FEDERAL MARITIME COMMISSION

An independent agency of the U.S. Government

Performance and Accountability Report

FISCAL YEAR 2016

Chairman Mario Cordero
November 2016

MESSAGE FROM THE CHAIRMAN

I am pleased to submit the Federal Maritime Commission's *Performance and Accountability Report for Fiscal Year 2016*. The attached Report contains financial and program performance results which are complete and reliable. Prior to the preparation of this Report, the Commission evaluated its management controls and financial management system pursuant to the Federal Managers' Financial Integrity Act of 1982. No material weaknesses were identified, and the Commission's financial management system conforms to government financial system requirements. In accordance with the Office of Management and Budget's (OMB) Circular 123, *Management's Responsibility for Internal Control and Enterprise Risk Management*, Appendix C, no improper payments were made. An independent, certified public accountant audited the Commission's financial statements, internal controls, and management systems and verified that they conform to generally accepted accounting principles, laws, regulations, and requirements. This report illustrates how the FMC properly manages limited resources and plans to meet future challenges.

As charged by Congress, the FMC administers the ocean liner shipping laws of the United States, and regulates the companies involved in liner shipping, receiving, handling, and transporting cargo and passengers in foreign commerce. International trade is a critical part of the United States' economy, and a fair and efficient ocean transportation system depends heavily upon the FMC's role in evaluating agreements for anti-competitive impact and licensing ocean transportation intermediaries to protect the shipping public and facilitate international trade.

The overwhelming majority of U.S. imports and exports, particularly when considered in the context of volume, travel on ships. Last year, in the $980 billion international ocean transportation industry, 31.5 million twenty-foot equivalent units (TEUs) moved in the U.S. liner trades. If the shipping industry reaches a point where practices are either inefficient or anticompetitive, the consequences to our economy would be significant, and for this reason, the Commission undertook a study of congestion and the impact on our nation's ports. Negative impacts could include a reduction in consumer choices for cargo transportation options that could put upward pressure on the cost of transportation and, therefore, the costs to bring goods to market and America's store shelves. Free flowing trade, delivered economically via ships as part of a supply chain system that is regulated minimally, but effectively, helps increase purchasing power of consumers and keeps needed cash in the pockets of individual Americans, allowing them to stretch their family budgets.

The Commission continued to serve a critical role in U.S. commerce during fiscal year 2016, ensuring competition and reliable service to U.S. exporters, importers, and consumers. The FMC's mission directly supports the President's commitment to economic growth and job creation. Commission programs related to monitoring international oceanborne trade conditions advance the

President's National Export Initiative by promoting access to foreign markets for American exports and efficient supply chains for the importation of goods for domestic production and consumption.

The FMC's Strategic Plan for 2014-2018 incorporates our statutory mandate and agency objectives referenced in this performance report. Fiscal year 2016 was the eighth consecutive year in which there has been a quantitative measurement of performance goals, employing measures and targets. The Commission's actual performance is compared with the targeted levels of performance established in the Strategic Plan. For the 13th straight year, the FMC received an unmodified ("clean") opinion on its financial statements.

As described in the *Management Assurances* section (see page 21), the Commission completed its annual assessment of internal controls over operations, systems, and financial reporting. The referenced evaluations and reports confirm that the FMC has no material weaknesses, significant deficiencies, or instances of non-compliance with laws and regulations to report. The performance data described in this PAR was compiled and evaluated using the techniques described in this report for achieving the required level of credibility for the verification and validation of performance data relative to its intended use, and I have no reason to doubt the completeness or reliability of our performance data. Additionally, the financial and performance data presented in this report are complete, reliable, and accurate in keeping with the guidance from the Office of Management and Budget.

I am extremely proud of the FMC's accomplishments during the fiscal year. Our small but dedicated staff has one of the most important tasks in the country: to ensure fair, efficient and reliable international ocean transportation for our Nation. I want to recognize the support of the Commissioners, senior executives, and the entire staff. I am fortunate to work with such a dedicated group committed to continuously improving our performance on behalf of the American public.

Sincerely,

Mario Cordero
Chairman

November 15, 2016

TABLE OF CONTENTS

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

INTRODUCTION

This Performance and Accountability Report (Report or PAR) serves as a progress report, wherein the FMC reviews its program performance results, financial information, activities and accomplishments for fiscal year 2016 (FY 2016). This report enables the President, Congress, and the public to assess the agency's performance relative to its mission and the resources entrusted to it. This Report satisfies the following legislation:

- *The Federal Manager's Financial Integrity Act of 1982* requires continuous evaluations and reporting of the adequacy of systems of internal accounting and administrative controls.
- *The Chief Financial Officers Act of 1990* provides for the production and submission of complete, reliable, timely, and consistent financial information for use by the Executive Branch of the government and the Congress in the financing, management and evaluation of Federal programs.
- *The Government Management Reform Act of 1994* requires the submission of audited financial statements.
- *The Reports Consolidation Act of 2000* authorizes agencies to consolidate several reports to provide performance, financial, and other related data in a more useful manner.
- *The Inspector General Reform Act of 2008* amends the Inspector General Act of 1978 to enhance the independence of the Inspectors General, to create a Council of the Inspectors General on Integrity and Efficiency, and for other purposes.
- *The Government Performance and Results Modernization Act of 2010* (GPRA Modernization Act) requires an annual report that measures the performance results of the agency against the established agency goals.
- *The Improper Payments Elimination and Recovery Act of 2010* provides for estimates and reports of improper payments by Federal agencies.
- *The Digital Accountability and Transparency Act of 2014* (DATA Act) amends the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282), requiring the establishment of government-wide data standards for spending information.

HOW THIS REPORT IS ORGANIZED

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

Program Performance Information describes the Commission's strategic goals and targets, and provides data on progress toward meeting those goals during the Fiscal Year.

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

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

HISTORY, MISSION, AND ORGANIZATION

THE FMC: OUR PURPOSE AND HISTORY

Since its founding on August 12, 1961, the Federal Maritime Commission (FMC) has worked to ensure that neither the activities of liner shipping groups nor foreign government laws or regulations impose unfair costs on American shippers, exporters, or on American consumers of imported goods.

The FMC was officially established in 1961 in the early months of the Kennedy Administration, but its genesis can be traced back to the turmoil of World War I.

GENESIS OF THE FMC'S ROLE IN MARITIME TRADE

America's economic lifelines since before its founding as a nation were the sea lanes of export from and imports to our shores, largely accomplished using vessel fleets of other nations. To address this situation that had grown serious, Congress enacted the organic act of all our maritime commercial statutes – the Shipping Act of 1916.

In 1914, the war in Europe created a tremendous crisis in ocean shipping as so many vessels were being used in the war effort, while demand for U.S. exports and vessel space grew quickly. Based on war-generated concern, and information developed in an investigation into the methods and practices of shipping lines (The Alexander Committee Investigation, 1912-1914), Congress determined that the fear that collective liner pricing organizations called conferences might gain sufficient market power and the ability to unreasonably raise rates or reduce services, had to be weighed against the need for a stable and reliable source of international ocean shipping. A new maritime agency, Congress decided, could adequately protect American exporters and importers from any potential abuse of the limited antitrust immunity Congress would grant conferences under new shipping legislation. The agency they created, under the Shipping Act of 1916, was the United States Shipping Board.

EARLY VERSIONS OF THE FMC

The United States Shipping Board and its immediate successor organization, the United States Maritime Commission, combined the roles of regulator and promoter of what was to become the U.S. merchant marine, an integral part of the Allied victory in World War II.

In 1920, Congress passed the Merchant Marine Act, which charged the United States Shipping Board with monitoring and responding to foreign laws, regulations, or practices that create conditions unfavorable to shipping in the foreign trade.

In 1933, President Franklin D. Roosevelt signed an executive order that transferred the United States Shipping Board's functions to the U.S. Shipping Board Bureau in the Department of Commerce. In 1936, Congress separated the Board from the Commerce Department, creating the United States Maritime Commission. In 1950, the regulatory programs of the United States Maritime Commission were transferred to the Federal Maritime Board at the Department of Commerce, where they resided until the FMC's creation in 1961.

THE FOUNDING OF THE FMC

In 1961, the Kennedy Administration and Congress decided that the tasks of regulating the activities of international liner shipping companies and promoting a healthy U.S. merchant marine should be pursued by separate agencies. By executive order (called Reorganization Plan No. 7) signed by President John F. Kennedy, two agencies were established: the Federal Maritime Commission and the Maritime Administration (MARAD). As an independent agency, the FMC was charged with regulating U.S. ocean commerce, and MARAD was formed to promote America's merchant marine and oversee an emergency reserve of cargo ships for use in times of conflict.

The Commission's creation in 1961 also coincided with the early days of the containerization revolution – the spread of the use of intermodal shipping containers that could be carried on ships, rail, and trucks – that greatly increased the efficiency and reliability of international trade in goods. The rapid adoption of the intermodal container system, and the accompanying drop in transportation costs, provided a powerful boost to global trade. It also meant that an industry that had long been relatively stable suddenly became much more dynamic. This resulted in a challenge to the fledgling FMC to take the lead in updating the nation's transportation regulations to remove obstacles to the intermodal services that became so critical to our nation's commerce.

THE SHIPPING ACT OF 1984

By the early 1980s, both shippers and carriers recognized that the pre-container Shipping Act of 1916 needed modernization. Passage of the Shipping Act of 1984 (1984 Act), on March 20th of that year, introduced regulatory innovations that have had a major impact on liner shipping and the FMC's responsibilities. For example, the 1984 Act introduced the concept of contract carriage under service contracts filed with the FMC. The pricing of liner services via negotiated contracts, rather than exclusively by public tariffs, was a change that had profound effects on the liner industry. The 1984 Act also clarified the authority of conference members to offer intermodal pricing (the integration of ocean carriage with truck or rail service) – an important advance in transportation service.

The FMC's authority to review and approve agreements was also overhauled. Under the Shipping Act of 1916, ocean common carriers and other entities wishing to enter into cooperative agreements were required to justify the terms of those agreements to the FMC. The Commission's review and approval process could be time-consuming, particularly when an agreement was protested by outside parties. Under the 1984 Act, cooperative agreements automatically become effective after 45 days, unless the Commission takes specific actions to block the effective date of the agreement. As a result of that change, the Commission has heightened its emphasis on monitoring competitive conditions and carrier activity to ensure that carrier agreements remain in compliance with the letter and spirit of the 1984 Act.

THE OCEAN SHIPPING REFORM ACT OF 1998

The 1984 Act included a requirement that the FMC conduct a 5-year study on how the Act's reforms actually worked out in practice. The Section 18 Study, as it was known, provided the foundation for a subsequent review of U.S. liner shipping policy also mandated in the 1984 Act. That review was conducted between April 1991 and April 1992 by a high profile advisory panel - The Advisory Commission on Conferences in Ocean Shipping (ACCOS). The ACCOS Report's research, findings and recommendations, while not initially acted on by Congress, provided the basis for a second round of deregulatory liner legislation – The Ocean Shipping Reform Act of 1998 (OSRA).

OSRA was signed into law on October 14, 1998, and went into effect on May 1, 1999. It provides the basis of U.S. liner shipping policy today. The primary objectives of OSRA were to provide the ocean shipping industry with more flexibility in conducting daily business, remove certain regulatory restrictions, and promote U.S. international liner trade by supporting greater reliance on the marketplace. Among its most notable changes were:

- ending the authority for liner conferences to regulate their members' service contracts;
- encouraging confidentiality of rates in contracts;
- giving the Commission enhanced authority to provide exemptions from existing statutory provisions; and
- strengthening the FMC's authority to address restrictive practices by foreign governments and state-controlled carriers.

THE FMC TODAY

Over the past five decades, international ocean transportation has changed dramatically. The FMC, an independent expert agency charged with regulating liner shipping in U.S. trades, has adapted to and evolved with those changes. From its inception, the FMC has worked to further its mission to foster a fair, efficient, and reliable international ocean transportation system for the benefit of U.S. exporters, importers, and the U.S. consumer. While the specifics of U.S. maritime policy and legislation have changed markedly during the last several decades, the FMC's goal of protecting American exporters and consumers remains the cornerstone of today's regulatory efforts.

The Commission is responsible for the regulation of oceanborne transportation in the foreign commerce of the United States for the benefit of U.S. exporters, importers, and consumers. The Commission is directed by five Commissioners appointed for staggered five-year terms, with one Commissioner designated by the President to serve as Chairman. The Chairman is the Chief Executive and Administrative Officer of the agency.

Congress has charged the FMC with a number of oversight responsibilities designed to ensure competitive and efficient ocean transportation services for the shipping public, and to protect the public from unfair and deceptive practices. The principal statutes administered by the Commission, now codified in Title 46 of the U.S. Code at sections 40101 through 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.

The FMC ensures competitive and efficient ocean transportation services for the shipping public by:

- reviewing and monitoring agreements among ocean common carriers and marine terminal operators (MTOs) serving the U.S. foreign oceanborne trades to ensure that they do not cause substantial increases in transportation costs or decreases in transportation services;
- maintaining and reviewing confidentially filed service contracts and Non-Vessel-Operating Common Carrier (NVOCC) Service Arrangements 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 electronically available;
- monitoring rates, charges, and rules of government-owned or -controlled carriers to ensure they are just and reasonable; and
- taking action to address unfavorable conditions caused by foreign government or business practices in U.S. foreign shipping trades.

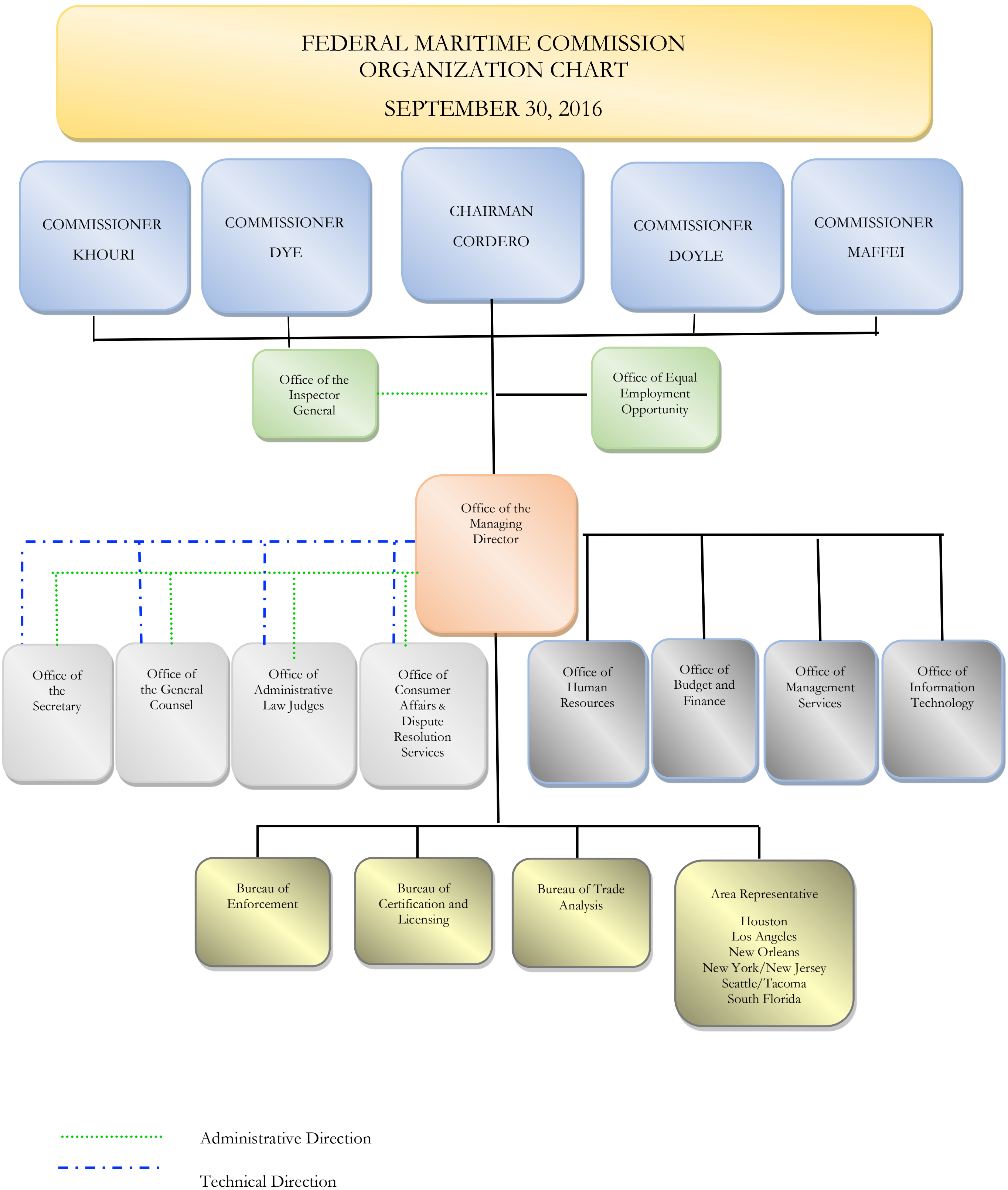
The FMC engages in a variety of activities that protect the public from financial harm, and contribute to the integrity and security of the nation's import and export supply chains and ocean transportation system. These activities include:

- licensing and registering ocean transportation intermediaries;
- helping resolve disputes about the shipment of goods or the carriage of passengers;
- investigating and prosecuting unreasonable or unjust practices, and ruling on private party complaints alleging Shipping Act violations; and
- 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.

OUR ORGANIZATION

The FMC is directed by five commissioners nominated by the President and confirmed by the Senate, each serving a staggered five-year term. No more than three members of the Commission may be from the same political party. One commissioner, designated by the President, serves as Chairman. The post is currently held by Mario Cordero, a commissioner since 2011, who was designated Chairman on April 1, 2013. The Chairman serves as the Chief Executive and Administrative Officer of the Commission. Under a recent statutory change, Commissioners appointed and confirmed after December 18, 2014, may serve no more than two terms.

The FMC's staff is comprised of economists, attorneys and experts in ocean transportation and government administration. While most of the Commission's workforce is located at its Washington, D.C. headquarters, the Commission maintains a presence in six major port locations nationwide.


FEDERAL MARITIME COMMISSION
ORGANIZATION CHART
SEPTEMBER 30, 2016
COMMISSIONER KHOURI
COMMISSIONER DYE
CHAIRMAN CORDERO
COMMISSIONER DOYLE
COMMISSIONER MAFFEI
Office of the Inspector General
Office of Equal Employment Opportunity
Office of the Managing Director
Office of the Secretary
Office of the General Counsel
Office of Administrative Law Judges
Office of Consumer Affairs & Dispute Resolution Services
Office of Human Resources
Office of Budget and Finance
Office of Management Services
Office of Information Technology
Bureau of Enforcement
Bureau of Certification and Licensing
Bureau of Trade Analysis
Area Representative
Houston
Los Angeles
New Orleans
New York/New Jersey
Seattle/Tacoma
South Florida
Administrative Direction
Technical Direction

In addition to its Commissioners' offices, the Commission is organized into bureaus and offices to accomplish its mission:

Area Representatives (ARs): The ARs represent the FMC in their locations -- Southern California, South Florida, New Orleans, New York, Houston and Seattle -- and serve major ports and transportation centers within their respective areas and beyond. The ARs act as a conduit for information to and from the maritime industry and the shipping public, resolve complaints and disputes between parties involved in international oceanborne shipping (often coordinating with CADRS), investigate alleged violations of shipping statutes, and function as an intelligence resource. They provide advice and guidance to the shipping public, collect and analyze information of regulatory significance, and assess industry conditions. The ARs frequently cooperate and coordinate with other Federal, state and local governmental agencies, providing shipping expertise and information. The ARs inform the public regarding FMC requirements and services through activities such as seminars, participating in various conferences and industry events, making presentations, and through various local community contacts.

Bureau of Certification and Licensing (BCL): BCL is responsible for the Passenger Vessel Certification and Ocean Transportation Intermediary programs. BCL is composed of two offices, the Office of Passenger Vessels and Information Processing (OPVIP) and the Office of Transportation Intermediaries (OTI).

Bureau of Enforcement (BOE): BOE is the prosecutorial arm of the Commission. Bureau attorneys participate as trial counsel in formal proceedings, and work 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 offices in formal fact-finding investigations initiated under the Shipping Act or the FSPA.

Bureau of Trade Analysis (BTA): BTA reviews agreements and monitors the concerted activities of ocean common carriers and marine terminal operators under the standards of the Shipping Act. BTA also reviews and analyzes service contracts, monitors rates of government owned controlled carriers, reviews carrier published tariff systems under the accessibility and accuracy standards of the Shipping Act and responds to inquiries or issues that arise concerning service contracts or tariffs. BTA is responsible for competition oversight and market analysis, focusing on activity that is substantially anti-competitive under the standards of 6(g) of the Shipping Act.

Office of the Administrative Law Judges (OALJ): The OALJ resolve cases of alleged violations of the Shipping Act and other laws within the Commission's jurisdiction.

Office of Consumer Affairs and Dispute Resolution Services (CADRS): CADRS provides assistance to shippers, ocean transportation intermediaries, cruise operators and passengers, truckers and marine terminal operators by providing alternative dispute resolution services, *ombuds* assistance, mediation, facilitation, and arbitration to resolve challenges and disputes involving cargo shipments, household goods shipments, and cruises.

Office of Equal Employment Opportunity (OEEO): The 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 affecting affirmative employment, and the processing of EEO complaints.

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

Office of the General Counsel (OGC): The OGC provides legal services to the Commission. Some key responsibilities include: providing advice and recommendations; preparing final decisions, orders and regulations for Commission approval and issuance; representing the Commission in litigation before the courts; representing the Commission's interests in matters before Congress; providing technical and policy assistance to other government agencies engaged 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.

Office of the Managing Director (OMD): The OMD is responsible for implementing the administrative directives of the Chairman, the management and coordination of Commission Bureaus, and overseeing the agency's Area Representatives. It has direct oversight of the administrative offices of the Commission, which include the Offices of Budget and Finance, Human Resources, Information Technology, and Management Services.

Office of the Secretary (OS): The OS serves as the focal point for all matters and documents submitted to and emanating from the Commission. It receives and processes a variety of documents in regulatory and administrative proceedings. The OS is responsible for preparing and submitting regular and notation agenda matters for consideration by the Commission; maintaining official files and records of all formal proceedings; issuing orders and notices of actions of the Commission; compliance with Freedom of Information, Government in the "Sunshine," and Privacy Acts; responding to information requests from the maritime industry and the public, issuing publications and authenticating instruments and documents of the Commission; maintaining a Public Reference/Law Library and a Docket Library; and overseeing the organization and content of the Commission's website.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year 2016

REGULATORY RESPONSIBILITY AND OVERSIGHT

The Federal Maritime Commission meets its primary regulatory responsibilities and strategic goals while ensuring the integrity of the U.S. ocean transportation system by:

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

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

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

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

The FMC oversees nearly 7,000 regulated entities (PVOs, vessel-operating common carriers (VOCCs), MTOs, conferences, OTIs, etc.). The agency ensures that all OTIs operating in the foreign commerce of the U.S. have established the required experience and financial responsibility to protect shippers from financial loss, and additionally, licenses all U.S. OTIs and requires registration of all foreign NVOCCs serving U.S. trades.

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

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

AGENCY MISSION CHALLENGES

The Commission is aware of the day-to-day issues and challenges facing the United States' vital ocean transportation system and its stakeholders, and will continue to focus its efforts on fostering the nation's international trade and economic growth. This agency strives to accomplish its strategic goals by improving staff efficiency and closely managing its resources in order to enforce the Commission's governing statutes and regulations to protect the shipping public. As financial resources allow, the FMC will continue to prioritize investments needed in information technology to improve information security, efficiency, and greater public access, while reducing costs over time.

REGULATORY REVIEW

The FMC continuously reviews its processes and regulatory requirements for efficiency and effectiveness. As economic conditions alter the state of our trades, regulations are revised to respond to new conditions. As part of the Commission's ongoing *Plan for Retrospective Review of Existing Rules*, the FMC will continue to review and update regulations related to a number of its programs. In Fiscal Year 2016, the Commission issued an Advance Notice of Proposed Rulemaking, and after reviewing filed comments, issued a Notice of Proposed Rulemaking in Docket No. 16-04 containing recommendations concerning potential regulatory reforms to the filing and processing of agreements, quarterly monitoring reports and agreement meeting minutes. The Commission also issued an Advance Notice of Proposed Rulemaking, and a later Notice of Proposed Rulemaking, in Docket No. 16-05 on the regulations governing service contract and NVOCC service arrangements. The FMC anticipates concluding these rulemaking initiatives early in FY 2017. Further, the Commission plans a review of the Commission's Marine Terminal Operator Schedule regulations and a review of the Carrier Automated Tariff regulations in the next fiscal year.

ALLIANCE AND VESSEL SHARING AGREEMENTS

The FMC monitors key trade lanes, and reviews and analyzes the competitive impact of agreements with particular emphasis on issues of consolidations, adequate vessel capacity, and equipment availability. The difficult economic environment continues to cause significant developments among vessel operating carriers with respect to the complexity and scope of agreements that have been filed with the Commission. Significant changes in the ocean carrier industry, notably related to consolidations, have resulted in changes to the composition of operational alliances. Implementation of carrier consolidations is ongoing, and will continue to impact existing and future filed agreements. With the industry in motion, the FMC will continue to play a strong role in analyzing agreements for anticompetitive practices, overseeing the changes and monitoring the impact on the nation's exporters to ensure exported goods reach foreign markets efficiently and effectively. One example of the Commission's work during FY 2016 was the review of the OCEAN Alliance agreement, which allows the sharing of members' vessels, charter and exchange of space on members' vessels, and allows the members to enter into cooperative working arrangements in international trade lanes between the U.S. and ports in Asia, Northern Europe, the Mediterranean, the Middle East, Canada, Central America, and the Caribbean. The Commission's staff worked very hard to balance the needs of the OCEAN Alliance members and all other parties involved in the intermodal supply chain, with the ultimate goal of safeguarding competition in international oceanborne common carriage, with the American shipping public foremost in mind.

PORT CONGESTION AND SECURITY INITIATIVES

In FY 2016, the Commission implemented the third phase of its study on congestion -- a supply chain innovation initiative, led by Commissioner Rebecca Dye. This initiative brings together industry leaders from across the international ocean transportation supply chain to discuss challenges and collaborate on solutions to help reduce port congestion and remove related obstacles to efficient U.S. supply chain operations. The FMC's three teams are each composed of industry leaders that, under FMC authority and oversight, conduct non-public discussions aimed at identifying and implementing actionable processes to improve supply chain visibility and better integrate the various transportation and logistics actors involved. Industry participants include ports, terminal operators, major shippers, ocean transportation intermediaries, port labor, railroads, truckers, and chassis providers.

Additionally, the FMC participates with other agencies in U.S. oceanborne commerce security initiatives to protect the U.S. public. The Commission shares data with Federal agencies engaged in homeland security to improve the flow of information and identification of entities providing and utilizing maritime transportation services. To facilitate these activities, the FMC has executed a Memorandum of Understanding (MOU) with U.S. Customs and Border Protection providing for more efficient utilization of existing systems and services. The FMC also has an active MOU with the Census Bureau, U.S. Department of Commerce, providing the FMC with access to the Census' Automated Export System (AES) database. These MOUs allow the FMC to handle and use confidential U.S. export shipment data to accomplish its mission and to protect the nation's security interests. The FMC also supports the Nation's economic and security interests by partnering with the National Intellectual Property Rights Coordination Center (IPR Center), a Department of Homeland Security-led partnership of 23 Federal and international agencies targeting intellectual property- and trade-related crimes.

ENFORCEMENT, DISPUTE RESOLUTION AND PUBLIC INFORMATION

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

The FMC provides direct services to the public through a number of offices, programs, and its website. The Commission's CADRS office receives time-sensitive requests for assistance (through e-mail and calls to its toll-free number) from shippers and carriers. The Commission's Area Representatives, strategically located at six key maritime ports, commonly operate as the "front line" for questions and issues facing the industry. The Commission's Office of the Secretary updates the FMC's website and social media frequently, providing time sensitive 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 plays an important role in improving international commerce and assisting with industry-driven solutions to ocean shipping issues. For example, in late FY 2016, the Commission began continuously monitoring developments related to the bankruptcy of a large foreign-based container shipping company, which has impacted U.S.-based terminal operators, cargo owners, truckers, and others in the supply chain.

ENCOURAGING ECONOMIC GROWTH

This agency's mission directly supports the President's commitment to encourage economic growth and job creation in the United States. The Commission's important work fosters economic growth through effective shipping and infrastructure practices. Commission programs related to monitoring international oceanborne trade conditions, and carrier and marine terminal operator agreements ensure the free flow of shipping commerce and efficient supply chains for both the import and export of goods for domestic production and consumption.

PROGRAM PERFORMANCE OVERVIEW

The FMC, like other Federal agencies, provides a performance plan to Congress, pursuant to the Government Performance and Results Act (GPRA). The Commission's performance goals are organized to aid in achieving its strategic goals. The FMC's *Strategic Plan Fiscal Years 2014-2018 (Revised)* is available on the FMC's website. The complete Program Performance Report for FY 2016 is contained in the *Program Performance* section of this report.

The Commission is aware of and responsive to changing conditions affecting the state of our trades, including licensing, agreements, and contracting practices. During FY 2016, the Commission continued to make progress in modernizing its business processes. The Commission issued a final rule in early FY 2016 updating ocean transportation intermediary licensing and financial responsibility requirements. The Commission issued an Advance Notice of Proposed Rulemaking regarding its service contract regulations and NVOCC service arrangements in FY 2016, and received numerous comments, which will be analyzed and considered before a final rule is issued.

ACHIEVING STRATEGIC GOAL RESULTS

The FMC developed performance goals to both promote its strategic goals and support its mission. Specific targets and activities must be accomplished to meet the identified performance goals. Fiscal year 2016 was the eighth year in which the FMC undertook to quantify and measure performance goals. The Commission's actual performance in FY 2016 is compared with the targeted levels of performance established in the agency's *Strategic Plan Fiscal Years 2014-2018 (Revised)*. Taken together, performance measures and targets under each strategic goal were designed to enhance and further those goals each fiscal year, bringing the agency closer to full achievement of its strategic goals. Experience in previous years enabled us to better set realistic targets for FY 2016 in the revised strategic plan.

Historical Performance of Strategic Goals and Objectives						
Strategic Goal	**Objective**	**Performance Measures**	**2013**	**2014**	**2015**	**2016**
Goal 1. Maintain an efficient and competitive international ocean transportation system.	**1.** Enhance efficiency in the trades through the use of asset sharing authority under the Shipping Act of 1984.*	Percentage share of U.S. containerized cargo moving on other agreement parties' vessels in major U.S. trades.**	**TARGET**			
			19.5%	39.5%	40%	40.5%
			ACTUAL			
			19.5%	45.6%	49%	51%
Goal 2. Protect the public from unlawful, unfair and deceptive ocean transportation practices and resolve shipping disputes.	**1.** Identify and take action to end unlawful, unfair and deceptive practices.	Percentage of enforcement actions taken under the 1984 Act successfully resolved through favorable judgment, settlement, issuance of default judgment, or compliance letter or notice.	**TARGET**			
			76%	76.5%	77%	77.5%
			ACTUAL			
			78.9%	83.8%	83.4%	88.6%
	2. Prevent public harm through licensing and financial responsibility requirements.	Percentage of decisions on completed OTI license applications rendered within 60 calendar days of receipt, facilitating lawful operation of OTIs with the appropriate character and experience requirements.	**TARGET**			
			75%	75%	75%	75%
			ACTUAL			
			87.6%	71.3%	72%	98%
		Percentage of cruise line operators examined during the year that have the full financial coverage required by regulation to protect against loss from non-performance or casualty.	**TARGET**			
			93%	94%	95%	95%
			ACTUAL			
			100%	96.7%	96%	96%
	3. Enhance public awareness of agency resources, remedies and regulatory requirements through education and outreach.	Percentage of key Commission issuances, orders, and reports are available through the Commission's website within 5 working days of receipt.	**TARGET**			
			76%	76%	78%	80%
			ACTUAL			
			86%	93%	92%	90%
	4. Impartially resolve international shipping disputes through ADR and adjudication.	Number of cases opened and closed each fiscal year using *ombuds* and ADR services to assist consumers in recovering goods or funds.	**TARGET**			
			800	825	825	825
			ACTUAL			
			800	994	882	**778*** **
		Percentage of formal complaints or Commission-initiated orders of investigation completed within 2 years of filing or Commission initiation.	**TARGET**			
			56%	58%	58%	60%
			ACTUAL			
			91%	88%	90%	86%

* This objective was revised for FY 2014-2018. In FY 2013, the objective was: identify and take action to address substantially anti-competitive conduct or unfavorable conditions in U. S. trades. The target for FY2013 was 19.5%.

** This measure was revised for FY 2014-2018. In FY 2013, the measure was: percentage share of total U.S. international oceanborne trade moved by containership, as an indicator of liner shipping efficiency. The target for FY 2013 was 19.5%.

***For a complete explanation of why this goal was not met, please see Table 1: Summary of Performance Measure Results – FY 2016 in the Program Performance Information section of this Report.

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

Strategic Management of Human Capital – In 2016, the FMC continued to implement the strategic goals, strategies, and measures of results outlined in the 2012-2017 Human Capital Plan, Workforce Plan, and Accountability Plan. The Commission's Human Capital Plan was developed under the Office of Personnel Management's (OPM) Human Capital Assessment and Accountability Framework, and provides for recruiting and retaining a talented workforce, and to appropriately manage succession in the Commission's small workforce. Currently, the 2017-2022 Human Capital Plan is being constructed to reflect the results and changes of strategies and goals for the continued success of the Commission.

To recruit and retain a highly qualified and diverse workforce, the Human Capital Plan includes improved marketing of the FMC; streamlining of the application process through implementation of utilizing an automated application system; targeting recruitment tools and areas of consideration to increase the diversity of applicants; and incorporating organizational needs based on the annual OPM Federal Employee Viewpoint Survey results. In order to meet mission objectives, the FMC is actively working to define and plan for the workforce of the future, consistent with the current Administration's programs and reform initiatives.

Strong leadership is a critical asset, and at the close of FY 2016, 47 percent of the FMC's executives were eligible for optional retirement. The Commission is engaged in succession management and projecting its future needs. Current staff are developed to prepare individuals to assume greater levels of responsibility, and to allow the agency to continue to maintain talented and knowledgeable leadership to meet the challenges of the future. Continuous training and development in leadership competencies will prepare the next generation of leaders at the Commission.

Competitive Sourcing - The FMC submitted its FY 2016 Federal Activities Inventory Reform Act (FAIR Act) Inventory to OMB in June 2016. The Inventory identified 71 of the agency's 130 authorized Full-time Equivalent employees (FTEs) as commercial activity FTEs. No challenges to its commercial inventories have ever been received.

Improved Financial Performance - The FMC received an unmodified ("clean") opinion on its financial statements in FY 2016, and will continue to strive to make improvements in its operations and achieve unmodified audit opinions in the future.

Expanded E-Government - The Commission continued to monitor public usage trends and leverage user feedback during FY 2016. Public feedback was used to refine and improve users' experience with the website (www.fmc.gov), and enhance the organization, quality, clarity, and accessibility of content provided to the shipping public. Notable achievements in FY 2016 include:

- archiving and streamlining content to improve delivery and accuracy of information;
- initiating and beginning work on a major platform migration and extensive improvements to the information architecture of www.fmc.gov;
- developing and launching a new online automated filing system for the renewal of registrations for foreign-based unlicensed NVOCCs (Form FMC-65); and
- developing and launching a new online automated option to the industry for agreement filing, review, and publication – the eAgreements system. This system includes instant filing confirmation receipts, elimination of paper, postage or courier costs, and faster publication of filed agreements on the FMC's website.

The Commission has focused on completing major upgrades to its internal IT systems, in part through creation of an Enterprise Content Management (ECM) solution to improve data support for all Commission programs and research projects, as well as to simplify stakeholder interaction and filing processes and to ensure that the FMC's systems meet cybersecurity best practices. During FY 2016, the FMC made significant progress towards the planned identified goals and objectives, including:

- moving the Commission's disaster recovery server to a cloud-based solution, assisting the FMC in effectively continuing operations during emergency events and saving the Commission the operating costs of maintaining a physical disaster recovery location;
- making significant upgrades to the agency's infrastructure;
- becoming FEDRAMP compliant by migrating the Commission's ISP contract to a FEDRAMP compliant ISP provider;
- enhancing the FMC's security posture by employing various security tools, such as Xacta, Nessus, ManageEngine, and Varonis, in addition to the security services provided by Microsoft, the CDM program;
- offering the availability of all internal line of business applications in the cloud via Office 365; and
- streamlining communication between the FMC's field offices and headquarters, no longer requiring field offices to connect via a VPN.

Performance Improvement – The Commission's Strategic Plan represents the fundamental framework for planning and budgeting activities. Funding and FTE 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.

Fiscal Year 2017 will conclude the five-year performance cycle with the current Strategic Plan. Commission staff will commence planning and study towards formulating a new Strategic Plan.

FINANCIAL PERFORMANCE OVERVIEW

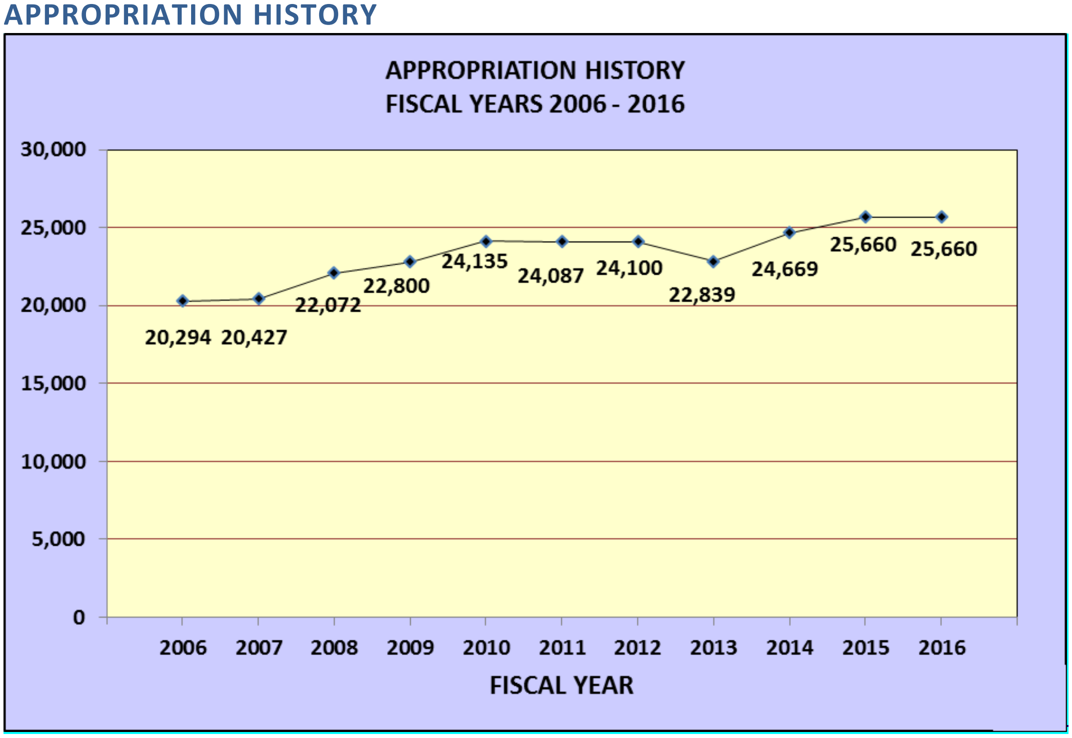
The FMC's financial condition as of September 30, 2016, is sound, and a number of internal controls are in place to ensure that funds are utilized efficiently and effectively, and that its budget authority is not exceeded. The FMC's accounting services provider, the Bureau of the Fiscal Services (BFS), prepared the financial statements as required by the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of the FMC in accordance with Generally Accepted Accounting Principles (GAAP), standards approved by the Federal Accounting Standards Advisory Board (FASAB), and OMB Circular A-136, *Financial Reporting Requirements*.

SOURCE OF FUNDS

The FMC has single source funding, Salaries and Expenses, funded by an annual appropriation available for commitments and obligations incurred during the fiscal year in which the authority was granted. Congress approved FY 2016 appropriations for the FMC in the amount of $25,660,000 through P.L. 114-113, straight-lined at the FY 2015 final appropriation level. Additionally, the Commission had reimbursable budget authority of $125,458 for work performed by FMC staff at other government entities.

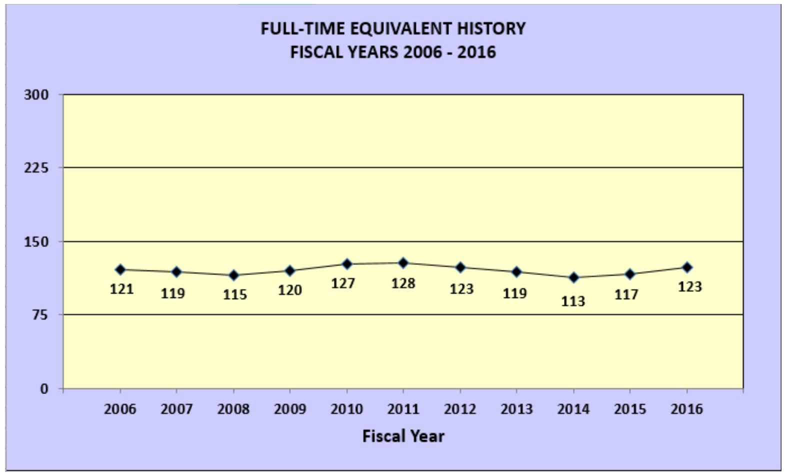
The FMC collects remittances for user fees and penalties, however, it is not authorized to offset any of its budget authority by utilizing these funds. Collections are deposited directly into the Treasury General Fund. This information is captured in the Statement of Custodial Activity which can be found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

APPROPRIATION HISTORY



FULL-TIME EQUIVALENT HISTORY

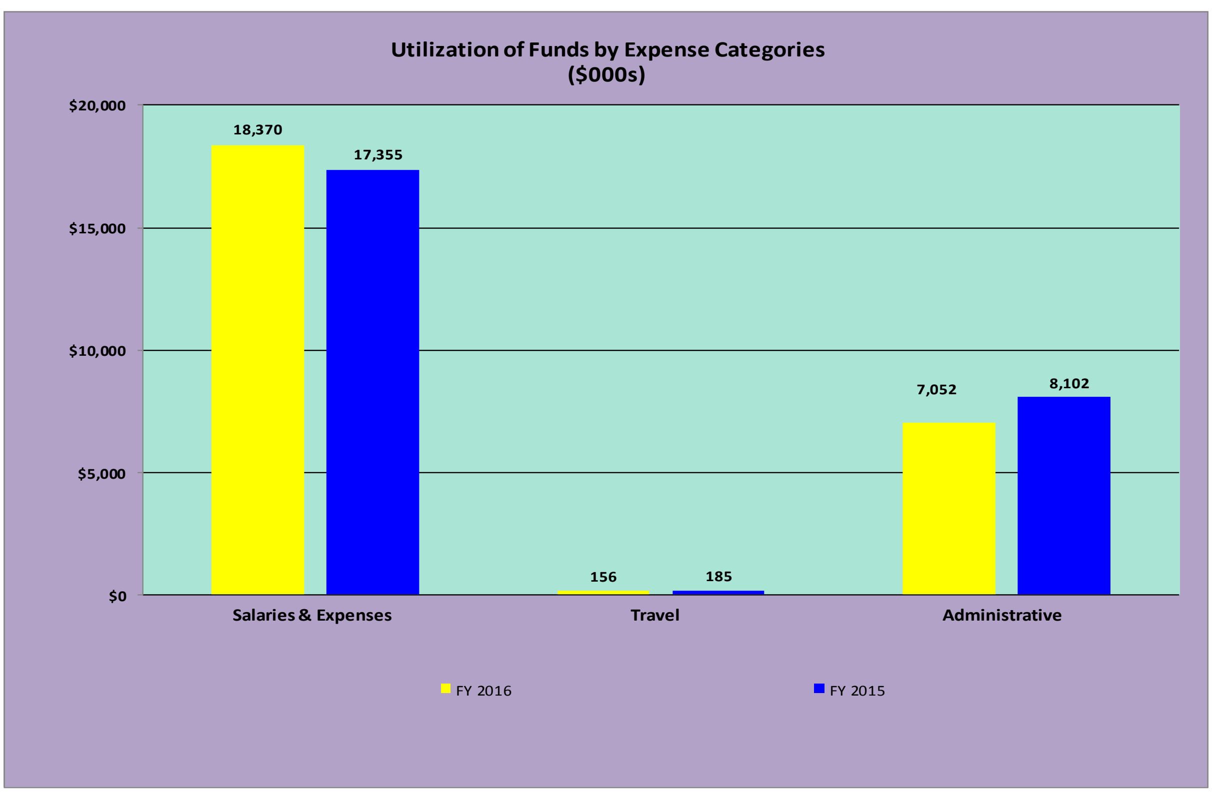
The FMC's FTE level is largely driven by our annual appropriation level; however, unanticipated vacancies in such offices as the Offices of the Commissioners have sometimes remained unfilled for lengthy periods of time, awaiting Presidential and Congressional action. The FMC has maintained a full complement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



The FMC experienced a number of unanticipated retirements and separations in 2014, resulting in a lower than anticipated FTE level. The FMC had a slight increase in FTEs in 2015. The actual FTE level for 2016 was 123, with 119 employees on board at fiscal year's end. The Commission has endeavored to develop the appropriate mix of staffing and other available means to ensure effective accomplishment of its mission.

USES OF FUNDS BY EXPENSE CATEGORY

During FY 2016, obligations against the FMC's appropriation totaled $25,574,275, representing 99.67% of the funding level. The Commission spent $25.574 million as follows: 71.83% for salaries and benefits, 0.61% for official travel expenses, and 27.56% for administrative expenses (e.g., rent, government and commercial contracts, telephones, and IT services and equipment). The balance of $85,725 will be allocated to legitimate increases to existing FY 2016 obligations.



AUDIT RESULTS

The FMC again received an unmodified ("clean") opinion on its FY 2016 financial statements from the auditing firm of Dembo Jones, P.C. under contract through the FMC's OIG. Comparative statements are located in the *Financial Information* section of this report.

FINANCIAL STATEMENT HIGHLIGHTS

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

The FMC's financial statements summarize the financial position and financial activity of the agency. The financial statements, footnotes, and the remainder of the required supplementary information appear in their entirety in the *Financial Information* section of this report. A brief analysis of the principal statements follows.

SUMMARY OF ASSETS

The FMC's assets were $4,182,979 as of September 30, 2016. This represents a decrease from FY 2015 of $642,979. The FMC's assets reported in the balance sheet are summarized in the accompanying table.

Summary of Assets as of September 30, 2016		
	FY 2016	**FY 2015**
Fund Balance with Treasury	$3,716,353	$4,397,659
Accounts Receivable	$3,720	$19,987
Capital Assets	$462,906	$408,312
Other	$0	$0
Total Assets	**$4,182,979**	**$4,825,958**

The Fund Balance with Treasury of $3,716,353 represents the FMC's largest asset and represents 88.9% of the agency's total assets. This is a decrease of $681,306 from FY 2015. 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, 2016 was $3,720 for outstanding receivables billed to both Federal and non-Federal entities. This accounts for 0.1% of the FMC's assets.

Capital Assets, also known as Property, Equipment and Software, accounts for 11.1% of the FMC's total assets as of September 30, 2016. The net value of $462,906 accounts for the depreciation of all assets and represents the current book value of those assets.

SUMMARY OF LIABILITIES

The FMC's Liabilities totaled $3,377,516 as of September 30, 2016, an increase of $933,825 from FY 2015. The majority of the increase is related to an increase in engineering, technical and software services and additional obligations where the goods and/or services have yet to be received or vendor(s) have not submitted billings for delivered orders.

Summary of Liabilities as of September 30, 2016		
	FY 2016	**FY 2015**
Accounts Payable	$1,346,485	$537,340
Payroll Taxes	$148,036	$117,760
Federal Employee Benefits	$1,300	$0
Custodial Liabilities	$0	$0
Accrued Liabilities	$1,881,695	$1,788,591
Total Liabilities	**$3,377,516**	**$2,443,691**

The FMC's accounts payable as of September 30, 2016 was $1,346,485. This represents the funds owed for goods and services received from vendors. Accrued liabilities 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.

ANALYSIS OF CHANGES IN NET POSITION SUMMARY

The Changes in Net Position Summary is a summary of two factors, Unexpended Appropriations (the amount of spending authority that remains unused at the end of the fiscal year) and Cumulative Results of Operations (the cumulative excess of financing resources over expenses). The total net position for FY 2016 is a decrease of $1,576,804 from FY 2015.

Changes in Net Position Summary as of September 30, 2016		
	FY 2016	**FY 2015**
Unexpended Appropriations	$1,520,851	$3,167,730
Cumulative Results of Operation	($715,388)	($785,463)
Total Net Position	**$805,463**	**$2,382,267**

Net position is the residual difference between assets and liabilities and is comprised of Unexpended Appropriations and Cumulative Results of Operations. Unexpended Appropriations represent the amount of unobligated and unexpended budget authority for the 5 year period ending on September 30, 2016. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation for the same period. The Cumulative Results of Operations is the net result of FMC's operations for all active fiscal years.

ANALYSIS OF NET COST SUMMARY

The analysis of Net Cost Summary presents the net cost of FMC's Programs as identified in the Annual Report. The four agency programs are Operational and Administrative, Formal Proceedings, Inspector General, and Equal Employment Opportunity. The Statement of Net Costs shows the net cost of operations for the agency as a whole and its sub-organizations and/or programs. Net Costs compared to Budgetary Resources can be found in the *Financial Information* section of this report. This table reflects costs attributable to all active fiscal years (2012-2016)

Net Cost Summary as of September 30, 2016		
	FY 2016	**FY 2015**
Operational and Administrative	$19,653,860	$18,283,294
Formal Proceedings	$8,080,880	$7,781,594
Office of the Inspector General	$389,900	$450,246
Office of Equal Employment Opportunity	$162,482	$153,307
Total Net Cost	**$28,287,122**	**$26,668,441**

ANALYSIS OF THE STATEMENT OF BUDGETARY RESOURCES

Statement of Budgetary Resources as of September 30, 2016		
	FY 2016	FY 2015
Obligations Incurred	$25,698,859	$26,168,073
Unobligated Balance Unavailable	$310,114	$284,834
Unobligated Balance Available	$85,725	$17,625
Total Status of Budgetary Resources	**$26,094,698**	**$26,470,532**

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 2016, the FMC had total budgetary resources available of $26,094,698 representing a decrease of $375,834 from 2015. The FMC incurred total obligations during FY 2016 of $25,698,859. The budgetary resources represent financial activity during the accounting period for the five active fiscal years.

CONTROLS, SYSTEMS, AND LEGAL COMPLIANCE

The Commission's internal controls are fundamental to the systems and processes used in managing its operations and achieving its strategic goals. The Chairman's Statement of Assurance in the following section notes that the FMC does not have any material weaknesses or instances of nonconformance to report for FY 2016.

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

The Federal Managers' Financial Integrity Act (FMFIA) 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 FMC managers are held accountable for efficient and effective performance of their duties in compliance with applicable laws and regulations, and for maintenance of the integrity of their activities through the use of controls.

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

Identified deficiencies in management control will be addressed at the highest management levels within the FMC. For instance, 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 2016, management and the OIG reached agreement on 6 OIG audit recommendations. Management took action with respect to all recommendations and remedied 15, some from prior years. Management will continue work to implement the remainder of the IG's recommendations during the coming fiscal year.

DEBT COLLECTION IMPROVEMENT ACT OF 1996

The Debt Collection Improvement Act enhances the ability of the government to service and collect debts because 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. The collection of delinquent debts is conducted on behalf of the Commission by the Bureau of Fiscal Services 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 of the FMC is to minimize the amount of delinquent debt owed to the government.

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), and requires the establishment of government-wide data standards for spending information that agencies report to Treasury, OMB, and the General Services Administration. Agencies are required to begin reporting standardized spending information by May 9, 2017.

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

The Commission utilizes the infrastructure and financial system maintained by its Federal Shared Service Provider, the Administrative Resource Center (ARC), Bureau of Fiscal Services (BFS). The Commission is working with ARC to ensure that it is on target with the DATA Act's requirements.

The Commission has established a working group, has prepared a DATA Act Implementation Plan, and is actively monitoring ARC's implementation progress. The agency's Inspector General completed a DATA Act Readiness Review in August 2016, and provided helpful insights which the Commission incorporated into its Plan.

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 2016, the FMC maintained a percentage of on-time payments of 98.4 percent.

In FY 2016, the FMC paid $4.00 in interest payments as a result of eight late payments. The FMC will continue to work towards maintaining 100 percent on-time vendor payments in future years.

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 make revisions to cover program and administrative costs incurred as necessary. The Commission published notice of its final rule, *Update of Existing and Addition of New User Fees*, in August 2016. New user fee rates will take effect in FY 2017.

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 Bureau of Fiscal Services. The Commission verifies and reconciles all financial statements and reports prior to submission, and has remained in compliance with all reporting thresholds.

INSPECTOR GENERAL ACT OF 1978, AS AMENDED IN 1988, AND THE INSPECTOR GENERAL REFORM ACT OF 2008

Section 5(b) of the Inspector General Act of 1978 requires agencies to report on final actions taken on OIG audit recommendations. The Inspector General issued the following four audit and review reports in FY 2016:

- Independent Auditors' Report of FMC's FY 2015 Financial Statements;
- FY2015 Financial Statement Management Letter;
- Evaluation of FMC's Compliance with the Federal Information Security Management Act FY 2015; and
- DATA Act Readiness Review.

The agency addressed a number of recommendations from these reviews, and it is expected that progress will be made to address the remaining open recommendations during FY 2017.

No significant deficiencies were identified during FY 2016.

TREASURY ASSURANCE STATEMENT - USA SPENDING RECONCILIATION

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

FREEZE THE FOOTPRINT

OMB Memorandum 12-12, Section 3, *Promoting Efficient Spending to Support Agency Operations* and Management Procedures Memorandum 2013-02, "Freeze the Footprint" policy implementation guidance, require agencies to report total square footage associated with agency assets and annual operating costs. Although not a CFO Act agency, the FMC works closely with the General Services Administration (GSA) to better steward government resources and align the size of Federal real property assets with actual program needs. An additional potential reduction in office space (and associated cost savings) was identified in FY 2016, and the FMC worked with GSA to reconfigure headquarters space. The agency will continue to evaluate its space needs going forward.

FY 2016 - FMC Square Footage (Rentable Square Footage)

Location	Square Footage	Comment
Headquarters	62,155	60,380 + 1,775 in joint use space[1]
Houston	547	
Los Angeles	838	
New Orleans	210[2]	Space is provided at no cost by DHS–CBP
New York/New Jersey	1,405	
Seattle/Tacoma	451	
South Florida	1,249	
TOTAL	**66,855**	

Footprint Baseline Comparison (Usable Square Footage)

	FY 2012 (Baseline)	FY 2013	FY 2014	FY 2015	FY 2016
Total Square Footage	58,208	58,208	58,530	57,237	55,436

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

	FY 2012 Reported Cost	FY 2013 Reported Cost	FY 2014 Reported Cost	FY 2015 Reported Cost	FY 2016 Reported Cost	Change in Baseline 2012-2016
Operation and Maintenance Costs	$2,994,981	$3,191,702	$3,234,499	$3,296,731	$3,217,400[3]	$222,419

[1] Joint use space is applicable only to the HQ office space. The FY 2016 renegotiation of the Commission's Occupancy Agreement (OA) with GSA resulted in an increase in joint use space as other Federal agencies have vacated the Washington, D.C. building which houses the HQ offices.

[2] The square footage provided for the New Orleans field office is approximate. The FMC does not maintain a lease or pay rent on this space, however the FMC has a Memorandum of Agreement with U.S. Customs and Border Protection (CBP), Department of Homeland Security (DHS). The relocation of the New Orleans office resulted in a decrease in square footage.

[3] The FMC received a credit in FY 2016 for HQ Tenant Improvement Allowance renegotiation.

CHAIRMAN'S FMFIA STATEMENT OF ASSURANCE

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

The FMC conducted its Fiscal Year 2016 assessment of the effectiveness of the internal controls put in place by the organization to support effective and efficient programmatic operations, reliable financial reporting, and compliance with applicable laws and regulations, and to determine whether the financial management system conforms to applicable financial systems requirements in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control and Enterprise Risk Management*.

The FMC can provide reasonable assurance that its internal controls over the effectiveness and efficiency of operations, reliable financial reporting, and compliance with applicable laws and regulations as of September 30, 2016, were operating effectively, that any detected discrepancies were addressed, and that no material weaknesses were found in the design or operation of the agency's internal controls based on the results of this assessment.

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

Mario Cordero
November 15, 2016

PROGRAM PERFORMANCE INFORMATION

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 2016 in furtherance of the Commission's mission to foster a fair, efficient and reliable international ocean transportation system, and to protect the public from unfair and deceptive practices. The FMC's strategic goals and objectives are as follows:

- Maintain an Efficient and Competitive International Ocean Transportation System.
    - Identify and take action to address substantially anti-competitive conduct or unfavorable conditions in U.S. trades.
- Protect the Public from Unlawful, Unfair and Deceptive Ocean Transportation Practices and Resolve Shipping Disputes.
    - Identify and take action to end unlawful, unfair, and deceptive practices.
    - Prevent public harm through licensing and financial responsibility requirements.
    - Enhance public awareness of agency resources, remedies, and regulatory requirements through education and outreach.
    - Impartially resolve international shipping disputes through alternative dispute resolution and adjudication.

The FMC quantitatively measured seven performance goals during the fiscal year. Six out of seven measures reached and exceeded FY 2016 targets. Each measure, target, and actual result is reported in the summary table below (Table 1) and includes a description of the data used to measure performance along with an explanation of the procedures in place to validate and ensure integrity of the reported result. Where a performance target was unmet, an explanation has been provided.

Trend data for measures in place since 2010 is reflected in a Table 2 below. This data reflects continuous increases in agency efficiency and productivity – a result of both improved and streamlined processes, and enhanced focus on improving the critical processes being measured. Table 3 provides a status update on unmet targets for FY 2011 through FY 2016.

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

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

TABLE 1: SUMMARY OF PERFORMANCE MEASURE RESULTS – FY 2016

Targeted performance compared to actual results.

Strategic Goal No. 1: Maintain an efficient and competitive international ocean transportation system.		
Performance Measure	**FY 2016 Target**	**FY 2016 Actual**
Measure: Percentage share of U.S. containerized cargo moving on other agreement parties' vessels in major U.S. trades. **2016 Target:** 40.5% **Validation:** This outcome goal is measured by using information from several different commercial sources that collectively provide the number of loaded containers (TEUs) carried by vessels operating in selected major U.S. trade lanes while separately enumerating the number of TEUs carried by each vessel for the ship operator's own account and the number of TEUs carried by the vessel on behalf of other vessel operating common carriers (i.e., on behalf of third-parties). The vessels' data are aggregated, and the total number of TEUs carried on behalf of third-parties is divided by the total number of TEUs carried in the trades selected. The measure is applied to the transpacific and transatlantic liner trades, which together account for about two-thirds of all U.S. container cargo.	40.5%	51%
Strategic Goal No. 2: Protect the public from unlawful, unfair and deceptive ocean transportation practices and resolve shipping disputes.		
Performance Measure	**FY 2016 Target**	**FY 2016 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. **2016 Target:** 77.5% **Validation:** This outcome goal is measured by examining enforcement case inventory and physically counting the number of cases resolved. The inventory is maintained for case load management, and monthly and quarterly reporting purposes. The data is constantly under review and frequently updated.	77.5%	88.6%
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. **2016 Target:** 75% **Validation:** This outcome goal is measured by comparing data fields in an internal database that contains, among other data points, the date the OTI license application is accepted for processing and the date a licensing determination is made or the application process has been completed. The difference between these two dates is the length of time to render a decision on an OTI application accepted for processing. The database is maintained for daily case load management, and monthly and quarterly reporting purposes. The data is constantly under review and frequently updated.	75%	98%

Measure: Percentage of cruise line operators examined during the year that have the full financial coverage required by regulation to protect against loss from non-performance or casualty. **2016 Target:** 95% **Validation:** This outcome goal is measured by comparing reported financial coverage amounts against required coverage amounts. Approximately 200 cruise vessels are registered in and monitored by the Commission's Passenger Vessel (Cruise) Operator program. Operators covered by this program file semi-annual, monthly, and weekly unearned passenger revenue reports. This information is used to compare reported coverage against required coverage amounts.	95%	96%
Measure: Percentage of key Commission issuances, orders and reports that are available through the Commission's website within 5 working days of receipt. **2016 Target:** 80% **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.	80%	90%
Measure: Number of cases opened and closed each fiscal year using *ombuds* and ADR services assisting consumers to recover goods or funds. **2016 Target:** 825 **Validation:** This outcome goal is measured using data maintained by the Commission on each such case opened and closed. This outcome goal is measured by the number of informal *ombuds* matters and mediation cases opened and closed by the Office of Consumer Affairs and Dispute Resolution Services (CADRS) and matters handled by the Commission's Area Representatives (ARs). Such matters are opened upon the request of the public for assistance and are subject to the normal fluctuations in consumers seeking help from the Commission. Cases are closed upon resolution or impasse and only cases that are both opened and closed in the relevant period are counted. In addition to the normal fluctuations expected during any reporting period in the number of requests received for Commission assistance and therefore the number of cases opened and closed during the fiscal year, a temporary reduction in AR staff in two geographic regions may also have been a factor in the minor drop for this measure.	825	778
Measure: Percentage of formal complaints or Commission initiated orders of investigation completed within two years of filing or Commission initiation. **2016 Target:** 60% **Validation:** This outcome goal is measured using docket activity logs maintained by the Commission. The docket logs are used on a daily basis by agency staff and by the public, and as such, any discrepancies are discovered and remedied quickly.	60%	86%

TABLE 2: PERFORMANCE MEASURE TRENDS FY 2010-2016

Strategic Goal No. 1: Maintain an efficient and competitive international ocean transportation system.							
Performance Measure	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY2015**	**FY 2016**
Measure: Percentage share of U.S. containerized cargo moving on other agreement parties' vessels in major U.S. trades.							
TARGET	18%*	18.5%*	19%*	19.5%*	39.5%	40%	40.5%
ACTUAL	17.4%	17.9%	18.7%	19.5%	45.6%	49%	51%
Strategic Goal No. 2: Protect the public from unlawful, unfair and deceptive ocean transportation practices and resolve shipping disputes.							
Measure: Percentage of enforcement actions taken under the Shipping Act of 1984 successfully resolved through favorable judgment, settlement, issuance of default judgment, or compliance letter or notice.							
TARGET	70%	72%	74%	76%	76.5%	77%	77.5%
ACTUAL	72.9%	82%	88%	78.9%	83.8%	83.4%	88.6%
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.							
TARGET	55%	60%	70%	75%	75%	75%	75%
ACTUAL	65%	77%	90.2%	87.6%	71.3%	72%	98%
Measure: Percentage of cruise line operators examined during the year that have the full financial coverage required by regulation to protect against loss from non-performance or casualty.							
TARGET	90%	91%	92%	93%	94%	95%	95%
ACTUAL	90 %	91%	100%	100%	96.7%	96%	96%
Measure: Percentage of attendees at agency sponsored outreach presentations that rate the program as "Useful" or "Extremely Useful" in their compliance efforts.							
TARGET	70%	75%	**N/A***	**N/A***	**N/A***	**N/A***	**N/A***
ACTUAL	100%	**N/A***	**N/A***	**N/A***	**N/A***	**N/A***	**N/A***
Measure: Percentage of key Commission issuances, orders and reports that are available through the Commission's website within 5 working days of receipt.							
TARGET	70%	72%	74%	76%	76%	78%	80%
ACTUAL	77.1%	72%	79%	86%	93%	92%	90%
Measure: Number of cases opened and closed each fiscal year using *ombuds* and ADR services assisting consumers to recover goods or funds.							
TARGET	550	625	700	800	825	825	825
ACTUAL	556	631	893	800	994	882	778
Measure: Percentage of formal complaints or Commission initiated orders of investigation completed within two years of filing or Commission initiation.							
TARGET	50%	52%	54%	56%	58%	58%	60%
ACTUAL	56%	60%	73%	91%	88%	90%	86%

* In consultation with OMB, results for performance measure, "Percentage share of total U.S. international oceanborne trade moved by containership as an indicator of liner shipping efficiency" is reflected in the years 2010-2013. The outcome goal was changed in 2013. Also, "Percentage of attendees at agency sponsored outreach presentations that rate the program as 'Useful' or 'Extremely Useful' in their compliance efforts." The measure is not reflective of current agency outreach practices. It also proved logistically difficult to execute because most outreach is performed by FMC staff as invitees at non-FMC sponsored events. This outcome goal was removed for FY 2011 – 2015.

. TABLE 3: STATUS OF UNMET TARGETS, 2011 - 2016

Performance Measure (2011)	FY 2011 Target	FY 2011 Actual
Measure: Percentage share of total U.S. international ocean borne trade moved by containership as an indicator of liner shipping efficiency. **Strategic Goal No. 1: Maintain An Efficient Competitive International Ocean Transportation System (2011)**	18.5%	17.9%
Performance Measure (2012)	**FY 2012 Target**	**FY 2012 Actual**
Measure: Percentage share of total U.S. international ocean borne trade moved by containership as an indicator of liner shipping efficiency. **Strategic Goal No. 1: Maintain An Efficient Competitive International Ocean Transportation System (2012)**	19%	18.7%
Performance Measure (2013)	**FY 2013 Target**	**FY 2013 Actual**
Measure: Strategic Goal No. 1: Maintain An Efficient Competitive International Ocean Transportation System (2013)	All Targets	All Targets Reached
Measure: Strategic Goal No. 2: Protect the public from unlawful, unfair and deceptive ocean transportation practices and resolve shipping disputes (2013)	All Targets	All Targets Reached
Performance Measure (2014)	**FY 2014 Target**	**FY 2014 Actual**
Measure: Strategic Goal No. 1: Maintain An Efficient Competitive International Ocean Transportation System (2014)	All Targets	All Targets Reached
Measure: Percentage of decisions on completed OTI license applications rendered within 60 calendar days of receipt, facilitating lawful operation of OTIs with the appropriate character and experience requirements. **Strategic Goal No. 2: Protect the public from unlawful, unfair and deceptive ocean transportation practices and resolve shipping disputes (2014)**	75%	**71.3%**
Performance Measure (2015)	**FY 2015 Target**	**FY 2015 Actual**
Measure: Strategic Goal No. 1: Maintain An Efficient Competitive International Ocean Transportation System (2015)	All Targets	All Targets Reached
Measure: Percentage of decisions on completed OTI license applications rendered within 60 calendar days of receipt, facilitating lawful operation of OTIs with the appropriate character and experience requirements. **Strategic Goal No. 2: Protect the public from unlawful, unfair and deceptive ocean transportation practices and resolve shipping disputes (2015)**	75%	**72%**
Performance Measure (2016)	**FY 2016 Target**	**FY 2016 Actual**
Measure: Strategic Goal No. 1: Maintain An Efficient Competitive International Ocean Transportation System (2016)	All Targets	All Targets Reached
Measure: Number of cases opened and closed each fiscal year using *ombuds* and ADR services assisting consumers to recover goods or funds. **Strategic Goal No. 2: Protect the public from unlawful, unfair and deceptive ocean transportation practices and resolve shipping disputes (2016)**	825	**778**

FINANCIAL INFORMATION

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present the financial section of this Performance and Accountability Report for Fiscal Year 2016, which shows that the Federal Maritime Commission continues to maintain its record of strong fiscal stewardship on behalf of the American people. The accompanying financial statements and related notes, which were prepared in conformity with accounting principles generally accepted in the U.S., and requirements set forth in Office of Management and Budget (OMB) Circular No, A-136, *Financial Reporting Requirements,* fairly present the Commission's financial position.

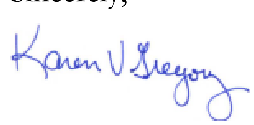
Fiscal Year 2016 marks the 13^{th} consecutive year that the FMC has received an unmodified ("clean") opinion on its financial statements. This unmodified opinion emphasizes the continuing commitment of this agency to maintain sound financial management of the resources entrusted to it: The FMC's financial condition is sound, sufficient internal controls are in place to ensure that its budget authority is not exceeded, and 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 2016:

- A continuous record of no material weaknesses, significant control deficiencies, or nonconformance with the Federal Managers' Financial Integrity Act and other applicable laws and regulations;
- Collecting, in civil enforcement proceedings and user fees, more than $3,701,000 on behalf of the American public;
- Continued focus on internal controls, as mandated by OMB Circular A-123, providing budget information in concise, reliable, and understandable formats; and
- Accurate and timely issuance of financial statements as required by the Accountability of Tax Dollars Act of 2002, which are prepared from, and fully supported by, the books and records of the FMC in accordance with Generally Accepted Accounting Principles (GAAP), standards approved by the Federal Accounting Standards Advisory Board (FASAB), and OMB Circular A-136, *Financial Reporting Requirements.*

This report highlights the Commission's commitment to fulfill its fiduciary responsibilities. We remain committed to exemplary financial management and strive to enhance operational efficiency. I wish to acknowledge the diligent efforts of staff and our financial service provider for their dedication and the role they play in effectively overseeing the FMC's limited resources, and continuing to protect the interest of the American shipping public. While pleased with our FY 2016 accomplishments, I am confident that we will continue to strive to improve and maintain high financial management standards in the coming fiscal years.

Sincerely,



Karen V. Gregory, Chief Financial Officer
November 15, 2016

PRINCIPAL FINANCIAL STATEMENTS

The principal financial statements presented include:

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

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

The Federal Maritime Commission's financial statements were audited by Dembo Jones, P.C., under contract to the FMC's Office of the Inspector General.

REPORT ON THE

FINANCIAL STATEMENTS AUDIT

OF FEDERAL MARITIME COMMISSION

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016 and 2015

FEDERAL MARITIME COMMISSION
Washington, DC 20573

November 9, 2016

Office of Inspector General

Dear Chairman Cordero and Commissioners:

I am pleased to provide the attached audit report required by the Accountability for Tax Dollars Act of 2002 (ATDA), which presents an unmodified (clean) opinion on the Federal Maritime Commission's (FMC) fiscal year (FY) 2016 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 year ended September 30, 2016; 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 15, 2016 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,

Jon Hatfield
Inspector General

Attachment

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

DEMBO·JONES
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Report of Independent Auditors

To Chairman Cordero
Federal Maritime Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the Federal Maritime Commission (FMC), which comprise the balance sheet as of September 30, 2016, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the year then ended. The financial statements of the Federal Maritime Commission as of September 30, 2015, were audited by other auditors whose report dated November 4, 2015, expressed an unmodified opinion on those statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Accordingly, we do not express such an opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

6010 Executive Blvd • Suite 900
Rockville, MD 20852
P 301.770.5100 • F 301.770.5202

Dembo Jones, P.C.
A Member of Allinial Global
www.dembojones.com

8850 Stanford Blvd • Suite 2000
Columbia, MD 21045
P 410.290.0770 • F 410.290.0774

Opinion on Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federal Maritime Commission as of September 30, 2016 and its net costs; changes in net position; budgetary resources; and custodial activity for the year then ended in accordance with U.S. generally accepted accounting principles.

Consideration of Internal Control

In planning and performing our audit, we considered the Federal Maritime Commission's internal control over financial reporting as a basis for designing our auditing procedures and to comply with the Office of Management and Budget (OMB) audit guidance for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on internal control and compliance or on management's assertion on internal control included in MD&A. Accordingly, we do not express an opinion on internal control over financial reporting and compliance or on management's assertion on the effectiveness of the entity's internal control over financial reporting or on management's assertion on internal control included in the MD&A.

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

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

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit the attention of those charged with governance.

Compliance With Laws and Regulations

As part of obtaining reasonable assurance about whether the Federal Maritime Commission financial statements are free from material misstatement, we also performed tests of its compliance with certain provisions of laws and regulations for fiscal year 2016. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Consistency of Other Information

The information in the Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

The information in the Chairman's Message, Performance Section, and Other Accompanying Information is presented for purposes of additional analysis and is not required as part of the financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

Dembo Jones, P.C.

Rockville, Maryland
November 15, 2016

APPENDIX A

FEDERAL MARITIME COMMISSION

COMMENTS ON AUDIT REPORT

Federal Maritime Commission
Washington, DC 20573

Office of the
Managing Director

November 10, 2016

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

Dear Mr. Marshall:

I have reviewed the financial statements audit report for the Federal Maritime Commission for fiscal year 2016. I concur with the audit report's findings that the financial statements fairly present the agency's financial position during the fiscal year ending September 30, 2016, and that the FMC's financial statements are in conformity with U.S. Generally Accepted Accounting Principles; that the FMC has maintained, in all material respects, effective internal control over financial reporting; and that there were no instances of reportable noncompliance with laws and regulations tested by the auditors.

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

Sincerely,

Karen V. Gregory

Karen V. Gregory
Chief Financial Officer

APPENDIX B

FEDERAL MARITIME COMMISSION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

SEPTEMBER 30, 2015 and 2016

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

FEDERAL MARITIME COMMISSION BALANCE SHEET
AS OF SEPTEMBER 30, 2016 AND 2015
(In Dollars)

	2016	2015
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	$ 3,716,353	$ 4,397,659
Accounts Receivable (Note 3)	1,955	14,540
Total Intragovernmental	3,718,308	4,412,199
Accounts Receivable, Net (Note 3)	1,765	5,447
Property, Equipment, and Software, Net (Note 4)	462,906	408,312
Total Assets	$ 4,182,979	$ 4,825,958
Liabilities:		
Intragovernmental		
Accounts Payable	$ 434,801	$ 65,788
Other (Note 6)	148,036	117,760
Total Intragovernmental	582,837	183,548
Accounts Payable	911,684	471,552
Federal Employee and Veterans' Benefits (Note 5)	1,301	-
Other (Note 6)	1,881,695	1,788,591
Total Liabilities (Note 5)	$ 3,377,517	$ 2,443,691
Net Position:		
Unexpended Appropriations - Other Funds	$ 1,520,851	$ 3,167,730
Cumulative Results of Operations - Other Funds	(715,389)	(785,463)
Total Net Position	$ 805,462	$ 2,382,267
Total Liabilities and Net Position	$ 4,182,979	$ 4,825,958

FEDERAL MARITIME COMMISSION
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Dollars)

	2016	2015
Program Costs:		
Operational and Administrative		
Gross Costs	$ 19,698,881	$ 18,323,598
Less: Earned Revenue	(45,020)	(40,304)
Net Program Costs	$ 19,653,861	$ 18,283,294
Formal Proceedings		
Gross Costs	$ 8,118,034	$ 7,803,459
Less: Earned Revenue	(37,154)	(21,864)
Net Program Costs	$ 8,080,880	$ 7,781,595
Office of Inspector General		
Gross Costs	$ 389,899	$ 450,246
Net Program Costs	$ 389,899	$ 450,246
Office of Equal Employment Opportunity		
Gross Costs	$ 162,482	$ 153,306
Net Program Costs	$ 162,482	$ 153,306
Net Cost of Operations (Note 9)	$ 28,287,122	$ 26,668,441

STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Dollars)

	2016	2015
Cumulative Results of Operations:		
Beginning Balances	$ (785,463)	$ (719,731)
Budgetary Financing Sources:		
Appropriations Used	27,226,099	25,464,081
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 10)	1,131,097	1,138,628
Total Financing Sources	28,357,196	26,602,709
Net Cost of Operations	(28,287,122)	(26,668,441)
Net Change	70,074	(65,732)
Cumulative Results of Operations	$ (715,389)	$ (785,463)
Unexpended Appropriations:		
Beginning Balances	$ 3,167,730	$ 3,129,440
Budgetary Financing Sources:		
Appropriations Received	25,660,000	25,660,000
Other Adjustments	(80,780)	(157,629)
Appropriations Used	(27,226,099)	(25,464,081)
Total Budgetary Financing Sources	(1,646,879)	38,290
Total Unexpended Appropriations	$ 1,520,851	$ 3,167,730
Net Position	$ 805,462	$ 2,382,267

STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Dollars)

	2016	2015
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	$ 302,459	$ 387,204
Recoveries of Prior Year Unpaid Obligations	100,146	518,708
Other changes in unobligated balance	(50,080)	(157,548)
Unobligated balance from prior year budget authority, net	352,525	748,364
Appropriations	25,660,000	25,660,000
Spending authority from offsetting collections	82,173	62,168
Total Budgetary Resources	$ 26,094,698	$ 26,470,532
Status of Budgetary Resources:		
New obligations and upward adjustments (total) (Note 12)	$ 25,698,859	$ 26,168,073
Unobligated balance, end of year:		
Apportioned, unexpired account (Note 2)	85,725	17,625
Expired unobligated balance, end of year (Note 2)	310,114	284,834
Unobligated balance, end of year (total)	395,839	302,459
Total Budgetary Resources	$ 26,094,698	$ 26,470,532
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	$ 4,109,740	$ 3,717,924
New obligations and upward adjustments (Note 12)	25,698,859	26,168,073
Outlays (gross)	(26,385,984)	(25,257,549)
Recoveries of Prior Year Unpaid Obligations	(100,146)	(518,708)
Unpaid Obligations, End of Year (gross)	3,322,469	4,109,740
Uncollected payments:		
Uncollected Customer Payments, Federal Sources, Brought Forward, October 1	(14,540)	-
Change in Uncollected Payments, Federal Sources	12,585	(14,540)
Uncollected Customer Payments, Federal Sources, End of Year	(1,955)	(14,540)
Obligated Balance, End of Year	$ 3,320,514	$ 4,095,200
Budget Authority and Outlays, Net:		
Budget authority, gross	$ 25,742,173	$ 25,722,168
Actual offsetting collections	(125,458)	(47,709)
Change in Uncollected Payments, Federal Sources	12,585	(14,540)

Recoveries of prior year paid obligations	30,700	81
Budget Authority, net, (total)	$ 25,660,000	$ 25,660,000
Outlays, gross	$ 26,385,984	$ 25,257,549
Actual offsetting collections	(125,458)	(47,709)
Outlays, net, (total)	26,260,526	25,209,840
Distributed Offsetting Receipts	(225,359)	(248,451)
Agency outlays, net	$ 26,035,167	$ 24,961,389

STATEMENT OF CUSTODIAL ACTIVITY
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Dollars)

	2016	2015
Revenue Activity:		
Sources of Cash Collections:		
Miscellaneous	$ 3,703,552	$ 2,299,802
Total Cash Collections (Note 14)	3,703,552	2,299,802
Accrual Adjustments	(2,163)	(643)
Total Custodial Revenue	3,701,389	2,299,159
Disposition of Collections:		
Transferred to Others (by Recipient)	3,703,552	2,300,035
Increase/(Decrease) in Amounts Yet to be Transferred	(2,163)	410
Retained by the Reporting Entity	-	(1,286)
Total Disposition of Collections	3,701,389	2,299,159
Net Custodial Activity	$ -	$ -

FEDERAL MARITIME COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Federal Maritime Commission (FMC or Commission) was established as an independent regulatory agency on August 12, 1961. The FMC is responsible for the regulation of 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 intermediaries (non-vessel-operating common carriers and ocean freight forwarders) operating in the U.S. foreign commerce to ensure they maintain just and reasonable practices; maintains trade moni-toring, enforcement and dispute resolution programs designed to assist regulated entities in achieving compliance and to detect and remedy malpractices and violations of the 1984 Act; monitors the laws and practices of foreign governments which could have a discriminatory or otherwise adverse impact on shipping conditions in U.S. trades, and imposes remedial action, as appropriate, pursuant to section 19 of the 1920 Act or FSPA; enforces special regulatory requirements applicable to carriers owned or controlled by foreign governments; processes and reviews agreements, service contracts, and service arrangements pursuant to the 1984 Act for compliance with statutory requirements; and reviews common carriers' privately published tariff systems for acces-sibility 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 finan-cial 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 govern-mental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

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

G. Advances and Prepaid Charges

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

H. Liabilities

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

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

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

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

I. Annual, Sick, and Other Leave

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

J. Accrued and Actuarial Workers' Compensation

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

K. Retirement Plans

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

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

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

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 cal-culating 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 off-setting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

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

L. Other Post-Employment Benefits

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

M. Use of Estimates

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

N. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. FMC recognized imputed costs and financing sources in fiscal years 2016 and 2015 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.

P. Reclassification

Certain fiscal year 2015 balances have been reclassified, re-titled, or combined with other financial statement line items for consistency with the current year presentation.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2016, and 2015 were as follows:

	2016	2015
Fund Balances:		
Appropriated Funds	$ 3,716,353	$ 4,397,659
Total	$ 3,716,353	$ 4,397,659
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 85,725	$ 17,625
Unavailable	310,114	284,834
Obligated Balance Not Yet Disbursed	3,320,514	4,095,200
Total	$ 3,716,353	$ 4,397,659

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

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

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations. The obligated balance not yet disbursed, includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand (see also Note 13).

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2016, and 2015, were as follows:

	2016	2015
Intragovernmental		
Accounts Receivable	$ 1,955	$ 14,540
Total Intragovernmental Accounts Receivable	$ 1,955	$ 14,540

	2016	2015
With the Public		
Miscellaneous Accounts Receivable	$ 1,765	$ 5,141
Interest Receivable	-	21
Penalties and Fines Receivable	-	285
Total Public Accounts Receivable	$ 1,765	$ 5,447
Total Accounts Receivable	$ 3,720	$ 19,987

The accounts receivable is primarily made up of services provided to other Intragovernmental agencies. Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2016 and 2015.

NOTE 4. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2016

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Leasehold Improvements	$ 225,000	$ 225,000	$ -
Furniture & Equipment	614,777	381,895	232,882
Software-in-Development	230,024	-	230,024
Total	$ 1,069,801	$ 606,895	$ 462,906

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

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

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for FMC as of September 30, 2016 and 2015 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.

	2016		2015	
Intragovernmental – FECA	$	889	$	-
Unfunded Leave		1,177,870		1,197,058
Actuarial FECA		1,301		-
Total Liabilities Not Covered by Budgetary Resources	$	1,180,060	$	1,197,058
Total Liabilities Covered by Budgetary Resources		2,197,457		1,246,633
Total Liabilities	$	3,377,517	$	2,443,691

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

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

NOTE 6. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2016 were as follows:

	Current		Non Current		Total	
Intragovernmental						
FECA Liability	$	-	$	889	$	889
Payroll Taxes Payable		147,147		-		147,147
Total Intragovernmental Other Liabilities	$	147,147	$	-	$	148,036
With the Public						
Payroll Taxes Payable	$	20,356	$	-	$	20,356
Accrued Funded Payroll and Leave		683,470		-		683,470
Unfunded Leave		1,177,869		-		1,177,869
Total Public Other Liabilities	$	1,881,695	$	-	$	1,881,695

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

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

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 2016 and 2015 were $3,193,005 and $3,277,725, respectively. The lease locations and terms are listed below:

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

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

Fiscal Year	Totals
2017	$ 3,103,341
2018	3,277,331
2019	3,298,020
2020	3,299,120
2021	3,294,615
Thereafter	3,642,170
Total Future Minimum Payments	$ 19,914,597

NOTE 8. CONTINGENT LIABILITIES

FMC records commitments and contingent liabilities for legal cases in which payment has been deemed probable, and for which the amount of potential liability has been estimated, including certain judgments that have been issued against the agency. The FMC has no knowledge of any lawsuits/investigations in which payment is deemed probable.

NOTE 9. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

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

	2016	2015
Operational and Administrative		
Intragovernmental Costs	$ 4,867,783	$ 4,347,088
Public Costs	14,831,098	13,976,510
Total Program Costs	19,698,881	18,323,598
Less: Intragovernmental Earned Revenue	(45,020)	(40,304)
Net Program Costs	19,653,861	18,283,294
Formal Proceedings		
Intragovernmental Costs	5,719,697	5,463,367
Public Costs	2,398,337	2,340,092
Total Program Costs	8,118,034	7,803,459
Less: Intragovernmental Earned Revenue	(37,154)	(21,864)
Net Program Costs	8,080,880	7,781,595
Office of Inspector General		
Intragovernmental Costs	260,578	305,897
Public Costs	129,321	144,349
Net Program Costs	389,899	450,246
Office of Equal Employment Opportunity		
Intragovernmental Costs	36,018	24,556
Public Costs	126,464	128,750
Net Program Costs	162,482	153,306
Total Intragovernmental costs	10,884,076	10,140,909
Total Public Costs	17,485,220	16,589,700
Total Costs	28,369,296	26,730,609
Less: Total Intragovernmental Earned Revenue	(82,174)	(62,168)
Net Cost of Operations	$ 28,287,122	$ 26,668,441

NOTE 10. IMPUTED FINANCING SOURCES

FMC recognizes as imputed financing the costs of future benefits which include health benefits, life insurance, pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the years ended September 30, 2016 and 2015 imputed financing was as follows:

	2016	2015
Office of Personnel Management	$ 1,131,097	$ 1,138,628
Total Imputed Financing Sources	$ 1,131,097	$ 1,138,628

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

The President's Budget that will include fiscal year 2016 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2017 and can be found at the OMB Web site: *http://www.whitehouse.gov/omb/*. The 2017 Budget of the United States Government, with the "Actual" column completed for 2015, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 12. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2016 and 2015 consisted of the following:

	2016	2015
Direct Obligations, Category A	$ 25,608,181	$ 26,105,905
Reimbursable Obligations, Category A	90,678	62,168
Total Obligations Incurred	$ 25,698,859	$ 26,168,073

Category A apportionments distribute budgetary resources by fiscal quarters.

NOTE 13. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the years ended September 30, 2016 and 2015, budgetary resources obligated for undelivered orders amounted to $1,125,012 and $2,865,271, respectively.

NOTE 14. CUSTODIAL REVENUES

FMC is an administrative agency, collecting for another entity or the General Fund of the Treasury. As a collecting entity, FMC measures and reports cash collections and refunds. These collections are reported as custodial revenue on the Statement of Custodial Activity. The type of cash collected is for fines, penalties and administrative fees. A small portion is for interest on the past due fines. Another component of the custodial revenue is general proprietary receipts (User Fees) for the application of licenses issued to qualified Ocean Transportation Intermediaries (OTI's) in the U.S., FMC reviews petitions, status changes and special permission fees. FMC believes that all fines, penalties, administrative fees and user fees will be collected in full. There are no material uncollectible accounts as of September 30, 2016 and 2015.

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

	2016	2015
Custodial Collections:		
Fines, Penalties, and Forfeitures	$ 3,482,000	$ 2,052,514
General Fund Proprietary Receipts (User fees)	225,359	253,476
Refunds of Proprietary Receipts (User fees)	(3,807)	(6,188)
Total Custodial Collections	$ 3,703,552	$ 2,299,802

NOTE 15. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

	2016	2015
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	$ 25,698,859	$ 26,168,073
Spending Authority from Offsetting Collections and Recoveries	(213,019)	(580,957)
Offsetting Receipts	(225,359)	(248,451)
Net Obligations	25,260,481	25,338,665
Other Resources		
Imputed Financing from Costs Absorbed by Others	1,131,097	1,138,628
Net Other Resources Used to Finance Activities	1,131,097	1,138,628
Total Resources Used to Finance Activities	26,391,578	26,477,293
Resources Used to Finance Items Not Part of the Net Cost of Operations	1,835,708	42,414
Total Resources Used to Finance the Net Cost of Operations	28,227,286	26,519,707
Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	59,836	148,734
Net Cost of Operations	$ 28,287,122	$ 26,668,441

OTHER INFORMATION

FEDERAL MARITIME COMMISSION
Washington, DC 20573

October 14, 2016

Office of Inspector General

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

FROM: Inspector General

SUBJECT: Inspector General's Statement on the Federal Maritime Commission's Management and Performance Challenge kudo

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) [or Agency Financial Report (AFR)] for fiscal year (FY) 2016.

This year, the Office of Inspector General (OIG) has identified one management and performance challenge, and removed a challenge previously reported for the last three years. Specifically, the OIG has identified ***information technology security*** as a management and performance challenge. The OIG has removed ***workplace satisfaction*** as a management and performance challenge due to agency improvements in this area. These assessments are based on information derived from a combination of sources, including OIG audit and inspection work; Commission reports; Federal government reports; and a general knowledge of the Commission's programs.

The Reports Consolidation Act of 2000 permits agency comment on the inspector general's statements. Agency comments, if applicable, are to be included in the final version of the PAR / AFR that is due by November 15, 2016.

Jon Hatfield

Jon Hatfield

Attachment

Cc: Karen V. Gregory, Managing Director
Peter J. King, Deputy Managing Director

Office of Inspector General
Fiscal Year 2016 Management Challenge

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

The Federal Maritime Commission (FMC) continues to make improvements on the agency's information technology (IT) security. However, some weaknesses remain, and government-wide, the Government Accountability Office (GAO) has maintained IT security on its list of high-risk government operations and programs since 1997. In 2015, GAO expanded their IT security risk area to include the protection of personally identifiable information (PII).

The FMC shares with other Federal government departments and agencies this challenge due to the evolving and growing threats to government information systems. Risks to information and communication systems include insider threats from disaffected or careless employees and business partners; escalating and emerging threats from around the globe; the ease of obtaining and using hacking tools; the steady advance in the sophistication of attack technology; and the emergence of new and more destructive attacks.

Significant examples of the challenges faced by Federal agencies protecting information and communication systems are the cybersecurity incidents at the Office of Personnel Management (OPM). OPM first reported in early 2015, the discovery that the PII (personnel data, such as full name, birth date, home address and social security numbers) of 4.2 million current and former Federal government employees had been stolen through a cybersecurity incident. Then in June 2015, OPM discovered that the background investigation records of current, former, and prospective Federal employees had been stolen. OPM and the interagency incident response team concluded with high confidence that sensitive information, including social security numbers of 21.5 million individuals, was stolen from the background investigation databases. The frequency and increased sophistication of cyber threats underscores the need to properly manage and bolster the security of Federal information systems, and to remain vigilant.

Agency Progress in Addressing the Challenge:

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

In the OIG's *Evaluation of the FMC's Compliance with the Federal Information Security Management Act (FISMA) FY 2015*, the OIG found the FMC had effectively implemented five of the eight outstanding prior year FISMA recommendations. Further, the FY 2015 FISMA evaluation contained six recommendations to address five findings, and the agency agreed to implement all of the OIG's recommendations. The OIG is nearing completion of the FY 2016 FISMA evaluation and the preliminary results indicate continued progress is being made by the agency to address security weaknesses; the final report is expected to be issued in November 2016.

The Challenge Ahead:

The 2015 OPM cybersecurity incidents, and GAO's decision in 2015 to add the protection of personally identifiable information to their high-risk list, demonstrate the ongoing challenges protecting Federal systems and information. In GAO's September 2016 testimony before the President's Commission on Enhancing National Cybersecurity (GAO-16-885T), GAO reported the number of cyber incidents affecting Federal agencies have continued to grow, increasing about 1,300 percent from fiscal year 2006 to fiscal year 2015. These incidents included unauthorized access to systems; improper use of computing resources; and the installation of malicious software, among others. The OIG looks for the agency to continue their focus on maintaining and enhancing security controls based on risk and evolving threats.

2. *Update* - Workplace Satisfaction:

The OIG identified ***workplace satisfaction*** 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.

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

Agency Improvements:

The FMC has made progress to address the challenge of employee satisfaction and employee engagement. OPM's 2015 and 2016 FEVS results showed meaningful improvements in the FMC's workplace satisfaction and employee engagement scores; and in 2015, the FMC was recognized by the PPS for being the 2015 Most Improved Small Agency in the Federal government. The agency has also implemented the recommendations from the OIG's March 2015 evaluation of the FMC's workplace environment. Although there are still opportunities for continued improvement, the 2015 and 2016 FEVS results, and actions by the agency, have resulted in the OIG removing ***workplace satisfaction*** as an agency management and performance challenge this year.

Among the notable OPM FEVS results for the FMC are increases in the FEVS engagement index, eight and five percentage point increases for 2015 and 2016 respectively. The engagement index is a measure of the employee's sense of purpose, the display of dedication, persistence, and effort in their work or overall commitment to their organization and its mission. The index is comprised of numerous FEVS questions in the following sub-factors: leaders lead - reflects the employees' perceptions of the integrity of leadership, as well as leadership behaviors such as communication and workforce motivation; supervisors - reflects the interpersonal relationship between worker and supervisor, including trust, respect, and support; and intrinsic work experience - reflects the employees' feelings of motivation and competency relating to their role in the workplace.

Engagement Index Trends

	2011	2012	2013	2014	2015	2016
FMC	65	48	54	56	64	69
Small Agencies Combined	67	66	66	65	67	69

In addition to the improvements reported in the 2015 and 2016 FEVS results, the agency has implemented the recommendations contained in the OIG's March 2015 evaluation of the FMC workplace. Specifically, the agency updated the FMC-wide action plan to focus on high impact and achievable action items in the workplace. The improved action plan added important elements, to include detailed action items, key deliverables, a timeline, responsible parties, resources needed and metrics for evaluating progress. The action plan was communicated in several ways to all employees, through email, meetings, and posted on the agency's intranet. Several initiatives for FYs 2015 and 2016 were included in the new action plan, to include an updated telework program, diversity training, fitness program, the appraisal process, and a refresh to the agency's employee suggestion program. In addition, the Chairman, in his capacity as executive champion of the workplace improvement efforts, instituted regular meetings with the senior leaders to review progress and plan for next steps in the workplace improvement efforts; and regular FMC-wide, all-hands meetings to increase communication.

Outlook:

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. Further, OPM recognizes that cultivating engagement also involves continuous input and action from all levels of the organization (e.g., senior leaders, managers/supervisors, employees). The FMC has implemented several effective workplace processes that have yielded improved FEVS results, and the OIG believes there are still opportunities for continued improvement.

COMMENTS ON IG-IDENTIFIED MANAGEMENT AND PERFORMANCE CHALLENGES

The Commission agrees with the Inspector General on the identified Management and Performance Challenge and is committed to continuing efforts to meet the challenge with careful planning, attention, and diligence. The FMC appreciates its Inspector General's efforts in reviewing the agency's work as well as its compliance with Federal laws and mandates. The role of the Inspector General is important government-wide to ensure accountability to the American public. A response to each challenge is outlined below:

1. Information Technology Security

The Commission is mindful of the increasing frequency and sophistication of cyber threats, and appreciates working proactively with the Inspector General and his auditor to strengthen the Commission's security posture. The cybersecurity incidents mentioned underscore the need for the Federal government to be ever more vigilant and properly monitor, manage, and bolster security controls over Federal information systems. Protecting against unauthorized access to the Commission's information and communication systems, and guarding against improper use of computing resources, will remain a priority.

2. Workplace Satisfaction

The FMC has made measurable progress in addressing the challenge of employee satisfaction and engagement in the last several years, however, as mentioned, there remain opportunities for improvement. The agency was recognized as being the 2015 Most Improved Small Agency in the Federal government, and will continue to strive toward the goal of being the best. The Chairman and the Senior Executives take this goal seriously and continue to hold regular meetings to review progress and implement next steps. Identified FY 2016 actions were completed, and with staff input and discussion, FY 2017 actions are now being identified. All actions continue to be communicated via all-hands meetings, inter- and intra-Bureau/Office meetings, and at tri-annual meetings between the Chairman and staff.

IMPROPER PAYMENTS INFORMATION ACT

NARRATIVE SUMMARY OF IMPLEMENTATION EFFORTS FOR FY 2016

The Federal Maritime Commission has not identified any program that in and of itself constitutes a high-risk for improper payments. Therefore, the FMC considers all of its payments to fall within the realm of low risk. The National Finance Center (NFC) became the agency's payroll provider in 2002 and is responsible for monitoring and reporting on any payroll-related payments. Any overpayments made to an FMC employee by the NFC on behalf of the FMC, would be offset by NFC. In FY 2015, the FMC had no overpayments. The FMC did not identify any improper collections through the Intergovernmental Payments and Collections (IPAC).

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

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

III. The table below represents the improper payments made by the FMC in FY 2015 with percentage forecasts through FY 2018.

Improper Payments Information Act Reduction Outlook FY 2016 - 2019 (millions)						
Program	**FY 16 Outlays**	**FY16 IP %**	**FY17 IP $**	**FY17 %**	**FY18 %**	**FY19 %**
Formal Proceedings	$0.00	0.00	$0.00	0.00	0.00	0.00
Inspector General	$0.00	0.00	$0.00	0.00	0.00	0.00
Equal Employment Opportunity	$0.00	0.00	$0.00	0.00	0.00	0.00
Operational and Administrative	$0.00	0.00	$0.00	0.00	0.00	0.00
Totals	**$0.00**	**0.00**	**$0.00**	**0.00**	**0.00**	**0.00**

IV. The FMC has a segregation of duties in place to ensure that all invoices processed for payment are legitimate expenses of the agency. All IPAC invoices are received by BFS and forwarded to OBF via electronic media for internal processing and payment authorization. When an invoice is received, it is first verified as a valid invoice belonging to the agency. OBF matches the invoice to documentation provided by the Contracting Officer's Representative (COR) indicating that goods/services have been received by the

Commission, and approves the invoice for payment. BFS is advised of the purchase order the invoice is being paid against and the payment amount. OBF also ensures that sufficient funds have been obligated to make the payment and provides BFS with the period of performance. Once the payment authorization has been processed by OBF, the payment information is verified by a second OBF staff member. At that point, the invoice is electronically returned to BFS for processing. When the payment is loaded into the Oracle database, a final funds availability check is made by the financial system against the fund controls set for the FMC. OBF audits the payment information posted in the financial system.

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

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

b. In 2016, the FMC requested funding to maintain the contract between the FMC and BFS for financial support and platform access to the Oracle database through Oracle's Discoverer portal.

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

SUMMARY OF FINANCIAL STATEMENT AUDIT

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