

FEDERAL MARITIME COMMISSION



MANAGEMENT'S DISCUSSION and ANALYSIS



Fiscal Year 2008

MANAGEMENT'S DISCUSSION & ANALYSIS



A MESSAGE FROM THE COMMISSION

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

The Commission's mission is to:

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


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

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

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

Sincerely,


Joseph E. Brennan
Commissioner


Harold J. Creed, Jr.
Commissioner


Rebecca F. Dye
Commissioner

November 17, 2008

MANAGEMENT'S DISCUSSION and ANALYSIS



Introduction

This Management's Discussion and Analysis represents the completion of the Federal Maritime Commission's program and financial management process for fiscal year ("FY") 2008, which began with mission and program planning, continued with the formulation and justification of FMC's budget submission to the President and Congress, through budget execution, and ending with a report of our program performance and the use of resources. This report was prepared pursuant to the requirements of the Chief Financial Officers Act, as amended by the Reports Consolidation Act, and the Office of Management and Budget ("OMB") Circular No-A136 (Revised), and covers the Commission's activities from October 1, 2007 through September 30, 2008.

FMC Core Functions

The FMC is an independent transportation/trade regulatory agency which administers the Shipping Act of 1984 ("1984 Act" or "Shipping Act") as amended by the Ocean Shipping Reform Act of 1998 ("OSRA"); section 19 of the Merchant Marine Act, 1920 ("1920 Act"); the Foreign Shipping Practices Act of 1988 ("FSPA"); and Public Law ("P.L.") 89-777 (passenger vessel certification). The Commission: monitors the activities of ocean common carriers, marine terminal operators, conferences, ports and ocean transportation intermediaries (non - vessel - operating common carriers and ocean freight forwarders) which operate in the U. S. foreign commerce to ensure they maintain just and reasonable practices; maintains a trade monitoring and enforcement program designed to assist regulated entities in achieving compliance and to detect and appropriately remedy malpractices and violations of the prohibited acts set forth in section 10 of the 1984 Act; monitors the laws and practices of foreign governments which could have a discriminatory or otherwise adverse impact on shipping conditions in U. S. trades, and imposes remedial action as appropriate pursuant to section 19 of the 1920 Act or FSPA; enforces special regulatory requirements applicable to carriers owned or controlled by foreign governments; processes and reviews agreements, service arrangements and service contracts pursuant to the 1984 Act for compliance with statutory requirements; and reviews common carriers' privately published tariff systems for accessibility and accuracy as required by OSRA. The Commission also issues licenses to qualified ocean transportation intermediaries ("OTIs") in the U.S., ensures that all OTIs are bonded or maintain other evidence of financial responsibility, and ensures that passenger vessel operators ("PVOs") demonstrate adequate financial responsibility in case of nonperformance or injury to passengers.

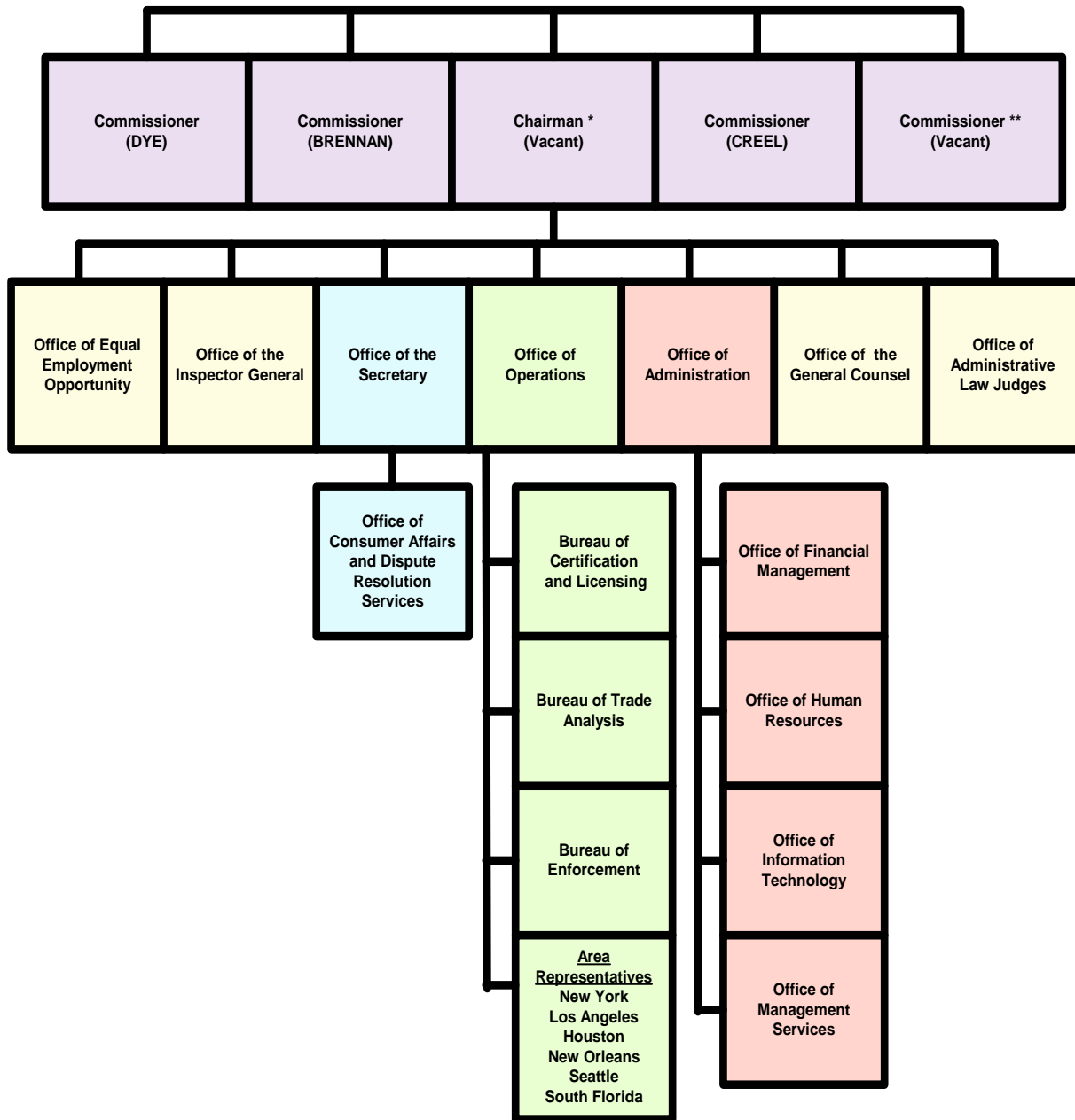
Organization

The FMC is composed of five Commissioners appointed for five-year terms by the President with the advice and consent of the Senate. No more than three members of the FMC may belong to the same political party. The President designates one of the Commissioners to serve as Chairman. The Chairman is the chief executive and administrative officer of the agency. The FMC's organizational units consist of: Offices of the Commissioners; Office of the General Counsel ("OGC"); Office of the Secretary ("OS"), including the Library and Office of Consumer Affairs and Dispute Resolution Services ("CADRS"); Office of Administrative Law Judges ("OALJ"); Office of Equal Employment Opportunity ("EEO"); Office of the Inspector General ("OIG"); Office of Operations ("OPS"), including the Bureaus of Certification and Licensing ("BCL"), Enforcement ("BOE"), and Trade Analysis ("BTA"); and Office of Administration ("OA"), including the Offices of Financial Management ("OFM"), Human Resources ("OHR"), Information Technology ("OIT"), and Management Services ("OMS"). The majority of FMC personnel are located in Washington, DC, with Area Representatives ("ARs") in New York, New Orleans, Los Angeles, Seattle, Houston and South Florida.

MANAGEMENT'S DISCUSSION and ANALYSIS



Organizational Chart as of September 30, 2008



*The former Chairman resigned on November 30, 2006.

**The Commissioner position was vacated on May 30, 2008.



Regulatory Responsibility

The Commission's principal regulatory responsibilities include:

- Reviewing agreements among ocean common carriers and marine terminal operators (“MTOs”) relating to service in the U.S. foreign oceanborne trades, to ensure that they do not cause substantial increases in transportation costs or decreases in transportation services.
- Reviewing service contracts between ocean common carriers and shippers to guard against detrimental effects to shipping in the U.S. foreign trades.
- Ensuring that common carriers' tariff rates and charges are accessible to the shipping public in private, electronically accessible systems.
- Regulating rates, charges, and rules of government-owned or -controlled carriers to ensure that they are just and reasonable.
- Issuing passenger vessel certificates evidencing financial responsibility of vessel owners or charterers to pay judgments for personal injury or death, or to refund passenger fares for the nonperformance of a voyage or cruise.
- Licensing OTIs in the U.S. to protect the public from unqualified, insolvent, or dishonest companies.
- Ensuring that OTIs maintain sufficient financial responsibility to protect the shipping public from financial loss.
- Protecting the shipping public against economic harm by investigating rates, charges, classifications, and practices of common carriers, MTOs, and OTIs operating in the foreign commerce of the U.S.
- Taking action to address unfavorable conditions arising out of foreign government or business practices in the U.S. foreign shipping trades.

The FMC is authorized by the FSPA, section 19 of the 1920 Act, and section 13(b)(6) of the 1984 Act to take action to ensure that the foreign commerce of the U.S. is not burdened by non-market barriers to ocean shipping. The FMC may take countervailing action to correct unfavorable shipping conditions in U.S. foreign commerce and may impose penalties. The FMC may address actions by carriers or foreign governments that adversely affect shipping in the U.S. foreign oceanborne trades including the intermodal operations of carriers or the operations of OTIs, or that impair access of U.S.-flag vessels to ocean trade between foreign ports.

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



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

P. L. 89-777 requires the operators of passenger vessels with 50 or more berths who embark passengers at U.S. ports to establish financial coverage to indemnify passengers in cases of death, injury, or nonperformance of transportation. The FMC certifies such operators upon the submission of satisfactory evidence of financial responsibility. The FMC ensures that all OTIs operating in the foreign commerce of the U.S. have established sufficient financial responsibility to protect shippers from financial loss. Additionally, the FMC licenses all U.S. OTIs.

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

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

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

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

Future Challenges

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

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

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



Program Performance Overview

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

Achieving Strategic Goal Results

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

Financial Performance Overview

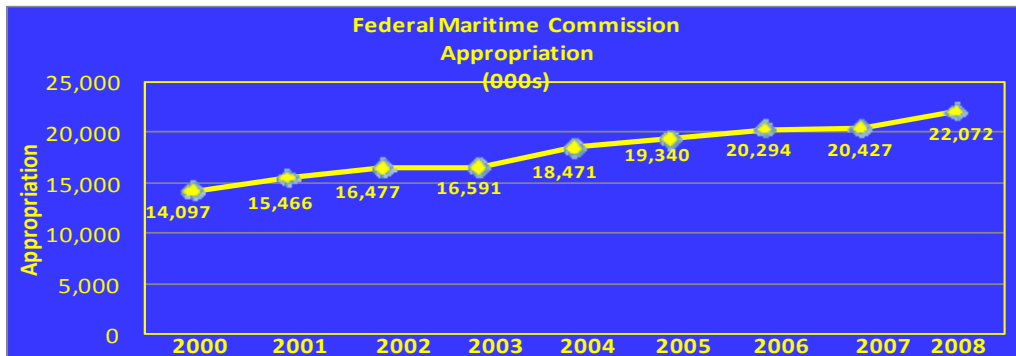
As of September 30, 2008, the financial condition of the FMC was sound with respect to having sufficient funds to meet program needs and adequate control of funds in place to ensure obligations did not exceed budget authority. The FMC’s accounting services provider, the Bureau of the Public Debt (“BPD”),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

MANAGEMENT'S DISCUSSION and ANALYSIS



Sources of Funds

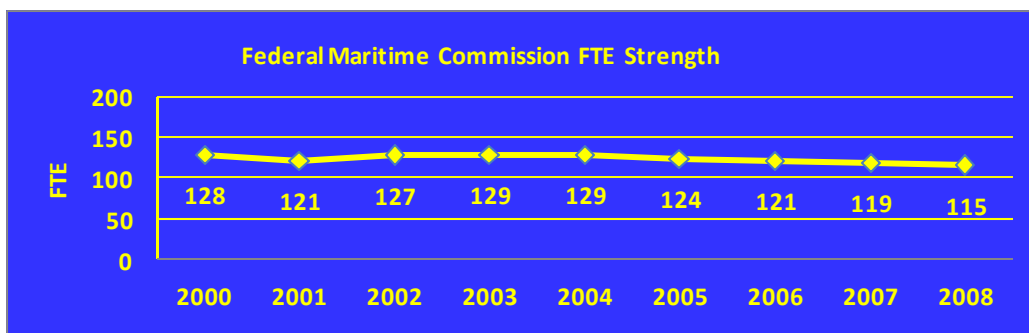
The FMC has a single source of funds, Salaries and Expenses, funded by an annual appropriation that is available for commitments and obligations incurred during the fiscal year in which the authority was granted. The FMC's total new budget authority for FY 2008 was \$22,072,000. This represents a net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



Personnel Strength History

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

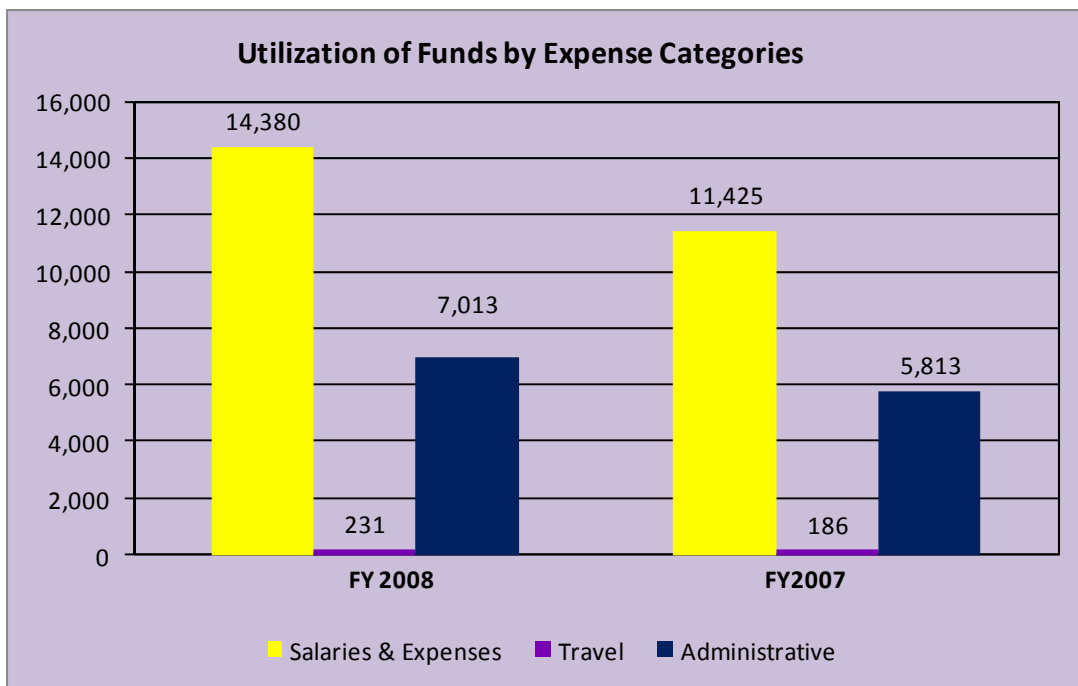
In recent years, the Commission has been authorized a total of 180 FTE positions. Due to appropriation levels, the Commission has been required to maintain full-time personnel levels much lower than authorized.





Uses of Funds by Expense Category

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



Audit Results

The FMC received an unqualified opinion on its FY 2008 financial statements from the independent auditing firm of Dembo, Jones, Healy, Pennington & Marshall, P.C. under contract through the FMC's OIG. Comparative statements can be located in *Chapter 3, Auditors' Report and Financial Statements*.

Financial Statement Highlights

The financial statements have been prepared to report the financial position and results of operations of the Commission pursuant to the requirements of 31 U.S.C. 3515(b). These statements have been prepared from the books and records of the Commission in accordance with the formats prescribed by OMB and are in addition to the financial reports used to monitor and control budgetary resources. The financial statements, footnotes, and the remainder of the required supplementary information appear in their entirety in *Chapter 3, Auditors' Report and Financial Statements*. A brief analysis of the principal statements follows.



Analysis of the Balance Sheet

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

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

The Fund Balance with Treasury is comprised only of annual appropriations maintained by the Department of the Treasury to address current liabilities. The FMC had an increase in its FY 2008 Fund Balance with Treasury of 42.8% over the FY 2007 level. The FY 2008 Fund Balance of

\$4,062,134 includes FY 2008 budget authority not spent in the amount of \$447,579, largely due to vacancies of senior management and Commissioner positions. Also included is unavailable funds of \$300,086 representing spending authority from prior years; these funds represent expired authority unavailable for new obligations. The final and largest portion of the Fund Balance with Treasury is obligated balances not yet disbursed totaling \$3,314,469. This category represents goods and services received by the Commission for which vendors have not been paid.

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

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

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

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

Analysis of the Statement of Changes in Net Position

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

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

Net Position is the difference between total assets and total liabilities. The total net position for FY 2008 is an increase of \$1,085,571 from FY 2007.

Unexpended Appropriations represents the total authority granted by Congress that the FMC has not expended as of September 30, 2008. The decrease in Cumulative Results is due mainly to the net decrease in Capital Assets as of September 30, 2008.



Analysis of Net Cost

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

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

Analysis of the Statement of Budgetary Resources

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

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



Systems, Controls, and Legal Compliance

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

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

Federal Managers' Financial Integrity Act

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

In our Message earlier in this document, the Commission provided its annual assurance statement. This statement was based on various sources and included management knowledge gained from the daily operation of agency programs and reviews, discussions with senior managers who together comprise the agency's Senior Policy Group, audits of financial statements, annual performance plans, and OIG reports, among other sources. The Senior Policy Group is comprised of all SES-level senior executives, including the Director of Operations and General Counsel, among others. Additionally, the Commission meets regularly with, and receives regular reports from, the FMC's OIG.

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

Commission Assurance Statement

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

 Joseph E. Brennan Commissioner	 Harold J. Creed, Jr. Commissioner	 Rebecca F. Dye Commissioner
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November 17, 2008



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

Federal Financial Management Improvement Act

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

FY 2008 Federal Financial Management Improvement Act Results

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

Prompt Payment Act

The Prompt Payment Act requires agencies to make timely payments to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts when they are economically justified. In FY 2008, the FMC maintained a percentage of on-time payments at 98.41%. The interest payments of \$321.00 were a direct result of late approvals received from the COTRs of merchandise or services received. The FMC will continue to strive towards 100% on-time payments in future years. The FMC has maintained a 100% on-time electronic/credit-card payment to its vendors.

Debt Collection Improvement Act

The Debt Collection Improvement Act enhances the ability of the Government to service and collect debts. The Act centralized the collection of non-tax delinquent debt owed to the Government. The collection of delinquent debts is conducted by the Financial Management Service through the Treasury Offset Program where the names and taxpayer identification numbers ("TIN") are matched against the TINs of recipients of Government payments. The balance owed the Government is deducted or offset from the payment to the entity to satisfy the debt. All Office of Personnel Management ("OPM") retirement, vendor, Internal Revenue Service refunds, Social Security Benefits, and some Federal salary payments are being offset. Federal agencies are required to refer delinquent accounts in excess of 180 days to Treasury for collection. The goal of the FMC is to minimize the amount of delinquent debt owed to the agency.

Biennial Review of User Fees

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



Performance Measure Summary

The FMC does not have an in-house financial accounting system, and as a small agency does not receive a Performance Measure Summary from the Department of the Treasury. The agency receives travel, procurement, accounting and financial services from the Bureau of Public Debt (“BPD”) located in Parkersburg, WV. The Commission verifies and reconciles all financial statements and reports prior to submission, and has remained in compliance with all reporting thresholds including FACTS I (Federal Agencies’ Centralized Trial-Balance System) reporting and reconciliation of any financial statement differences.

Inspector General Act

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

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

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

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

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