outreach and education to the shipping industry, stakeholders, and other government entities on the statutes it implements. Commissioners and staff address industry and stakeholder groups as speakers and panelists to provide information on the latest issues related to Commission activities and international commerce.

MISSION CHALLENGES

The Commission monitors and keeps abreast of the daily issues and challenges facing the United States' ocean transportation system and its stakeholders, and focuses its efforts to foster the Nation's international trade and economic growth. The FMC accomplishes its strategic goals by continuing to improve staff efficiency and closely managing resources to enforce its governing statutes and regulations to protect the shipping public. As financial resources permit, the FMC will continue to prioritize investments needed in information technology (IT) to improve information security, efficiency, and greater public access, while reducing costs.

REGULATORY REVIEW

As economic conditions alter the state of our trades, FMC regulations are revised to respond to new circumstances. Toward the goal of eliminating or reforming outdated regulations, the Commission designated its Managing Director as the Regulatory Reform Officer, who leads an internal team to identify regulations that have become less relevant or are unduly burdensome. The *Commission's Plan for Regulatory Reform of Existing FMC Rules* (Regulatory Reform Plan), outlines the FMC's plan to identify regulations that may be suitable for reform or elimination, and establishes a schedule to consider further review and action on each identified regulation. The Regulatory Reform Plan's list of administrative and regulatory provisions, that when amended or eliminated, will make it easier and less costly for companies to do business, while permitting the FMC to maintain competition and integrity for America's ocean supply chain. In recent years, the Commission has expanded flexibilities for OTIs through regulatory reform, issued an interpretive rule addressing unjust and unreasonable practices and regulations under the Shipping Act, and is currently updating OTI rules to clarify licensing requirement and processes

PROGRAM PERFORMANCE OVERVIEW

The Commission provides a performance plan to Congress, pursuant to the Government Performance and Results Act (GPRA). The FMC's *Strategic Plan for Fiscal Years 2018-2022* (Strategic Plan) is posted on its website. The FMC's FY 2019 Annual Performance Report is presented in Part Two of this Report.

ACHIEVING STRATEGIC GOAL RESULTS

The Commission's Strategic Plan provides the foundation for planning and budgeting activities. The Plan sets goals and objectives for each fiscal year, and contains targets and measures linked to objectives via strategies. These objectives, strategies, targets, and measures drive the agency's budgetary process. Funding and Full-Time Equivalent (FTE) staffing levels are integrated into the Commission's performance budget planning document by strategic goal to clearly identify the budgetary and staff resources committed to the performance of each goal. During FY 2019, the Commission met or exceeded all but one of its performance targets.

STRATEGIC MANAGEMENT OF HUMAN CAPITAL

In 2019, the FMC continued to implement the strategic goals, objectives, and strategies outlined in its 2012-2017 Human Capital Plan. The Commission's Human Capital Plan was developed under the Office of Personnel Management's (OPM) Human Capital Assessment and Accountability Framework, and provides for recruiting and retaining a talented workforce and appropriately managing succession in the Commission's relatively small workforce. Currently, a new 2020-2022 Human Capital Operating Plan (HCOP) is being constructed to reflect the results and changes of strategies and goals in alignment with the FMC's Strategic Plan for FY 2018-2022, and to comply with the spirit and direction from OPM, as outlined in the revised Title 5 Code of Federal Regulations, part 250, subpart B. In doing so, the FMC developed and plans to adopt a new HCOP during FY 2020.

Consistent with OMB's April 17, 2017 guidance, *Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce*, the Commission continued implementing several initiatives under its 5-year Agency Reform and Long-Term Workforce Plan FY 2018–2022 during the fiscal year, including:

- reducing a total of 7 SES and supervisory positions to-date;
- establishing a new two-tier SES structure to realign and control SES salary and costs;
- realigning and combining functions within the Commission; and
- continuing to emphasize the achievement of operational efficiencies and improvement of customer service through automation projects.

Strong leadership remains a critical asset. The Commission continues to engage in succession management and projecting its future needs by creating and implementing an agency Stay Interview process; offering additional leadership opportunities under the agency's Leadership Development Program; and realigning and combining functions across the Commission to allow for greater career development opportunities. Staff are being trained and developed 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. Continuous training and development in leadership competencies will prepare the next generation of leaders at the Commission.

COMPETITIVE SOURCING

The FMC submitted its FY 2019 Federal Activities Inventory Reform Act (FAIR Act) inventory to OMB in June 2019. The inventory identified 56 of the agency's 129 authorized 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 FY 2019 financial statements, and will continue its ongoing efforts to improve operations and achieve unmodified audit opinions in the future.

EXPANDED E-GOVERNMENT

The FMC works diligently to provide the public with exceptional customer service. In FY 2019, the Commission completed a redesign of its public-facing website, www.fmc.gov, which significantly improves public access to Commission resources and key content. All content was migrated to a responsive platform allowing the FMC's website to resize on any mobile device. This migration also meets new government-wide website requirements and makes information easier to locate. The FMC regularly updates the Commission's website and social media, providing timely and important information to the public.

The Commission continues its multiyear enhancement of IT systems to bring efficiencies and process improvements across the agency. This will also make finding information and completing required forms faster and easier for the public and regulated companies doing business with the FMC. The Commission's Information Technology Strategic Plan covering FY 2018-2022 (IT Strategic Plan) delivers cost efficiencies and fiscal responsibility while planning and managing technology solutions and resource allocations for ongoing and future needs. The IT Strategic Plan leverages digital transformation and initiatives for continuous improvement of customer services and identifies several overarching challenges including: consolidation and upgrade of legacy applications and infrastructure with relevant technologies; implementation of automation to streamline workflow processes and improve efficiency; and integration of security standards and frameworks to protect from cybersecurity risks all agency-owned/issued assets and commercially sensitive data.

The Commission continues to work with the Department of Homeland Security (DHS) in provisioning technology infrastructure to comply with FEDRAMP and DHS continuous monitoring requirements for network security. Internal security tools were deployed to effectively monitor and address network operations, including file integrity; password sufficiency; and probing for open ports and other externally visible points of attack.

FINANCIAL PERFORMANCE OVERVIEW

The FMC's financial condition as of September 30, 2019, is sound, and internal controls are in place to ensure that funds are used efficiently and effectively, and that its budget authority is not exceeded. The FMC's accounting services provider, the Bureau of the Fiscal Service (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 Federal Generally Accepted Accounting Principles (GAAP), standards approved by the Federal Accounting Standards Advisory Board (FASAB), and OMB Circular A-136, *Financial Reporting Requirements*.

The principal financial statements provided in this document are prepared to report the financial position and results of the operations of the FMC, pursuant to the requirements of 31 U.S.C. § 3515(b). Reports used to monitor and control budgetary resources are prepared from the same books and records.

SOURCE OF FUNDS

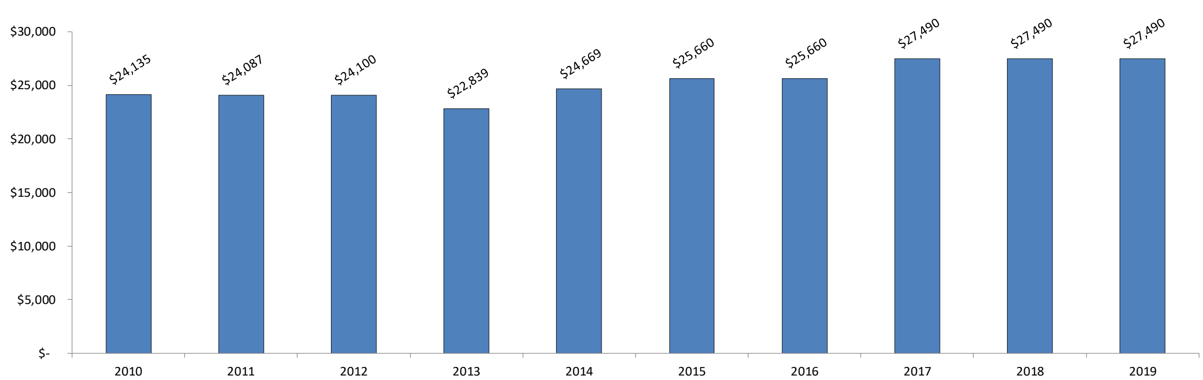
The FMC has single-source funding, Salaries and Expenses, funded by an annual appropriation available for commitments and obligations incurred during the fiscal year in which the authority was granted. Congress approved FY 2019 appropriations for the FMC in the amount of $27,490,000 through P.L. 116-6, the same level as the FY 2018 final appropriation level. Additionally, the Commission had reimbursable budget authority of $84,364 for work performed by one FMC employee at another government agency.

The FMC collects remittances for user fees and penalties; however, it is not authorized to offset any of its budget authority by using these funds. Collections are deposited directly into the Treasury General Fund. This information is captured in the Statement of Custodial Activity found in the *Financial Information* section of this report.

APPROPRIATION HISTORY

Appropriations History

Fiscal Years 2010-2019 ($000)



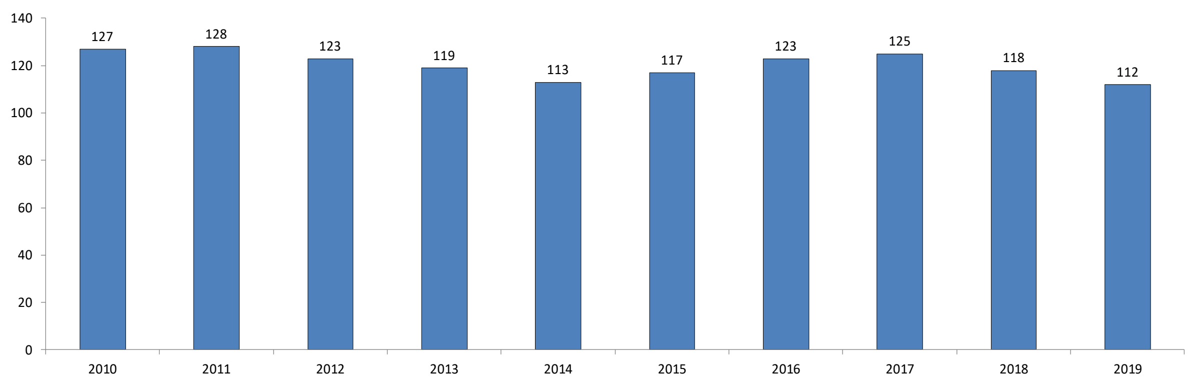
FULL-TIME EQUIVALENT HISTORY

The FMC's FTE level is largely driven by its annual appropriation level. The FMC currently has on board four of its five statutorily authorized Commissioners.

The continued pace of retirements and separations in FY 2019 resulted in a lower than anticipated FTE level, at 112.4 FTEs, with 116 employees on board at fiscal year's end. The Commission endeavors to develop the appropriate mix of staffing and other available resources to ensure effective accomplishment of its mission.

Full-Time Equivalent History

Fiscal Years 2010-2019



USES OF FUNDS

During FY 2019, obligations against the FMC's appropriation totaled $27,145,957 representing 98.8 percent of the appropriation. Salaries and benefits are the single largest expense category at $18,419,268, or 67.0 percent of total budget. The second largest category, rent and building security services, is approximately $3.9 million, or 14.2 percent of the total budget. Other administrative expenses equal 17.6 percent. The unexpended balance of $344,043 (1.3 percent) will be retained for allocation to legitimate increases to existing FY 2019 obligations.

AUDIT RESULTS

The FMC again received an unmodified ("clean") opinion on its FY 2019 financial statements from the auditing firm of Dembo Jones, P.C., under contract through the FMC's OIG. Comparative statements may be found in the *Financial Information* section of this report.

FINANCIAL STATEMENT HIGHLIGHTS

The financial statements were prepared to report the financial position and results of operations of the Commission pursuant to the requirements of 31 U.S.C. § 3515(b). The statements were prepared from the books and records of the Commission in accordance with the formats prescribed by OMB.

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 $7,302,620 as of September 30, 2019. This represents an increase from FY 2018 of $951,167. The FMC's assets reported in the balance sheet are summarized in the table below.

The Fund Balance with Treasury of $7,250,803 represents the FMC's largest asset and comprises 99.3 percent of the agency's total assets. 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, 2019, was $8,708 for outstanding receivables billed to both Federal and non-Federal entities. This accounts for 0.12 percent of the FMC's assets.

Summary of Assets as of September 30, 2019		
	FY 2019	FY 2018
Fund Balance with Treasury	$7,250,803	$6,234,624
Accounts Receivable	$8,708	$10,462
Capital Assets	$43,109	$106,367
Other	$0	$0
Total Assets	**$7,302,620**	**$6,351,453**

Capital Assets, also known as Property, Equipment and Software, accounts for 0.6 percent of the FMC's total assets as of September 30, 2019. The net value of $43,109 accounts for the depreciation of all assets and represents the current book value of those assets.

SUMMARY OF LIABILITIES

The FMC's liabilities totaled $2,573,541 as of September 30, 2019, an increase of $361,832 from FY 2018. The majority of the increase is related to an increase in accrued liabilities and accounts payable.

The FMC's Accounts Payable as of September 30, 2019, was $287,503. This represents the funds owed for goods and services received from vendors. The accrued liabilities of $2,115,779 represent future costs, such as accrued annual and sick leave balances and workman's compensation that are not covered by current budgetary resources. Accumulated leave costs are recognized as they are taken, and Workman's Compensation costs are recognized as they are paid out.

Summary of Liabilities as of September 30, 2019		
	FY 2019	FY 2018
Accounts Payable	$287,503	$105,107
Payroll Taxes	$168,237	$146,929
Federal Employee Benefits	$2,022	$3,334
Custodial Liabilities	$0	$0
Accrued Liabilities	$2,115,779	$1,956,339
Total Liabilities	**$2,573,541**	**$2,211,709**

ANALYSIS OF CHANGES IN NET POSITION SUMMARY

The Changes in Net Position Summary is a summary of two factors, Unexpended Appropriations and Cumulative Results of Operations. The total net position for FY 2019 is an increase of $589,335 from FY 2018.

Changes in Net Position Summary as of September 30, 2019		
	FY 2019	FY 2018
Unexpended Appropriations	$6,130,844	$5,326,391
Cumulative Results of Operations	($1,401,765)	($1,186,647)
Total Net Position	**$4,729,079**	**$4,139,744**

Unexpended Appropriations represent the amount of unobligated and unexpended budget authority for the 5-year period ending on September 30, 2019. 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 (the cumulative excess of financing resources over expenses) 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 two agency programs are Operational and Administrative and Inspector General. Beginning with FY 2019, the FMC consolidated the Formal Proceedings and Equal Employment Opportunity programs into the Operational and Administrative program. 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. This table reflects costs attributable to all active fiscal years (2015-2019).

Net Cost Summary as of September 30, 2019		
	FY 2019	**FY 2018**
Operational and Administrative	$27,519,442	$20,632,539
Formal Proceedings	N/A	$7,077,950
Office of the Inspector General	$372,938	$394,371
Equal Employment Opportunity	N/A	$109,923
Total Net Cost	**$27,892,380**	**$28,214,783**

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 2019, the FMC had a total of $28,699,732 available, representing an increase of $691,499 from 2018 in budgetary resources. The budgetary resources represent financial activity during the accounting period for the five active fiscal years (2015-2019).

Statement of Budgetary Resources as of September 30, 2019		
	FY 2019	**FY 2018**
Incurred	$27,339,179	$27,138,443
Unobligated Balance Unavailable	$1,016,510	$200,962
Unobligated Balance Available	$344,043	$668,828
Total Status of Budgetary Resources	**$28,699,732**	**$28,008,233**

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

The Commission's internal controls are fundamental to the systems and processes used to manage its operations and achieve its strategic goals. The Chairman's *Statement of Assurance* in the following section notes that there are no material weaknesses or instances of nonconformance to report for FY 2019.

Additionally, in line with the requirements of OMB Circular A-123*, Management's Responsibility for Enterprise Risk Management and Internal Control*, the Commission's Enterprise Risk Management Committee identifies, measures, and assesses risk points across the agency. The Committee's risk profile is used in conjunction with existing internal controls to improve the Commission's accountability and effectiveness.

MANAGEMENT ASSURANCES

The Federal Managers' Financial Integrity Act (FMFIA or Act) mandates that agencies establish controls that reasonably ensure that:

- obligations and costs comply with applicable laws;
- assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- 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 the Commission's 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.

Chairman Khouri has provided his annual assurance statement in this report based on various sources, including knowledge of the daily operation of Commission programs and activities, regular discussions with the Managing Director and the Directors of the Offices of Budget and Finance and Management Services, audits of the financial statements, and implementation of the Commission's Strategic Plan. Additionally, the Chairman meets regularly with the Commission's Senior Management Team, and receives regularly-scheduled reports from the FMC's Inspector General and OEEO Director.

Any deficiencies identified in management control would be addressed at the highest management levels within the FMC. For example, any corrective actions for significant deficiencies identified in the 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 2019, management and the OIG reached agreement on all OIG audit recommendations. Management resolved or worked to address a number of recommendations from these reviews, and will work to address any remaining open recommendations during FY 2020.

DEBT COLLECTION IMPROVEMENT ACT OF 1996

The Debt Collection Improvement Act (DCI) enhances the ability of the government to service and collect debts, as it 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. Collection of the Commission's delinquent debts is conducted by the Bureau of the Fiscal Service through the Cross-Servicing Program and Treasury Offset Program, where the names and taxpayer identification numbers (TIN) of the delinquent entities 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 is to minimize the amount of delinquent debt owed to the government. During FY 2019, the FMC effectively managed debt collection in accordance with the DCI and delinquent accounts were timely submitted to Treasury.

DIGITAL ACCOUNTABILITY AND TRANSPARENCY ACT OF 2014

The Digital Accountability and Transparency Act of 2014 (DATA Act) is an amendment to the Federal Funding Accountability and Transparency Act of 2006 (Public Law No. 109-282) which required the establishment of government-wide data standards for spending information that agencies report to Treasury, OMB, and the General Services Administration. On May 9, 2017, the Commission began reporting standardized spending information.

Additionally, the DATA Act required Treasury and OMB to publish standardized spending information for free access and download on the government's USASpending.gov website beginning on May 9, 2018.

The Commission uses the infrastructure and financial system maintained by its Federal Shared Service Provider, the Administrative Resource Center (ARC), Bureau of the Fiscal Service (BFS). The Commission continued to work closely with ARC during the fiscal year to ensure that it was on target with DATA Act requirements.

Fiscal Year 2019 was the second year of DATA Act implementation. Working with our financial services provider, the FMC complied with all requirements and timely submitted all DATA Act certifications.

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 2019, the FMC maintained a 95 percent on-time payment rate.

In FY 2019, the FMC paid $618 in interest payments as a result of 24 late payments. The FMC will work towards achieving 100 percent on-time vendor payments in future years.

PERFORMANCE MEASURE SUMMARY

The FMC does not have an in-house financial accounting system, and 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 BFS. The Commission verifies and reconciles all financial statements and reports prior to submission.

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. Action was taken to close all audit recommendations during the year. No significant deficiencies or material weaknesses were identified during FY 2019.

Inspector General-Issued Audits, Reports, and Evaluations -- FY 2019		
A19-01: Independent Auditors' Report of the FMC's FY 2018 Financial Statements		
Date Issued	Recommendations Issued	Remediated in FY 2019
11/2018	None, and no management letter issued	N/A
A19-02: Evaluation of the FMC's Compliance with the Federal Information Security Management Act FY 2018		
Date Issued	Recommendations Issued	Remediated in FY 2019
10/2018	5	6*
*Includes the remediation of one recommendation remaining open from prior year's FISMA, A18-02.		

TREASURY ASSURANCE STATEMENT – USA SPENDING RECONCILIATION

The FMC has implemented its plan to ensure data completeness and accuracy on www.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 www.USASpending.gov is correct at the reported percentage of accuracy, and the FMC has adequate internal controls over the underlying spending.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements are prepared to report the financial position and results of operations of the Commission, pursuant to the requirements of 31 U.S.C. 3515(b). The statements are prepared from the books and records of the Commission in accordance with Federal GAAP and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same books and records. The financial statements should be read with the understanding that they are for a component of the U.S. Government.

CHAIRMAN KHOURI'S STATEMENT OF ASSURANCE

The Federal Maritime Commission's managers are responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of Sections 2 and 4 of the *Federal Managers' Financial Integrity Act of 1982* (FMFIA). The FMC provides an unqualified statement of assurance that its internal controls support reliable financial reporting, effective and efficient programmatic operations, and compliance with applicable laws and regulations. The Commission's financial management systems meet the objectives of the FMFIA with no material weaknesses, and no instances of noncompliance.

The FMC conducted its annual assessment of internal control over programmatic operations in accordance with the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (A-123) guidelines. Based on the results of this assessment, the Commission can provide reasonable assurance that its internal control over operations, reporting, and compliance were operating in compliance with applicable laws and guidance, and no material weaknesses were found as of September 30, 2019.

Additionally, the FMC conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of A-123. Based on the results of that evaluation, the FMC can provide reasonable assurance that its internal control over financial reporting as of September 30, 2019 was operating effectively, and no material weaknesses were found in the design or operation of the internal control over financial reporting.

In accordance with the guidance established in A-123, Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996* (FFMIA), the CFO reviewed audit reports and other sources of information, and as of September 30, 2019, can provide reasonable assurance that the FMC's financial systems substantially comply with Federal financial system requirements, applicable Federal accounting standards, and the U.S. Treasury standard general ledger at the transaction level, as required.

These Commission assessments ensure effectiveness and efficiency of operations, reliability of reporting for internal and external use, and compliance with applicable laws and regulations.

/s/

Michael A. Khouri
Chairman
November 19, 2019

PART TWO

ANNUAL PERFORMANCE REPORT

Fiscal Year 2019

ANNUAL PERFORMANCE REPORT

INTRODUCTION

The FMC's performance management system includes specific strategic goals, performance measures, and targets. The strategic goals represent the FMC's mission and reflect the overall outcomes and objectives the agency is working to achieve. This report describes progress towards performance targets in 2019 in furtherance of the Commission's mission to ensure a competitive and reliable international ocean transportation supply system that supports the U.S. economy and protects the public from unfair and deceptive practices. The FMC's strategic goals and objectives are:

Strategic Goal 1: Maintain a Competitive and Reliable International Ocean Transportation Supply System.

- Ensure that actions under filed agreements do not result in unreasonable increases in transportation costs and/or unreasonable decreases in transportation services.

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

- 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.

Eight performance goals were quantitatively measured during the fiscal year. All but one measure reached or exceeded FY 2019 targets. Each measure, target, and actual result is reported in Table 1 below and includes a description of the data used to measure performance, and an explanation of the procedures used to validate and ensure integrity of the reported result.

Trend data for performance measures is shown in Table 2 and 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.

The agency has forwarded its Performance and Accountability Report (inclusive of this Annual Performance Report) to the President, OMB Director, appropriate Congressional committees, and others as dictated by OMB Circular A-136, Revised. 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 2019

Targeted performance compared to actual results.

Strategic Goal No. 1: Maintain a competitive and reliable international ocean transportation supply system.		
Performance Measures	**FY 2019 Target**	**FY 2019 Actual**
Measure: Percentage of FMC-filed agreements reviewed at Commission level which are modified through negotiation to mitigate anti-competitive effects. **Validation:** This outcome goal is measured using data derived from the eAgreements electronic filing system which identifies agreements requiring Commission level review. Each of those filings is then examined to determine whether any changes were made to the originally filed agreement that mitigated anticompetitive effects of the agreement. This measure is tracked on an ongoing basis.	51%	67%
Measure: Percentage of agreement monitoring reports reviewed within 30 days of receipt to detect actionable information including market distorting behavior. **Validation:** This outcome goal is measured using data contained in the eMonitoring system used for the electronic filing of agreement monitoring submissions. Performance is measured by comparing the file receipt date to the date that the filing was reviewed by staff analyst. The data is constantly under review and frequently updated.	66%	79%
Strategic Goal No. 2: Protect the public from unlawful, unfair, and deceptive ocean transportation practices.		
Performance Measures	**FY 2019 Target**	**FY 2019 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. **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.	77.5%	97%
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. **Validation**: This outcome goal is measured by comparing data fields in an internal database that contains, among other data points, the date the OTI license application is accepted for processing and the date a licensing determination is made or the application process has been completed. The difference between these two dates is the length of time to render a decision on an OTI application accepted for processing. The database is maintained for daily case load management, and monthly and quarterly reporting purposes. The data is constantly under review and frequently updated.	75%	96%
Measure: Percentage of PVOs examined during the year that have the full financial coverage required by regulation to protect against loss from non-performance or	95%	96%

casualty. **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.		
Measure: Percentage of Commission issuances, orders and reports are available through the Commission's website within 5 working days of receipt. **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.	84%	99%
Measure: Percentage of *ombuds* matters and ADR services provided by the Office of Consumer Affairs and Dispute Resolution Services (CADRS) closed within six months. **Validation:** This outcome goal is measured using data maintained by the Commission on each *ombuds* and ADR matter opened. Cases are opened upon the request of the public for assistance and are subject to the normal fluctuations in businesses and consumers seeking help from the Commission. Cases are closed upon resolution, voluntary termination by the parties, or when the CADRS mediator determines that particular issues prevent the possibility for successful negotiation.	61%	98%
Measure: Percentage of formal complaints or Commission initiated orders of investigation completed within two years of filing or Commission initiation. **Validation:** This outcome goal is measured by using docket activity logs maintained by the Commission and used for docket management, and monthly and annual reporting purposes. 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. **Explanation:** For FY 2019, 43 percent of the 7 matters instituted in FY 2017 were completed well within the two-year measurement period. Four other cases were not concluded in that time frame. Two were heavily litigated, leading to more procedural complexity, discovery issues, and delay than is customary in Commission proceedings. Two other cases were delayed as they involved a legal issue for which the Commission undertook substantial consideration because of its potentially wide-ranging implications.	66%	43%

TABLE 2: PERFORMANCE MEASURE TRENDS, FY 2015-2019

Strategic Goal No. 1: Maintain a competitive and reliable international ocean transportation supply system.					
	FY 2015	**FY2016**	**FY 2017**	**FY 2018**	**FY 2019**
Measure: Percentage of FMC-filed agreements reviewed at Commission level which are modified through negotiation to mitigate anti-competitive effects.					
TARGET	N/A	N/A	N/A	50%	51%
ACTUAL	N/A	N/A	N/A	100%	67%
TARGET MET/UNMET	N/A	N/A	N/A	MET	MET
Measure: Percentage of agreement monitoring reports reviewed within 30 days of receipt to detect actionable information including market-distorting behavior.					
TARGET	N/A	N/A	N/A	65%	66%
ACTUAL	N/A	N/A	N/A	89%	79%
TARGET MET/UNMET	N/A	N/A	N/A	MET	MET
Measure: Percentage share of U.S. containerized cargo moving on other agreement parties' vessels in major U.S. trades.[1]					
TARGET	40%	40.5%	41%	N/A	N/A
ACTUAL	49%	51%	51%	N/A	N/A
TARGET MET/UNMET	MET	MET	MET	N/A	N/A
Strategic Goal No. 2: Protect the public from unlawful, unfair, and deceptive ocean transportation practices.					
Measure: Percentage of enforcement actions taken under the Shipping Act successfully resolved through favorable judgment, settlement, issuance of default judgment, or compliance letter or notice.					
TARGET	77%	77.5%	77.5%	77.5%	77.5%
ACTUAL	83.4%	88.6%	82.8%	85.8%	97%
TARGET MET/UNMET	MET	MET	MET	MET	MET
Measure: Percentage of decisions on completed OTI license applications rendered within 60 calendar days, facilitating lawful operation of OTIs with the appropriate character and experience requirements.					
TARGET	75%	75%	75%	75%	75%
ACTUAL	72%	79.7%	95%	97%	96%
TARGET MET/UNMET	UNMET	MET	MET	MET	MET
Measure: Percentage of PVOs examined during the year that have the full financial coverage required by regulation to protect against loss from non-performance or casualty.					
TARGET	95%	95%	95%	95%	95%
ACTUAL	96%	96%	100%	99%	96%
TARGET MET/UNMET	MET	MET	MET	MET	MET
Measure: Percentage of Commission issuances, orders, and reports available through the Commission's website within 5 working days of receipt.					
TARGET	78%	80%	82%	84%	84%
ACTUAL	92%	90%	95%	97%	99%
TARGET MET/UNMET	MET	MET	MET	MET	MET
Measure: Percentage of Ombuds and ADR matters closed within 6 months of request for assistance.					
TARGET	N/A	N/A	60%	60.5%	61%
ACTUAL	N/A	N/A	99%	97%	98%
TARGET MET/UNMET	N/A	N/A	MET	MET	MET
Measure: Percentage of formal complaints or Commission-initiated orders of investigation completed within two years of filing or Commission initiation.					
TARGET	58%	60%	62%	64%	66%
ACTUAL	90%	86%	79%	38%	43%
TARGET MET/UNMET	MET	MET	MET	UNMET	UNMET
Measure: Number of cases opened and closed each fiscal year using Ombuds and ADR services assisting consumers to recover goods or funds.[2]					
TARGET	825	825	N/A	N/A	N/A
ACTUAL	882	778	N/A	N/A	N/A
TARGET MET/UNMET	MET	UNMET	N/A	N/A	N/A

[1] This measure was replaced by the first 2 new measures listed under Strategic Goal No. 1 in the Commission's FY 2018-2022 Strategic Plan. For additional historical data on this performance measure, see published Commission Performance and Accountability Reports posted on its website.
[2] To more accurately reflect the Commission's performance in this area, this measure was replaced in FY 2017. For additional historical data on this performance measure, see published Commission Performance and Accountability Reports posted on its website.

PART THREE

FINANCIAL INFORMATION

Fiscal Year 2019

MESSAGE FROM THE CHIEF FINANCIAL OFFICER / MANAGING DIRECTOR

I am pleased to present the Financial Information section of this Performance and Accountability Report, and the FMC's Financial Statements for Fiscal Year 2019. For the 16th consecutive year, an independent auditor has rendered an unmodified opinion on the FMC's financial statements, identifying no deficiencies in internal control over financial reporting considered to be material weaknesses. Further, the auditor's tests for compliance with selected provisions of applicable laws, regulations and contracts disclosed no instances of noncompliance for FY 2019 reportable under U.S. generally accepted government auditing standards. This demonstrates the Commission's continued record of strong fiscal stewardship on behalf of the American people and commitment to maintaining high standards for the financial management of resources entrusted to it.

The financial statements and related notes, prepared in conformity with accounting principles generally accepted in the U.S., and requirements of OMB Circular A-136, *Financial Reporting Requirements,* revised June 28, 2019, fairly present the Commission's financial position.

The FMC's financial condition is sound, internal controls are sufficient to ensure that its budget authority is not exceeded, and that funds are used efficiently and effectively. The following key accomplishments demonstrate the effectiveness and efficiency of the FMC's acquisition and financial functions during Fiscal Year 2019:

- A continuous record of no material weaknesses, significant control deficiencies, or nonconformance with the FMFIA and other applicable laws and regulations;
- Collecting, in civil enforcement proceedings and user fees, more than $891,000;
- Continued focus on internal controls and risk management, as mandated by OMB Circular A-123, providing budget information in concise, reliable, and understandable formats;
- Accurate, timely issuance of financial statements as required by the Accountability of Tax Dollars Act of 2002, prepared from, and 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; and
- Successful implementation of the Digital Accountability and Transparency Act of 2014 (DATA Act), which provides detailed information on the FMC's careful stewardship of resources on the USASpending.gov website.

The FMC strives to exhibit exemplary financial management of its limited resources, and to enhance operational efficiency while protecting the interest of the American shipping public. I remain confident that the high level of quality financial management will continue in the coming fiscal years.

/s/
Karen V. Gregory
Chief Financial Officer/Managing Director
November 19, 2019

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.

LIMITATIONS OF THE FINANCIAL STATEMENTS

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 understanding 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 Dembo Jones, P.C., under contract to the FMC's Office of the Inspector General.

REPORT ON THE FINANCIAL STATEMENTS

AUDIT OF THE FEDERAL MARITIME COMMISSION

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2019 AND 2018

FEDERAL MARITIME COMMISSION
Washington, DC 20573

November 6, 2019

Office of Inspector General

Dear Chairman Khouri, and Commissioners Dye, Maffei, and Sola:

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) 2019 and 2018 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 Dembo Jones, P.C. to: perform the audit of the FMC's financial statements for the fiscal years ending September 30, 2019 and 2018; 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, Dembo Jones 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 Dembo Jones' 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. Dembo Jones is responsible for the attached auditors' report dated November 19, 2019 and the conclusions expressed in the report. However, our review disclosed no instances where Dembo Jones 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 Dembo Jones 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

INDEPENDENT AUDITORS' REPORT

DEMBO·JONES
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Independent Auditor's Report

To Chairman Khouri
Federal Maritime Commission

In our audits of the fiscal years 2019 and 2018 financial statements of Federal Maritime Commission (FMC) we found:

a) FMC's financial statements as of and for the fiscal years ended September 30, 2019 and 2018, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;

b) no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and

c) no reportable noncompliance for fiscal year 2019 with provisions of applicable laws, regulations and contracts we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI), such as "Management's Discussion and Analysis"; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations and contracts; and (4) agency comments.

Report on the Financial Statements

In accordance with Generally Accepted Government Auditing Standards (GAGAS) and Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*, we have audited FMC's financial statements. FMC's financial statements comprise the balance sheets as of September 30, 2019, and 2018; the related statements of net cost, changes in net position, budgetary resources and custodial activity for the fiscal years then ended; and the related notes to the financial statements.

We conducted our audits in accordance with U.S. generally accepted government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility for the Financial Statements

FMC's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements 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 auditor's 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, FMC's financial statements present fairly, in all material respects, FMC's financial position as of September 30, 2019 and 2018, and its net costs of operations, changes in net position, budgetary resources and custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

FMC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on FMC's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audits of the FMC's financial statements, we considered the FMC's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to the FMC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

FMC management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

In planning and performing our audit of FMC's financial statements as of and for the year ended September 30, 2019, in accordance with U.S. generally accepted government auditing standards, we considered the FMC's internal control over financial reporting as a basis for designing 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 on the effectiveness of the FMC's internal control over financial reporting. Accordingly, we do not express an opinion on the FMC's internal control over financial reporting. We are required to report all deficiencies that are considered significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations and contracts, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of the FMC's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of the FMC's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the FMC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations and Contracts

In connection with our audits of FMC's financial statements, we tested compliance with selected provisions of applicable laws, regulations and contracts, consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

FMC management is responsible for complying with laws, regulations and contracts applicable to FMC.

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations and contracts applicable to FMC that have a direct effect on the determination of material amounts and disclosures in FMC's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations and contracts applicable to FMC.

Results of Our Tests for Compliance with Laws, Regulations and Contracts

Our tests for compliance with selected provisions of applicable laws, regulations and contracts disclosed no instances of noncompliance for fiscal year 2019 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations and contracts applicable to FMC. Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws, Regulations and Contracts

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations and contracts, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations and contracts is not suitable for any other purpose.

Dembo Jones, P.C.

Rockville, Maryland
November 15, 2019

APPENDIX A

FEDERAL MARITIME COMMISSION COMMENTS ON AUDIT REPORT

Federal Maritime Commission
Washington, DC 20573

Office of the
Managing Director

November 19, 2019

Donald K. Marshall, CPA
Dembo Jones, P.C.
6010 Executive Boulevard, Suite 900
Rockville, MD 20852

Dear Mr. Marshall:

I have reviewed the financial statements audit report for the Federal Maritime Commission for fiscal year 2019. I concur with the audit report's findings that the financial statements fairly present the Commission's financial position during the fiscal year ending September 30, 2019, and that the 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.

The Commission appreciates Dembo Jones' work over the past fiscal year.

Sincerely,

/s/
Karen V. Gregory
Chief Financial Officer / Managing Director

APPENDIX B

FEDERAL MARITIME COMMISSION FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

Table of Contents

The accompanying notes are an integral part of these financial statements.

FEDERAL MARITIME COMMISSION
BALANCE SHEET
AS OF SEPTEMBER 30, 2019 AND 2018
(In Dollars)

		2019		2018
Assets:				
Intragovernmental				
Fund Balance With Treasury (Note 2)	$	7,250,803	$	6,234,624
Total Intragovernmental		7,250,803		6,234,624
Accounts Receivable, Net (Note 3)		8,708		10,462
Property, Equipment, and Software, Net (Note 4)		43,109		106,367
Total Assets	$	7,302,620	$	6,351,453
Liabilities:				
Intragovernmental				
Accounts Payable	$	3,026	$	28,145
Other (Note 6)		168,237		146,929
Total Intragovernmental		171,263		175,074
Accounts Payable		284,477		76,962
Federal Employee and Veterans' Benefits (Note 5)		2,022		3,334
Other (Note 6)		2,115,779		1,956,339
Total Liabilities	$	2,573,541	$	2,211,709
Net Position:				
Unexpended Appropriations - Other Funds	$	6,130,844	$	5,326,391
Cumulative Results of Operations - Other Funds		(1,401,765)		(1,186,647)
Total Net Position	$	4,729,079	$	4,139,744
Total Liabilities and Net Position	$	7,302,620	$	6,351,453

FEDERAL MARITIME COMMISSION
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(In Dollars)

	2019	2018
Gross Program Costs:		
Operational and Administrative		
Gross Costs	$ 27,603,806	$ 20,632,539
Less: Earned Revenue	(84,364)	-
Net Program Costs	$ 27,519,442	$ 20,632,539
Office of Inspector General		
Gross Costs	$ 372,938	$ 394,371
Less: Earned Revenue	-	-
Net Program Costs	$ 372,938	$ 394,371
Formal Proceedings		
Gross Costs	$ -	$ 7,077,950
Less: Earned Revenue	-	-
Net Program Costs	$ -	$ 7,077,950
Office of Equal Employment Opportunity		
Gross Costs	$ -	$ 167,957
Less: Earned Revenue	-	(58,034)
Net Program Costs	$ -	$ 109,923
Net Cost of Operations	$ 27,892,380	$ 28,214,783

FEDERAL MARITIME COMMISSION
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(In Dollars)

	2019 All Other Funds	2018 All Other Funds
Unexpended Appropriations:		
Beginning Balances	$ 5,326,391	$ 4,483,892
Budgetary Financing Sources:		
Appropriations Received	27,490,000	27,490,000
Other Adjustments	(328,969)	(55,651)
Appropriations Used	(26,356,578)	(26,591,850)
Total Budgetary Financing Sources	804,453	842,499
Total Unexpended Appropriations	$ 6,130,844	$ 5,326,391
Cumulative Results of Operations:		
Beginning Balances	$ (1,186,647)	$ (878,299)
Budgetary Financing Sources:		
Other Adjustments	-	-
Appropriations Used	26,356,578	26,591,850
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 9)	1,320,684	1,314,585
Total Financing Sources	27,677,262	27,906,435
Net Cost of Operations	(27,892,380)	(28,214,783)
Net Change	(215,118)	(308,348)
Cumulative Results of Operations	$ (1,401,765)	$ (1,186,647)
Net Position	$ 4,729,079	$ 4,139,744

FEDERAL MARITIME COMMISSION
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(In Dollars)

		2019		2018
Budgetary Resources:				
Unobligated balance from prior year budget authority, net	$	1,125,368	$	460,199
Appropriations		27,490,000		27,490,000
Borrowing authority		-		-
Contract Authority		-		-
Spending authority from offsetting collections		84,364		58,034
Total Budgetary Resources	$	28,699,732	$	28,008,233
Memorandum (non-add) Entries:				
Net adjustments to unobligated balance brought forward, Oct. 1	$	(4,874,071)	$	(4,744,348)
Status of Budgetary Resources:				
New obligations and upward adjustments (total) (Note 11)	$	27,339,179	$	27,138,443
Unobligated balance, end of year:				
Apportioned, unexpired account (Note 2)		344,043		668,828
Expired unobligated balance, end of year (Note 2)		1,016,510		200,962
Unobligated balance, end of year (total)		1,360,553		869,790
Total Budgetary Resources	$	28,699,732	$	28,008,233
Outlays, net:				
Outlays, net, (total)		26,144,852		26,813,862
Distributed Offsetting Receipts		(233,789)		(251,562)
Agency outlays, net	$	25,911,063	$	26,562,300

FEDERAL MARITIME COMMISSION
STATEMENT OF CUSTODIAL ACTIVITY
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(In Dollars)

		2019		2018
Revenue Activity:				
Sources of Cash Collections:				
Miscellaneous	$	891,166	$	1,354,016
Total Cash Collections (Note 13)		891,166		1,354,016
Accrual Adjustments		170		(337)
Total Custodial Revenue		891,336		1,353,679
Disposition of Collections:				
Transferred to Others (by Recipient)		891,166		1,354,016
Increase/(Decrease) in Amounts Yet to be Transferred		(23)		(337)
Retained by the Reporting Entity		193		-
Total Disposition of Collections		891,336		1,353,679
Net Custodial Activity	$	-	$	-

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 oceanborne 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 inter-mediaries (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 de-signed 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 com-mon carriers' privately published tariff systems for accessibility and accuracy, as required by OSRA.

The FMC 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. Intra-governmental 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.

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 with-out 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 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.

The 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. 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

Preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the re-ported 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 2019 and 2018 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. The 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.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2019 and 2018, were as follows:

	2019	2018
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 344,043	$ 668,828
Unavailable	1,016,510	200,962
Obligated Balance Not Yet Disbursed	5,890,250	5,364,834
Total	$ 7,250,803	$ 6,234,624

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

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

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

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

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2019 and 2018, were as follows:

	2019	2018
With the Public		
Miscellaneous Accounts Receivable	$ 8,539	$ 10,320
Interest Receivable	24	12
Penalties and Fines Receivable	145	130
Total Accounts Receivable	$ 8,708	$ 10,462

The accounts receivable is primarily made up of services provided to the public. Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2019 and 2018.

NOTE 4. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2019:

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Leasehold Improvements	$ 225,000	$ 225,000	$ -
Furniture & Equipment	316,289	273,180	43,109
Total	$ 541,289	$ 498,180	$ 43,109

Schedule of Property, Equipment, and Software as of September 30, 2018:

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Leasehold Improvements	$ 225,000	$ 225,000	$ -
Furniture & Equipment	316,289	209,922	106,367
Total	$ 541,289	$ 434,922	$ 106,367

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for FMC as of September 30, 2019 and 2018, 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.

	2019	2018
Intragovernmental – FECA	$ -	$ 474
Intragovernmental – Unemployment Insurance	822	-
Unfunded Leave	1,448,743	1,297,843
Actuarial FECA	2,022	3,334
Other Liabilities	25	25
Total Liabilities Not Covered by Budgetary Resources	$ 1,451,612	$ 1,301,676
Total Liabilities Covered by Budgetary Resources	1,119,930	908,210
Total Liabilities Not Requiring Budgetary Resources	1,999	1,823
Total Liabilities	$ 2,573,541	$ 2,211,709

FECA and the Unemployment Insurance liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on FMC 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, 2019 were as follows:

	Current	Non Current	Total
Intragovernmental			
Unemployment Insurance Liability	$ 822	$ -	$ 822
Payroll Taxes Payable	165,416	-	165,416
Custodial Liability	1,999	-	1,999
Total Intragovernmental Other Liabilities	$ 168,237	$ -	$ 168,237
With the Public			
Payroll Taxes Payable	$ 24,076	$ -	$ 24,076
Accrued Funded Payroll and Leave	642,935	-	642,935
Unfunded Leave	1,448,743	-	1,448,743
Other liability with Related Budgetary Obligations	-	25	25
Total Public Other Liabilities	$ 2,115,754	$ 25	$ 2,115,779

Other liabilities account balances as of September 30, 2018 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	$ -	$ 474	$ 474
Payroll Taxes Payable	144,632	-	144,632
Custodial Liability	1,823	-	1,823
Total Intragovernmental Other Liabilities	$ 146,455	$ 474	$ 146,929
With the Public			
Payroll Taxes Payable	$ 22,406	$ -	$ 22,406
Accrued Funded Payroll and Leave	636,064	-	636,064
Unfunded Leave	1,297,844	-	1,297,844
Other liability with Related Budgetary Obligations	-	25	25
Total Public Other Liabilities	$ 1,956,314	$ 25	$ 1,956,339

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 2019 and 2018 were $3,334,306 and $3,491,970, respectively. The lease locations and terms are listed below:

Location	Term	Lease Expiration Date
Hollywood, FL	10 years	5/31/2020
San Pedro, CA	10 years	9/30/2021
Tacoma, WA	10 years	6/30/2022
Washington, DC	10 years	10/31/2022
Iselin, New Jersey	10 years	3/15/2024
Houston, TX	15 years	10/1/2033

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
2020	$ 3,237,920
2021	3,232,888
2022	3,236,683
2023	325,118
2024	37,921
Thereafter	129,765
Total Future Minimum Payments	$ 10,200,295

NOTE 8. COMMITMENTS AND CONTINGENCIES

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 no knowledge of any lawsuits/investigations in which payment is deemed probable.

NOTE 9. IMPUTED FINANCING SOURCES

FMC recognizes as imputed financing the costs of future benefits which include health benefits, life insurance, pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the years ended September 30, 2018 and 2017 imputed financing was as follows:

	2019	2018
Office of Personnel Management	$ 1,320,684	$ 1,314,585
Total Imputed Financing Sources	$ 1,320,684	$ 1,314,585

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

The President's Budget that will include fiscal year 2019 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2020 and can be found at the OMB Web site: http://www.whitehouse.gov/omb/. The 2020 Budget of the United States Government, with the "Actual" column completed for 2018, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

In Millions

FY2018	Budgetary Resources	Obligations Incurred	Net Outlays
Statement of Budgetary Resources	$ 28	$ 27	$ 27
Difference - Due to Rounding	$ (1)	$ -	$ -
Budget of the U.S. Government	$ 27	$ 27	$ 27

NOTE 11. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2019 and 2018 consisted of the following:

	2019	2018
Direct Obligations, Category A	$ 27,254,815	$ 27,080,409
Reimbursable Obligations, Category A	84,364	58,034
Total Obligations Incurred	$ 27,339,179	$ 27,138,443

NOTE 12. UNDELIVERED ORDERS AT THE END OF THE PERIOD

As of September 30, 2019, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Unpaid Undelivered Orders	$ 1,222,383	$ 3,547,908	$ 4,770,291
Total Undelivered Orders	$ 1,222,383	$ 3,547,908	$ 4,770,291

As of September 30, 2018, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Unpaid Undelivered Orders	$ 1,360,299	$ 3,096,302	$ 4,456,601
Total Undelivered Orders	$ 1,360,299	$ 3,096,302	$ 4,456,601

NOTE 13. CUSTODIAL ACTIVITY

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 (OTIs) 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, 2019 and 2018.

Custodial collections are reported on the Statement of Custodial Activity. The miscellaneous receipts are broken out in the general receipt funds as follows (note: amounts may not total due to rounding):

	2019	2018
Fines, Penalties, and Forfeitures	$ 660,125	$ 1,108,194
General Fund Proprietary Receipts (User/Admin Fees)	233,770	251,524
Refunds of Proprietary Receipts (User fees)	(2,747)	(5,740)
Interest	19	38
Total Custodial Collections	$ 891,166	$ 1,354,016

NOTE 14. RECONCILIATION OF NET COST TO NET OUTLAYS

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

BUDGET AND ACCRUAL RECONCILIATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(In Dollars)

	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	$ 9,855,902	$18,036,478	$27,892,380
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation		(63,258)	(63,258)
(Increase)/Decrease in assets not affecting Budget Outlays:			
Accounts receivable	-	(1,755)	(1,755)
(Increase)/Decrease in liabilities not affecting Budget Outlays:			
Accounts payable	25,118	(207,516)	(182,398)
Salaries and benefits	(20,785)	(8,543)	(29,328)
Other liabilities	(524)	(149,588)	(150,112)
Other financing sources:			
Imputed federal employee retirement benefit costs	(1,320,684)		(1,320,684)
Total Components of Net Operating Cost Not Part of the Budget Outlays	$ (1,316,875)	$ (430,660)	$ (1,747,535)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Other	657,354	(891,136)	(233,782)
Net Outlays (Calculated Total)	$ 9,196,381	$16,714,682	$25,911,063
Related Amounts on the Statement of Budgetary Resources			
Outlays, net, (total) (SBR 4190)			26,144,852
Distributed offsetting receipts (SBR 4200)			(233,789)
Outlays, Net (SBR 4210)			$25,911,063

PART FOUR

OTHER INFORMATION

Fiscal Year 2019

INSPECTOR GENERAL'S STATEMENT ON PRIOR MANAGEMENT AND PERFORMANCE CHALLENGES

FEDERAL MARITIME COMMISSION
Washington, DC 20573

October 18, 2019

Office of Inspector General

TO: Chairman Khouri
Commissioner Dye
Commissioner Maffei
Commissioner Sola

FROM: Inspector General

SUBJECT: Inspector General's Statement on the Federal Maritime Commission's Prior 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 to be included in the Federal Maritime Commission's (FMC) Performance and Accountability Report (PAR) for fiscal year (FY) 2019.

This year's Office of Inspector General (OIG) report removes information technology (IT) security as a management challenge due to the OIG's FY 2019 audit results of the FMC's IT security program, and continued progress by the agency to ensure an effective IT security program. In addition, this report provides an update on the agency's continued focus and positive results on workforce satisfaction and engagement, an issue the OIG no longer considers a challenge for the agency, but was a management challenge during FYs 2013-2015.

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 FMC PAR that is due by November 19, 2019.

/s/
Jon Hatfield

Attachment

Cc: Karen V. Gregory, Managing Director
Peter J. King, Deputy Managing Director
Kathie L. Keys, Special Assistant to the Managing Director

Office of Inspector General (OIG)
Fiscal Year 2019 Management Challenge Report

Information Technology Security – Prior Years' Challenge

This year, the ***OIG has removed information technology (IT) security as an agency management challenge*** based on the OIG's fiscal year (FY) 2019 audit results of the agency's IT security, and because of continued agency progress over the last several years in this area. The OIG has reported IT security as an FMC management challenge for the last several years primarily because IT security has remained a government-wide challenge due to the evolving and growing threats to government information systems. While the government-wide IT security challenge continues to exist, due to improvements in the FMC's program, the OIG has removed IT security as an FMC management challenge for FY 2019. Risks to information and communication systems include insider threats from disaffected or careless employees and business partners; escalating and emerging threats from around the globe; the ease of obtaining and using hacking tools; the steady advance in the sophistication of attack technology; and the emergence of new and more destructive attacks.

The *Federal Information Security Modernization Act of 2014* (FISMA) establishes information security program and evaluation requirements for Federal agencies in the executive branch, including the FMC. Each year, the FMC OIG performs an independent audit or evaluation of the information security program and practices of the agency. The results of the evaluation are reported annually to the OMB; selected congressional committees; the Comptroller General; and the FMC's Commission and management.

To highlight the importance of IT security, the Government Accountability Office (GAO) has designated information security as a government-wide high-risk area since 1997. This high-risk area was expanded in 2003 to include the protection of critical cyber infrastructure and, in 2015, to include protecting the privacy of personally identifiable information (PII). In addition to GAO reporting, the Office of Management and Budget's (OMB) FISMA FY 2018 Annual Report to Congress highlights the cybersecurity threats facing the Federal government and the need for vigilance to protect the country's data and digital infrastructure. Specifically, Federal agencies reported 31,107 cybersecurity incidents in FY 2018; this is a 12% decrease over the 35,277 incidents that agencies reported in FY 2017.

The OIG plans to issue the final FY 2019 FISMA audit report by October 31, 2019. The anticipated results of the OIG audit are to include three new audit findings and three corresponding recommendations; of the three findings, one was remediated by the end of the FY and is now considered closed. In addition, the final OIG audit report is expected to conclude that all six of the outstanding recommendations from prior years have been implemented by the agency and will be closed. The FMC is demonstrating a commitment to maintain an effective information security program, and the FY 2019 FISMA audit results demonstrate this commitment. The OIG looks for the agency to continue their focus on maintaining and enhancing security controls based on risk and evolving threats.

Update - Workplace Satisfaction and Employee Engagement: Prior Years' Challenge

Previously an FMC challenge, the OIG identified ***workplace satisfaction and employee engagement*** as an FMC management challenge for the first time in 2013, and again in 2014 and 2015, due to low survey results as reported by the Office of Personnel Management (OPM) in their annual Federal Employee Viewpoint Survey (FEVS). 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. Several years later, during 2017, the FMC was recognized by the PPS as the ***Most Improved Small Agency Over the Last 5 Years*** during the annual Best Places to Work ceremony.

Workplace satisfaction and employee engagement, removed by the OIG as an agency challenge in fiscal year 2016, 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. As a result, due to the importance, the OIG continues to monitor and report on the FMC's progress to improve workplace satisfaction and employee engagement.

Continued Positive Results

The purpose of inclusion in this year's report is to provide an update on the agency's continued progress in the area of workplace satisfaction and employee engagement, a previous agency challenge.

Engagement Index Trends

The **engagement index** is a measure of the employees' 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.

	2014	**2015**	**2016**	**2017**	**2018**
FMC Index	42	56.8	59.3	67.5	74.4
Small Agencies Combined	62.7	63.8	66.7	70.4	66.1
Difference	**- 20.7**	**- 7**	**- 7.4**	**- 2.9**	**+ 8.3**

Best Places to Work in the Federal Government – Small Agency Rankings

The **Best Places to Work in the Federal Government rankings**, produced by the Partnership for Public Service and Boston Consulting Group, offer the most comprehensive assessment of how Federal employees view their jobs and workplaces. The rankings provide employee perspectives on leadership, pay, innovation, work–life balance and a range of other issues. The majority of the data used to develop the rankings is collected by the OPM through its FEVS. The Best Places to Work index is calculated based on the percentage of positive responses to three workplace satisfaction questions and is weighted according to a proprietary formula. The three questions are:

(1) I recommend my organization as a good place to work.
(2) Considering everything, how satisfied are you with your job?
(3) Considering everything, how satisfied are you with your organization?

	2014	2016	2018
FMC Rankings	28th of 30	23rd of 30	9th of 29

OPM acknowledges there is no quick-fix nor one-size-fits-all solution to creating an engaged workforce; promoting employee engagement is a long-term and on-going process that requires continued interactions and efforts over time to improve and maintain. For the last several years, the FMC has maintained several initiatives that focus on workforce satisfaction and employee engagement. Among these are improved communication at all-levels of the organization; a workforce improvement plan developed by the senior management, with input from all employees, and updated annually; an annual employee suggestion team to solicit, evaluate, and recommend workplace improvements; among other initiatives. The benefits of an engaged and satisfied workforce are many, among these are better employment recruitment and retention; employee performance; organization reputation; and the ability of the agency to meet its mission requirements.

COMMENTS ON INSPECTOR GENERAL'S STATEMENT

The Commission values the Inspector General's annual audits and reviews, and the essential role this plays in keeping the Commission up-to-date on the significant risks and challenges facing the Federal government as a whole.

FINANCIAL STATEMENT AUDIT SUMMARY

Table 1 is a summary of the results of the independent audit of the FMC's financial statements by the agency's auditors in connection with the FY 2019 audit.

Table 1. Summary of Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	**Beginning balance**	**New**	**Resolved**	**Consolidated**	**Ending Balance**
None	n/a	n/a	n/a	n/a	n/a
Total Material Weaknesses	None	None	n/a	n/a	None

MANAGEMENT ASSURANCES SUMMARY

Table 2 is a summary of management assurances related to the effectiveness of internal control over the FMC's financial reporting and operations, and its conformance with financial management system requirements under Sections 2 and 4, respectively, of the FMFIA. This table also summarizes compliance with the FFMIA, which is not applicable to the Commission.

Table 2. Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total Material Weaknesses	None	**n/a**	**n/a**	**n/a**	**n/a**	**None**
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
[name of weakness]	None	n/a	n/a	n/a	n/a	None
Total Material Weaknesses	None	n/a	n/a	n/a	n/a	None
Compliance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Unmodified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
[name of noncompliance]	None	n/a	n/a	n/a	n/a	None
Total noncompliances	None	n/a	n/a	n/a	n/a	None

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	Agency	**Auditor**
1. Federal Financial Management System Requirements	FFMIA does not apply to the FMC	n/a
2. Applicable Federal Accounting Standards	FFMIA does not apply to the FMC	n/a
3. USSGL at Transaction Level	FFMIA does not apply to the FMC	n/a

IMPROPER PAYMENTS INFORMATION ACT

NARRATIVE SUMMARY OF IMPLEMENTATION EFFORTS FOR FY 2019

The FMC has fully complied with the requirements of OMB Circular A-123 (Appendix C), *Requirements for Payment Integrity Improvement*, which implements the provisions of the *Improper Payments Information Act of 2002*, as amended by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA), and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA), and directs federal agencies to review and assess all programs and activities they administer, and further identify those deemed to be susceptible to significant improper payments.

In 2017, the FMC completed a risk assessment analysis in accordance with guidance received from OMB in Circular A-123, which defines significant erroneous payments to be annual erroneous payments in a program that exceed both $10 million and 1.5 percent or $100 million of total annual disbursements. The assessment considered certain risk factors that would likely cause improper payments. It covered all disbursement programs including travel, payroll, intragovernmental transactions, and vendor payments. It was determined that the FMC does not meet the baseline criteria (both 1.5 percent and $10,000,000 of the total program) to trigger a quantitative risk assessment as stated in OMB Circular A-123 (Appendix C).

Federal Maritime Commission IPERIA Risk Data 2019

Classification of Payment Activities: Fiscal Year 2019	Appropriation Baseline Reported to Congress	Improper Payments Identified in PAR	Improper Payments Percent of TP	Significant Improper Payment Test (1) both 1.5% and $10M of TP	Significant Improper Payment Test (2) $100M/Program
Payroll	$18,419,268	$0.00	0.0000%	No	No
Travel	$163,511	$0.00	0.0000%	No	No
Adminstrative Expenses:					
Government Vendors*	$4,848,075	$0.00	0.0000%	No	No
Commercial Vendors	$3,715,103	$0.00	0.0000%	No	No
Total	**$27,145,957**	**$0.00**	**0.0000%**		

* Government vendors includes rental payments to GSA.

The FMC's authorized budget for FY 2019 was $27,490,000. Obligations against the FMC's appropriation totaled $27,145,957, representing 98.8 percent of the funding level. The largest annual disbursements were related to salaries and benefits and represent 67.0 percent of the annual budget. The next largest allocation of funds, 31.2 percent, was for administrative expenses which include the General Services Administration (GSA) rent, utilities, communications, and IT services and equipment. Based on the results of testing a sample of transactions, our assessment of risk factors, and our reliance on internal controls, including an appropriate segregation of duties, performed at both the service provider level and FMC, we have determined that no FMC programs or activities were susceptible to significant erroneous payments in FY 2019. The following chart denotes the FMC's qualitative risk analysis for FY 2019.

Fiscal Year 2019 Systematic Method: Qualitative Risk Assessment Questionnaire										
	Program	Total Annual Expenditures	Activity	Annual Expenditures	Activity	Annual Expenditures	Activity	Annual Expenditures	Activity	Annual Expenditures
	FMC	$27,145,957	Payroll	$18,419,268	Adminsitrative*	$8,316,195	Travel - CBA	$163,511	Purchase Card*	$246,984
Risk (High, Med, or Low)	Low		Low		Med		Low		Low	
Criteria	No (1), Somewhat (2), Yes (3)		No (1), Somewhat (2), Yes (3)		No (1), Somewhat (2), Yes (3)		No (1), Somewhat (2), Yes (3)		No (1), Somewhat (2), Yes (3)	
Is the program new?	1.00		1		1		1		1	
Is the process to determine correct payment amounts complex?	1.00		1		1		1		1	
Is there a high volume of payments?	2.50		3		3		1		3	
Are payments or eligibility decisions made outside the agency (i.e., State or local governments or regional Federal field office)?	1.00		1		1		1		1	
Have there been recent changes in program funding, authorities, practices or procedures?	2.00		2		2		2		2	
Are the personnel responsible for making program eligibility determinations or certifying that payments are accurate inexperienced or lacking in training?	1.25		1		2		1		1	
Are there any programs that pose an inherent risk due to the nature of the program?	1.00		1		1		1		1	
Are there significant deficiencies in the audit reports of the agency that might hinder accurate payment certification?	1.00		1		1		1		1	
Are there any indicators from prior years' improper payment work that would indicate potential risk?	1.00		1		1		1		1	
Score	11.75		12		13		10		12	

Risk:		Scoring:	
Low	8 - 12	No	1
Medium	13 - 20	Somewhat	2
High	21 - 24	Yes	3

* Total administrative costs are $8,563,179 (administrative + purchase cards).

We are confident that the FMC has an efficient and effective process which provides a reasonable assurance that payments are made for legitimate and proper expenses incurred by the FMC. The FMC maintains a very low erroneous payment percentage and strives to reduce payment errors by continuously reviewing, monitoring, and evaluating our programs and activities.

The FMC has not identified any program that constitutes a high-risk for improper payments. Therefore, the FMC considers all payments to fall within the realm of low risk.

The National Finance Center (NFC) became the agency's payroll provider in 2002 and is responsible for monitoring and reporting all 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 2019, the FMC did not process any overpayments. The FMC did not identify any improper collections through the Intergovernmental Payments and Collections (IPAC).

Efforts to recover the overpayments were conducted by the contracting officer's representative, and finance and procurement staff through communication with the vendors through GSA and directly contacting the vendors. The FMC has since received credits for the overpayments.

I. **Payment Reporting.** To determine its improper payment rate, the FMC used a statistical sample conducted by BFS.

II. **Recapture of Improper Payments Reporting.** The FMC will continue to monitor payments to affect a zero-dollar improper payment figure and ensure that there is sufficient segregation of duties pertaining to all payments. The process entails an aggressive level of 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.

III. **Agency Improvement of Payment Accuracy with the Do Not Pay Initiative.** The table below represents the improper payments made by the FMC in FY 2019 with percentage forecasts through FY 2022.

Improper Payments Information Act Reduction Outlook FY 2019-2022 (millions)						
Program	**FY 19 Outlays**	**FY 19 IP %**	**FY 20 IP $**	**FY 20 %**	**FY 21 %**	**FY 22 %**
Inspector General	$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

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

V. **Accountability.** 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 electronically 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 OBF staff has processed the payment authorization, 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.

The Chairman, as the Chief Administrative Officer of the FMC, is ultimately responsible for the efficient and effective utilization of spending authority granted the agency by Congress. The Chairman has delegated administrative funds control to the Director, OBF. The Director, OBF, has the responsibility to ensure that disbursements made by BFS on behalf of the FMC are legitimate expenses of the Commission and that sufficient funds are 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.

VI. **Agency Information Systems and Other Infrastructure.**

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 its FY 2020 budget, 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.

FRAUD REDUCTION REPORT

The FMC has a low appetite for fraud. The FMC complies with the *Fraud Risk and Data Analytics Act of 2015* and follows the Standards for Internal Control in the Government through its enterprise risk management program and financial accounting practices. The FMC's Risk Committee, managing risk enterprise-wide, considers fraud risks on a regular basis.

Financial stewardship is an important part of the FMC's risk management strategy. Internal controls and financial and accounting data are subject to multiple levels of monthly and/or annual review performed internally by the FMC and externally by the BFS. The most recent IG risk assessment of the purchase card program, completed in 2018, concluded that risk related to the program is low.

The Commission has financial and administrative controls in place, including an internal controls policy which provides management and internal control processes for identifying and addressing major performance and management challenges and areas at greatest risk of fraud, waste, abuse and mismanagement. In 2019, the FMC's IG, with the assistance of independent financial auditors, completed a review of the Commission's administrative control of funds. Its *Assessment Report on the Agency's Administrative Control of Funds, A-20-02a,* determined that the Commission has an internal control system in place for its funds control and recommended additional opportunities to further strengthen the agency's controls. The Commission's administrative control of funds policy is in the process of being updated to include those recommendations.

In addition, the Commission's acquisitions policy protects the integrity of the contracting process, and includes ethical requirements and standards of conduct in accordance with the *Procurement Integrity Act* and Federal Acquisition Regulations.

The FMC does not oversee or have responsibility for any credit, grant, or loan programs. No new programs were initiated in FY 2019, and no current programs are at high risk for fraud, abuse, or exposure to waste.

REDUCE THE FOOTPRINT

Consistent with OMB Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations,* and guidance from Management Procedures Memorandum 2013-02, *Freeze the Footprint*, the FMC reports that it does not own any real property and leases space only through GSA.

The Commission, a non-CFO Act agency, works closely with GSA to properly steward government resources. The FMC's current office portfolio of properties totals 63,483 rentable square feet which is consistent with GSA occupancy agreements. In FY 2019, the FMC paid $3,320,677 in rental payments to GSA.

Table 1: Reduce the Footprint Policy Baseline Comparison

	FY 2015 (Baseline)	FY 2019	Change (FY 2015 Baseline – FY 2019)
Square Footage (SF in millions)	0.067	0.063	0.004

Table 2: Reporting of O & M Cost – Owned and Direct Lease Buildings

	FY 2015 Reported Cost	FY 2019 Reported Cost	Change in Baseline 2015-2019
Operation and Maintenance (O&M) Costs	N/A*	N/A*	N/A*

*The FMC does not directly lease or own any space, but has occupancy agreements with GSA.

The FMC's current space meets program needs. The FMC is working with GSA to develop requirements for its current headquarters lease, which expires on October 31, 2022.

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

The *Federal Civil Penalties Inflation Adjustment Act of 1990*, Pub. L. 104-410, as amended by the *Debt Collection Improvement Act of 1996*, Pub. L. 104-134, and the *Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015*, Pub. L. 114-74, requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties to maintain their deterrent effect. Below are the civil penalties that the FMC may impose, authority for imposing the penalty, dates of inflation adjustments, and current penalty levels. The Federal Register notice (84 FR 2459) may be viewed at: https://www.govinfo.gov/content/pkg/FR-2019-02-07/pdf/2019-01429.pdf

Penalty	Statutory Authority	Date of Previous Adjustment	Date of Current Adjustment	Maximum Penalty
Adverse impact on U.S. carriers by foreign shipping practices	46 U.S.C. 42304	January 15, 2018	January 15, 2019	$2,103,861
Knowing and Willful violation / Shipping Act of 1984, or Commission regulation or order	46 U.S.C. 41107(a)	January 15, 2018	January 15, 2019	$60,039
Violation of Shipping Act of 1984, Commission regulation or order, not knowing and willful	46 U.S.C. 41107(b)	January 15, 2018	January 15, 2019	$12,007
Operating in foreign commerce after tariff suspension	46 U.S.C. 41108(b)	January 15, 2018	January 15, 2019	$120,079
Failure to provide required reports, etc. / Merchant Marine Act of 1920	46 U.S.C. 42104	January 15, 2018	January 15, 2019	$9,472
Adverse shipping conditions / Merchant Marine Act of 1920	46 U.S.C. 42106	January 15, 2018	January 15, 2019	$1,894,261
Operating after tariff or service contract suspension / Merchant Marine Act of 1920	46 U.S.C. 42108	January 15, 2018	January 15, 2019	$94,713
Failure to establish financial responsibility for non-performance of transportation*	46 U.S.C. 44102	January 15, 2018	January 15, 2019	$23,924 $798
Failure to establish financial responsibility for death or injury*	46 U.S.C. 44103	January 15, 2018	January 15, 2019	$23,924 $798
Program Fraud Civil Remedies Act / makes false claim	31 U.S.C. 3802(a)(1)	January 15, 2018	January 15, 2019	$11,463
Program Fraud Civil Remedies Act / giving false statement	31 U.S.C. 3802(a)(2)	January 15, 2018	January 15, 2019	$11,463

*These amounts are based on the penalties established in § 44104 for violations of §§ 44102 and 44103: $5,000, plus $200 for each passage sold. These penalties were established in 1966 and, applying the statutory inflation adjustment formula, amount to $23,924, plus $798 for each passage sold, in current dollars.

BIENNIAL REVIEW OF USER FEES

Agencies are required by the *Chief Financial Officers Act of 1990* to conduct biennial reviews of fees and other charges that they impose, and to revise these fees and charges to cover program and administrative costs incurred as necessary. The Commission last updated user fees and published notice of its final rule, *Update of Existing User Fees*, on October 5, 2018, 83 FR 50290. User fee rates will next be examined in 2020.