FEDERAL MARITIME COMMISSION

FY 2024 PERFORMANCE AND ACCOUNTABILITY REPORT

November 2024

Contents

A Message from Chairman Maffei

Federal Maritime Commission
Office of the Chairman
Washington, D.C. 20573-0001

November 15, 2024

On behalf of the Federal Maritime Commission, I am pleased to provide the Fiscal Year 2024 (FY 2024) Performance and Accountability Report (PAR). This report provides a comprehensive representation of the Commission's work over the past fiscal year and includes complete and reliable performance and financial data.

The Commission evaluated its management controls and financial management system pursuant to the Federal Managers' Financial Integrity Act of 1982 prior to preparing this report. No material weaknesses were identified, and the financial management system used conforms to government financial system requirements. In accordance with OMB Circular A-123, Appendix C, no improper payments were made.

This report contains the results of an independent audit of the Commission's financial statements, internal controls, and management systems indicating they conform to Generally Accepted Accounting Principles, laws, regulations, and other requirements. My statement of assurance appears on page 25, and the independent auditor's report appears on page 41. For the 21st consecutive year, the Commission's financial statements have earned an unmodified opinion.

In addition, this report highlights the Commission's activities in FY 2024, guided by its Strategic Plan. The FMC is committed to maintaining a competitive and reliable international ocean transportation supply system, facilitating the Nation's commerce, and protecting U.S. shippers while ensuring proper operational oversight, transparency, and accountability to the American public in achieving its mission. You may also find this report online at: https://www.fmc.gov/about-the-fmc/performance-and-accountability-reports/.

Sincerely,

/s/

Daniel B. Maffei
Chairman

MANAGEMENT'S DISCUSSION AND ANALYSIS

Commission Background

The Federal Maritime Commission (FMC or Commission) is an independent agency with jurisdiction over competition, practices, and services in the U.S. international ocean liner shipping industry. Facilitating commerce and protecting U.S. shippers are the essential focus of the FMC.

Mission Statement

Ensure a competitive and reliable international ocean transportation supply system that supports the U.S. economy and protects the public from unfair and deceptive practices.

Statutory Authority

The Federal Maritime Commission administers Subtitle IV (Parts A through D) of title 46, United States Code, including the various amendments to title 46 implemented by the Ocean Shipping Reform Act of 2022 (OSRA 2022) and the Frank LoBiondo Coast Guard Authorization Act of 2018 (LoBiondo Act).

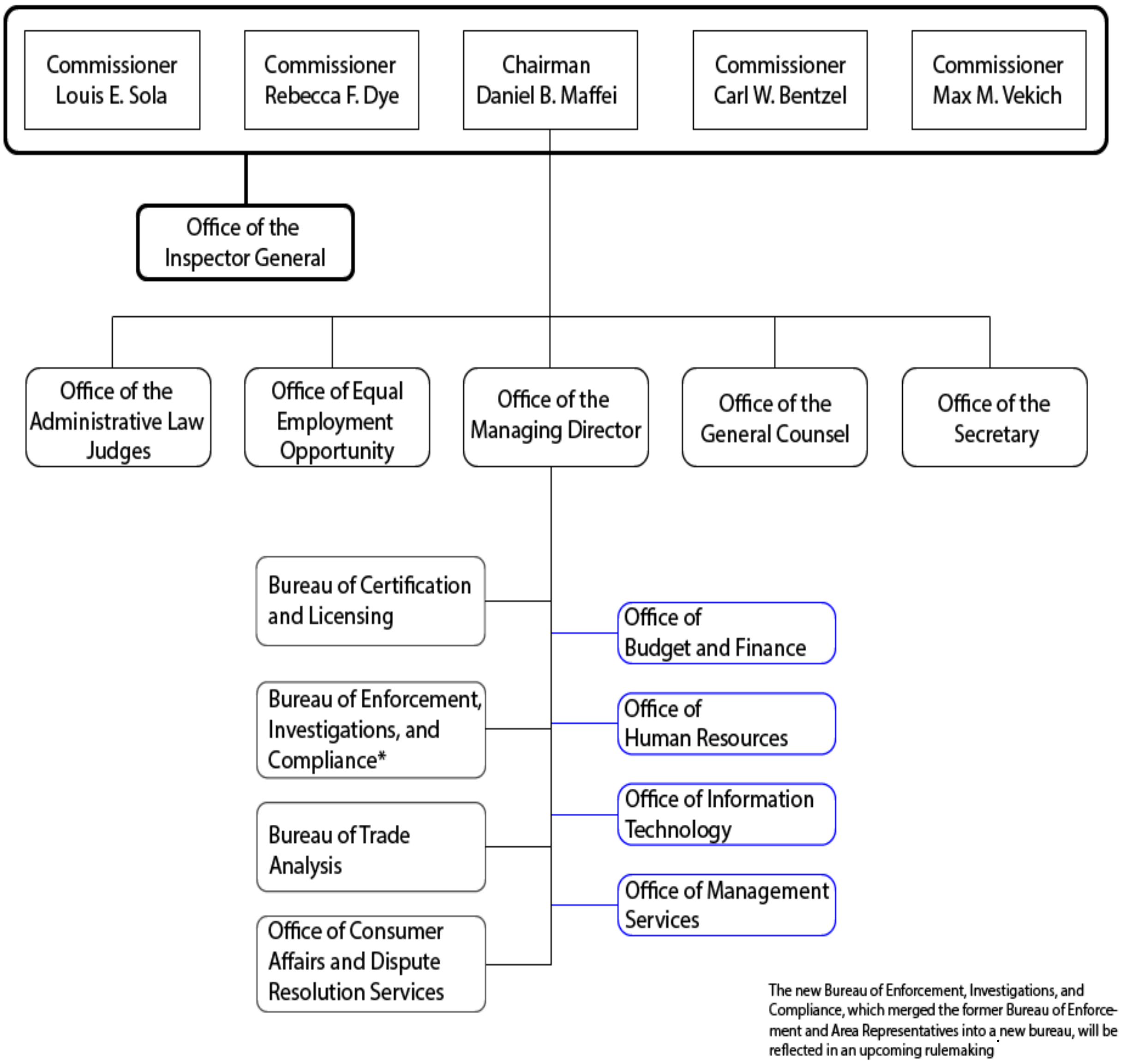
Parts A and B of Subtitle IV govern the regulation of ocean shipping and were formerly known as the Shipping Act of 1984, as amended (the Shipping Act), the Foreign Shipping Practices Act of 1988 (FSPA) and Section 19 of the Merchant Marine Act, 1920. The Commission also administers and enforces Part C of Subtitle IV, formerly sections 2 and 3 of P.L. 89-777, and section 3503(b)(1)(C) of title 46, United States Code. Part C and section 3503 mandate financial responsibility requirements of cruise line operators towards passengers of such vessels. Part D of Subtitle IV addresses the Commission generally, including its organization and authority to prescribe regulations. Part D also contains various provisions or amendments relating to the Shipping Act, the FSPA, and the LoBiondo Act.

Organizational Structure

The Commission is a bipartisan body composed of five Commissioners nominated by the President and confirmed by the United States Senate, each serving a staggered five-year term. No more than three members of the Commission may be of the same political party. One commissioner is designated by the President to serve as the Chairman. The Chairman is the chief executive and administrative officer of the Commission.

The Commission staff is comprised mainly of economists, attorneys, investigators, and other experts in ocean transportation, primarily located at the Commission's headquarters in Washington, D.C.

Organization Chart



Commission Bureaus and Offices

Office of the General Counsel (OGC)

The OGC provides legal services to the Commission. 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 in international negotiations or discussions on shipping matters; and providing legal advice 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 policy decisions of the Commission, the administrative directives of the Chairman, and the management and coordination of Commission Bureaus, which includes Bureau of Certification and Licensing (BCL), the Bureau of Enforcement, Investigations, and Compliance (BEIC), the Bureau of Trade Analysis (BTA), and the Office of Consumer Affairs and Dispute Resolution Services (CADRS). It also 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.

Under the direction of the Office of the Managing Director, the four bureaus/program offices include:

Bureau of Certification and Licensing (BCL)

BCL is responsible for the Passenger Vessel Certification and Ocean Transportation Intermediary programs. BCL issues certificates to operators of passenger vessels (PVOs) with 50 or more berths and that embark passengers from U.S. ports. The Certificate (Performance) evidences that the PVO has on file with the Commission acceptable coverage to satisfy any liability incurred for nonperformance of transportation, such as when a PVO declares bankruptcy and fails to complete the cruises booked. The coverage is used to reimburse passengers when the PVO fails to perform cruises as contracted and has taken no further actions to refund passengers. The Certificate (Casualty) evidences that the PVO has acceptable coverage on file with the Commission to satisfy any liability incurred for death or injury. BCL also reviews OTI license applications and, after investigation, recommends the issuance of licenses to qualified applicants upon receipt of acceptable proof of financial responsibility. When appropriate, the Office recommends denial. BCL receives, reviews, and processes all OTI bonds and bond riders.

Bureau of Enforcement, Investigations, and Compliance (BEIC)

BEIC investigates and prosecutes civil violations of the laws and regulations under the Commission's authority and seeks compliance with its laws and regulations from regulated entities. BEIC is comprised of three sections: the Office of Enforcement, the Office of Investigations, and the Office of Compliance.

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 controlled carriers (ocean common carriers that are owned or controlled by a foreign government), 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 Consumer Affairs and Dispute Resolution Services (CADRS)

CADRS assists shippers, OTIs, 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 cruise issues.

Office of the Administrative Law Judges (OALJ)

The OALJ resolve cases of alleged violations of the law within the Commission's jurisdiction.

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; and subpoenas served on the Commission or its members. The OS is responsible for preparing and submitting agenda matters for consideration by the Commission; maintaining official files and records of all formal proceedings; compliance with Freedom of Information, Government in the "Sunshine," and Privacy Acts; maintaining a Public Reference/Law Library and a Docket Library; and overseeing the organization and content of the Commission's public website.

Office of the Inspector General (OIG)

The OIG is an independent and objective oversight office created within the FMC by the Inspector General Act of 1978 (as amended) to conduct and supervise audits, reviews, 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 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.

Recent Developments

The unprecedented supply chain challenges presented during the COVID-19 pandemic highlighted the national impact of the Commission's work. But the demand for the Commission's services continues as the global supply chain remains highly susceptible to disruptions that can take place anywhere. The FMC is a strengthened organization, having transformed its operations to meet these ongoing increased challenges and the new Congressional directives created by the Ocean Shipping Reform Act of 2022 (OSRA 2022). It is better prepared to adapt to changes in the industry and economy, prioritizing assistance to U.S. importers, exporters, and cruise passengers by increasing the public's access to CADRS.

The FMC promotes its compliance, enforcement, and investigation efforts through its Audit Program and BEIC. In addition, OSRA 2022 provided the Commission with enhanced regulatory authority and mandated rulemakings, data collections, a new charge complaints procedure, and the development of web resources to serve the shipping public.

OSRA 2022 required the Commission to support the activities of other agencies examining supply chain issues, including studies conducted by the U.S. Government Accountability Office (including one study on port infrastructure and another study on the FMC's oversight of hazardous cargo), as well as a study by the National Academies of Sciences that examines best practices for chassis pools.

On March 26, 2024, the Francis Scott Key Bridge in Baltimore, Maryland, collapsed after being struck by a containership, the M/V DALI. This caused a major disruption to the regular services provided at the Port of Baltimore, necessitating that many shippers adjust their supply chain operations. The Commission issued a reminder to regulated entities – common carriers and marine terminal operators - that all statutes administered by the Commission remained in effect, and that demurrage and detention fees must be reasonable.

On September 23, 2024, the Commission issued an Industry Advisory in anticipation of a potential work stoppage at ports on the U.S. East and Gulf Coasts. The advisory reminded all maritime industry participants that Commission regulations and requirements would remain in effect in the event of a work stoppage. When normal operations at these facilities ceased briefly in October 2024, the Commission issued another industry advisory and other documents, including one on October 8, 2024, which expressly discussed the penalties for retaliation against those who provide information to the Commission.

FY 2024 Performance Highlights

Priorities Reflecting Ocean Shipping Industry Conditions

The Commission focused on maintaining the integrity and competitiveness of the ocean shipping industry in three areas: increased investigations and enforcement, compliance, and increased consumer assistance.

Increased Investigations and Enforcement

The FMC protected the public through investigation and enforcement programs aimed at deterring violations of the law by the entities it regulates. OSRA 2022 identified additional areas of attention for the Commission's enforcement and compliance activities. Enforcement priorities focus on unlawful practices that negatively impact significant portions of the maritime industry or appear to cause market distortion. The enforcement program has been successful in legal actions, collecting approximately $2,305,000 in civil penalties for violations of the law in FY 2024.

BEIC will continue to develop and seek new methods to gather investigative information in FY 2025 and FY 2026.

Compliance

The Commission's statutory and regulatory authorities are applicable to international waterborne commerce as well as passenger vessel operations calling at U.S. ports. Vigilant oversight of industry activity by FMC program offices includes compliance, in addition to investigations and enforcement. By ensuring that regulated entities understand their legal obligations and focusing FMC's compliance resources to address noncompliance in the areas with highest impact, the Commission proactively protects the public from unfair and deceptive practices. During FY 2024, the Commission added resources to compliance efforts with outreach to regulated entities, including the creation of webinars and other educational materials, and modernized processes to provide advanced analytical capabilities to drive targeted compliance efforts.

Increased Consumer Assistance – Helping Exporters and Importers

The FMC prioritizes assistance to benefit the shipping public and maritime industry. Several programs directly provide U.S. importers and exporters and other parties with help in resolving shipping disputes.

Informal Dispute Assistance

The Office of Consumer Affairs and Dispute Resolution Services (CADRS) has experienced analysts and attorneys on staff to assist the public in finding solutions to their commercial disputes without having to bring formal legal action. When assistance is requested, CADRS staff work with parties to identify solutions to move cargo whenever possible Resolving disputes amicably helps eliminate delays or increased costs to shippers. CADRS also offers mediation services by trained mediators with industry experience. All CADRS assistance is provided without charge, and all communications are confidential.

In FY 2024, the CADRS staff conducted 33 mediations and preliminary conference mediations, compared to 15 conducted in FY 2023. One significant mediation in FY 2024 involved more than $2.5 million in disputed charges. Through CADRS' efforts, close to $550,000 in disputes have been successfully resolved in FY 2024. Beginning in FY 2024, CADRS began to complement its dispute resolution work by increasing its outreach, including listening sessions, to industry stakeholders, and will continue to do so in FY 2025.

Ocean Shipping Reform Act of 2022

Implementing OSRA 2022 continued to be a priority in FY 2024. Key work related to rulemakings in FY 2024 included:

(1) Publication of the Final Rule on detention and demurrage invoicing and billing; and

(2) Publication of the Final Rule defining unreasonable refusals of cargo space when available and unreasonable refusals to deal or negotiate with respect to vessel space by ocean common carriers.

OSRA 2022 required the Commission to develop a process for charge complaint investigation and adjudication. The FMC quickly developed an interim procedure and posted guidance to its website. In the two years since the enactment of OSRA 2022, more than $3 million in fees were voluntarily waived or refunded under the new charge complaint process. A rulemaking is anticipated to be initiated in FY 2025 to establish a permanent procedure.

The Commission made significant progress during FY 2024 in meeting legislative requirements to conduct specific data collections and studies. The requirement to collect and publish information from Vessel-Operating Common Carriers (VOCCs) on import tonnage and volumes, as well as empty container metrics is ongoing, with collection beginning in the third quarter of FY 2024. The Commission is assessing its procedures before publishing these data to ensure accuracy and reliability. The data will be used to provide valuable insights into shipping trends, to support policy decisions, and to enhance transparency in the industry. By carefully reviewing and refining our collection and reporting processes, the Commission aims to deliver comprehensive and accurate information to stakeholders.

By the end of FY 2025, the majority of OSRA 2022's enhanced authority and provisions for revised regulations will be implemented and fully integrated in support of our mission. Work to complete additional rulemakings required under OSRA 2022 will continue in FY 2025 and FY 2026.

Ensuring Fair Competition Through Rigorous Review and Extensive Monitoring of Shipping Act Agreements

The FMC protects competition in the marketplace for ocean transportation services in the U.S. with the goal of ensuring efficiency and reliability in the supply chain for American exporters and importers. The FMC's competition program consists of careful analysis of agreements when they are filed and ongoing monitoring of actions that are taken under these agreements.

The FMC's statutory authority and regulations require that agreements, which allow coordination among ocean common carriers or marine terminal operators (MTOs), be filed with the Commission. Commission staff analyze these agreements upon filing for potential anticompetitive effects, and then monitor all activity on an ongoing basis. The limited antitrust immunity granted under an agreement filed with the Commission extends only to activities among agreement parties within the scope of the filed agreement. Conduct inconsistent with the terms of an agreement is illegal.

At the end of FY 2024, there were 375 agreements on file with the Commission, comprised of VOCC agreements, MTO agreements, and assessment agreements. There are approximately 50 agreements on file which staff monitor especially closely due to ongoing competitive concerns. The majority of agreements on file with the Commission are VOCC agreements which allow space sharing.

The largest ocean common carriers participate in alliances, or global vessel sharing arrangements. Alliance agreements allow coordination of capacity, but discussion or coordination on rates is categorically prohibited. There are three alliances with agreements on file at the Commission, and these are closely scrutinized. The largest alliance, measured by market share in the major east-west trades, is the 2M alliance between Maersk and MSC, which will dissolve on January 31, 2025. Maersk and Hapag-Lloyd have established the Gemini Cooperation Agreement, which would operate as a global alliance starting in 2025. Following an initial review of Gemini, the FMC issued a Request for Additional Information to assess the potential competitive impacts of the agreement. MSC, the other 2M ocean common carrier and the largest ocean common carrier in the world by capacity, has indicated that it does not intend to enter into another alliance.

The FMC's monitoring program is unlike any other in the world. Competition authorities in the European Union (E.U.), and nations such as the United Kingdom (U.K.) and South Korea do not have access to the same detailed information that the FMC collects from alliance carriers. The Commission regularly evaluates the information received through its monitoring of the alliances to detect and address any carrier activity that could distort market conditions. These monitoring requirements are routinely reviewed by staff and updated as conditions warrant. Through its monitoring program, the Commission ensures fair market conditions and supports the competitiveness of the U.S. ocean transportation system.

Tariffs and Service Contracts

During FY 2024, all relevant Commission program offices expanded their compliance efforts. The Bureau of Trade Analysis (BTA) oversees compliance with 46 CFR Parts 520 (Carrier Automated Tariffs), 525 (Marine Terminal Operator Schedules), 530 (Service Contracts), 531 NVOCC Service Arrangements), and 532 (NVOCC Negotiated Rate Arrangements) of the Commission's regulations. Changes to the industry over time, including an increase in entry of new NVOCCs in the early 2020s, entry and exit of smaller ocean common carriers due to market changes related to the COVID-19 pandemic, and volatility of rates during the pandemic, have required the Commission to communicate clearly to industry their compliance obligations.

The BTA focuses its compliance activities utilizing risk management principles, directing resources to the greatest impact. This includes increased outreach to the industry through alerts and communication with designated compliance officers to ensure that service contracts are timely filed, that ocean common carriers review NVOCCs for compliance with FMC regulations when entering into service contracts, and that all common carriers maintain proper tariffs.

Conditions in the Red Sea region continue to force ocean carriers to avoid the Suez Canal and instead send ships around the Cape of Good Hope. More vessels are needed to maintain schedule integrity on what is a longer route which uses more fuel. A resulting consequence is that rates for containerized ocean transportation rose globally. Increased rates have prompted several carriers to notify the Commission of their intention to enter the transpacific trade. These include smaller regional carriers headquartered in China and Singapore. The Commission is closely tracking the activity of these carriers to ensure that they are fully compliant with all statutory and regulatory obligations should they offer service in the U.S. transpacific trades.

The number of NVOCCs offering service in the United States has increased substantially since 2020. BTA is responsible for reviewing and accepting the tariff locations that are published on the Commission's website (FMC.gov) for approximately 8,600 NVOCCs (as of the end of FY 2024). In FY 2024, BTA continued to work with BCL to target entities that fell out of compliance with either tariff postings or financial requirements. A list of noncompliant NVOCCs is posted to the Commission's website and is updated weekly. BTA referred nine

NVOCCs that had not complied with tariff publication requirements to BCL for further review and potential revocation of their licenses or registrations.

In FY 2024, 386,328 original service contracts and 868,858 contract amendments were filed into the Commission's SERVCON system. Nearly 9,000 publicly available tariff locations were posted on the FMC's website.

Carrier Automated Tariffs

A final rule amending the Commission's regulations governing carrier automated tariffs went into effect on February 1, 2024. This final rule includes a requirement that common carriers grant free public access to their tariffs and permits NVOCC cross-referencing of VOCC tariffs.

Ocean Transportation Intermediary Licensing

Over 9,100 ocean transportation intermediaries (OTIs) are regulated by the Commission, including approximately 5,100 licensed entities based in the United States. More than 3,900 foreign-based NVOCCs are registered with the Commission. More than 600 new and amended OTI applications were received during the fiscal year, and approximately 1,300 OTI licenses were renewed, with most renewals being reviewed and processed within 48 hours of submission.

Ocean Transportation Intermediary Financial Responsibility

The Commission provides oversight for approximately $1 billion in surety bonds, ensuring that OTIs have sufficient financial resources to operate responsibly. In FY 2024, this included processing over 1,900 bond termination notices, 1,400 OTI bond riders, and 1,200 new or replacement bonds.

Passenger Vessel Operators

In FY 2024, the Commission's Passenger Vessel Operator (PVO) program was comprised of 277 cruise vessels and 48 cruise line operators, with aggregate evidence of financial responsibility coverage of over $728 million for non-performance and $753 million for casualty. As a direct reflection of the Commission's final rule in Docket No. 20-15, which modified the definition of unearned passenger revenue (UPR), 50 percent of PVOs' UPR continue to exceed pre-COVID amounts. In reference to the non-performance of transportation, one PVO with a financial instrument in the amount of $32 million ceased operations. The surety provider initiated reimbursements for the non-performance of transportation.

International Collaboration

In FY 2024, the Commission continued its engagement with competition authorities in the United Kingdom (U.K.) and the European Union (E.U.) through Commission visits and staff-level discussions. Due to the U.K.'s exit from the E.U., the Commission now engages separately with the U.K. Competition Authority on an as-needed basis to ensure a solid understanding of the dynamics affecting the U.S. and European trade lanes.

In FY 2024, the Commission further engaged with government and industry representatives from major U.S. trading partners and import/export destinations. Chairman Daniel B. Maffei participated in the Global Maritime Summit held in Athens, Greece, in October 2023. In

July 2024, Chairman Maffei and Commissioner Louis E. Sola visited Panama and met with the Panama Canal Authority and the Panama Maritime Authority to discuss the capacity restrictions on Canal passages caused by water shortages, and to assess current and long-range remedial measures. The Commission also participated in a bilateral meeting with the Republic of Korea in August 2024, hosted by the U.S. Department of Transportation's Maritime Administration (MARAD).

In February 2024, the Commission's General Counsel briefed the Belmont Shipping Club, a Washington, D.C.-based association of 17 maritime nations and the E.U. delegation, on the Red Sea crisis and the results of the Commission's February 7, 2024, Red Sea hearing. The General Counsel also hosted a meeting with officials from the Ghana Shippers' Authority, and, in collaboration with MARAD, hosted a group of legislators from Peru to discuss U.S. regulation of ocean shipping.

Litigation Before the Commission

The Commission's Office of the Administrative Law Judges (OALJ) operates independently under the Administrative Procedure Act, 5 U.S.C. Subchapter II, to resolve cases involving alleged violations of the statutes administered by the Commission.

Adjudicatory proceedings at the FMC have increased dramatically in recent years, both in number and complexity. OALJ received a record 56 new cases, issued hundreds of orders, and closed a record 37 cases during FY 2024.

Formal: In FY 2024, OALJ received significantly more formal cases than in any year in the last two decades, 38 compared to the FY 2022 record of 28. In addition, OALJ had 19 cases pending from the prior year. OALJ had 57 formal proceedings pending before it in FY 2024.

OALJ continued to prioritize older cases on a first in, first out approach designed to avoid a backlog. Even with this focus on resolving the oldest and most complex cases, OALJ closed more formal cases than it has in any year since 2006, the first year for which we have records. OALJ issued dispositive orders closing 23 formal proceedings.

Informal: In FY 2022, new small claims cases filed at the Commission doubled from historical averages. In FY 2023, more small claims cases were filed than in any previous year, exceeding FY 2022's record number. In FY 2024, OALJ received 18 small claims cases, triple the historical average, and more than FY 2022 (11) and FY 2023 (12).

In FY 2024, there were 21 informal proceedings pending before OALJ including 3 cases pending from the prior year. In FY 2024, 3 informal cases became formal proceedings under Subpart T and the Small Claims Officer issued dispositive orders closing 11 informal proceedings.

Further, cases are more complex and involve a larger number of filings than cases in prior years. In addition to increased enforcement actions by BEIC, more private parties are formal adjudications from before the Commission.

The Office of the Secretary receives all filings made in Commission proceedings and processed 1,265 filings in FY 2024. In comparison, the total number of filings in FY 2023 was 918. The increased rate of filings underscores the increased workload associated with cases being adjudicated by the OALJ.

Information on specific proceedings can be searched in the FMC Reading Room on the FMC's website.

Organizational Management

To be successful, the Commission's efforts require appropriate alignment and support from its administrative support programs, including information technology services, human resources, budget and financial planning, and procurement of goods and services. Effective, performance-oriented management and prudent employment of all allocated resources are required to accomplish the Commission's mission. As detailed below, the Commission has taken concerted steps to accomplish these goals.

Information Technology and Cybersecurity

A new Chief Information Officer was hired in FY 2024 to lead the Commission in improving its technology strategy and initiatives, driving innovation, and enhancing its digital capabilities to better support its mission.

During FY 2024, the Commission continued revising its IT governance policies as part of a longer-term initiative to update its IT investment management framework, gain visibility into the demand from U.S. shippers and regulated entities, and optimally support key mission goals and objectives.

The Commission's IT Modernization Plan was finalized in FY 2024, with work on the design and development phases to begin in FY 2025.

Website Enhancements

The Commission modernized its website in FY 2024. The Commission contracted with the U.S. General Services Administration's Center of Excellence through an interagency agreement to develop and deploy a website from a customer-centered viewpoint, including an extensive analysis and planning effort incorporating user needs, business goals, organization of content, and visual design. The resulting website better serves the shipping public by enhancing awareness of agency resources, remedies, and regulatory requirements and by making the FMC's web content more easily searchable and accessible. The agency also ensured its materials complied with Section 508 best practices.

Planned efforts in FY 2025 through FY 2026 include important IT investments and modernization, which will significantly increase the Commission's ability to more effectively and efficiently serve the shipping public.

Strengthening Federal Hiring

The Commission successfully executed 53 hiring actions in FY 2024. While the Commission improved recruitment efforts in filling economist and attorney vacancies through Direct Hire efforts, it continued to encounter challenges in attracting the necessary talent to fill various vacancies across the agency, which resulted in numerous reannouncements and lengthy fill-times.

The Commission continued to utilize OPM's automated USA Hire tool, enabling the use of skill and competency-based assessments to evaluate candidates' ability to perform job duties, thereby enhancing the agency's multi-hurdle approach to candidate assessment.

The Commission continued its partnership with the U.S. Surface Transportation Board (STB) to collaborate on a shared Equal Employment Opportunity Manager. This arrangement, in place since 2019, fully supports both agencies.

To leverage talent, the Commission employed ten student volunteers through its Volunteer Service Program in FY 2024, which provided education-related work assignments for students. The agency also employed two part-time paid interns and one recent graduate, aligning with the President's Management Agenda to promote a diverse and inclusive workforce while supporting early career development.

Program Performance Overview

The Commission provides a performance plan to Congress, pursuant to the Government Performance and Results Act (GPRA). The FMC's Strategic Plan FY 2022-2026 (updated March 28, 2022) (Strategic Plan) is posted on FMC.gov. The FY 2024 Annual Performance Report is presented in section two of this Report.

Achieving Strategic Goal Results

The Commission's Strategic Plan provides the foundation for planning and budgeting activities. The plan sets goals and objectives for each fiscal year and contains targets and measures linked to objectives via strategies. These objectives, strategies, targets, and measures drive the agency's budgetary process, and are discussed in detail in section two of this Report. During FY 2024, the Commission met or exceeded nine of its ten performance targets and five of its seven stewardship goals.

Strategic Management of Human Capital

The Commission increased the pace of hiring to support its new priorities during the fiscal year, recognizing that its employees are critical to achieving its mission. In FY 2024, additional positions were created in response to the agency's changing priorities. By the end of FY 2024, 32 full-time positions had been filled within the agency. The agency also saw an increase in turnover. During the fiscal year, one employee retired, there was one death-in-service, and nineteen employees left the agency. This highlighted the need to continue strategic hiring and succession planning efforts.

The FMC's Office of Human Resources leveraged new job series for technical experts and utilized USA Hire to improve candidate assessment and Direct Hire authorities to quickly onboard staff in key positions. The Commission continued to promote various hiring authorities and flexibilities, including Direct Hire and Schedule A authorities, and expand the use of the Pathways Program (e.g., interns and recent graduates) to attract new and diverse talent.

To continue supporting and developing supervisors, the agency implemented a coaching and mentorship program for first-line supervisors and encouraged further leadership development to ensure supervisors had access to resources to effectively lead their teams.

Hiring managers were trained in performance management and the recruitment process to support them both in hiring and managing their staff.

The FMC will continue succession planning efforts to identify and ensure that gaps in knowledge, skills, and abilities are remediated and addressed through recruitment or workforce development, and that resources are properly allocated throughout the organization. These efforts include assessment of staffing needs with hiring managers, participating in government-wide strategic initiatives, creation of career path resources for mission critical occupations, evaluation of leadership development programs, performance management training, supervisory training, and career and leadership development job rotational opportunities. The Commission will continue to promote its mentoring/coaching program to develop future leaders and take steps to implement phased retirement.

Competitive Sourcing

The FMC submitted its FY 2024 Federal Activities Inventory Reform Act (FAIR Act) inventory to OMB in June 2024. The inventory identified 79 of the agency's 163 positions as commercial activity positions. No challenges to the Commission's commercial inventories were received.

Expanded E-Government

During FY 2024, the Commission provided the public with up-to-date information with the launch of an updated version of the website following the United States Web Design System (USWDS) standards and complying with Section 508 accessibility practices. The website improved ease of navigation, information accessibility, and ways for the public to identify and request assistance from the agency. The website now includes a dedicated gateway where the public can more easily communicate with the Commission to share information, submit a complaint, or seek assistance. Public awareness of Commission activities was timely communicated through website postings that included 88 news items and approximately 235 combined social media tweets and LinkedIn posts.

During FY 2024, the Commission finalized its *Information Technology Strategic Plan* (IT Strategic Plan) which included an assessment of existing systems, identified areas for improvement, and a set of goals, objectives, and project milestones to identify technology solutions and resource allocations for ongoing and future needs. The new IT Strategic Plan will leverage digital transformation and initiatives for continuous improvement of public facing and internal systems, striving to stay abreast of technological advances and evolving cybersecurity requirements through investments in commercial solutions wherever possible. Design and development phases of the plan will begin in FY 2025.

The Commission worked with the U.S. Department of Homeland Security (DHS) in provisioning technology infrastructure to comply with the Federal Risk and Authorization Management Program (FedRAMP) and DHS' continuous monitoring requirements for network security. Internal security tools have been deployed to effectively monitor and address network operations, including file integrity, password sufficiency, and probing for open ports and other externally visible points of attack.

Financial Performance Overview

The FMC received an unmodified opinion on its FY 2024 financial statements and will continue efforts to improve operations and achieve unmodified audit opinions in the future.

The Commission's financial condition as of September 30, 2024, is sound. Internal controls are in place to ensure that funds are used efficiently and effectively, and that the budget authority is not exceeded. The FMC's accounting services provider, the Department of Treasury's Bureau of the Fiscal Service (BFS), prepared the financial statements as required by the Accountability of Tax Dollars Act of 2002. The statements have been prepared from, and are fully supported by, the books and records of the FMC in accordance with Federal Generally Accepted Accounting Principles (GAAP), standards approved by the Federal Accounting Standards Advisory Board (FASAB), and OMB Circular A-136, *Financial Reporting Requirements*.

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

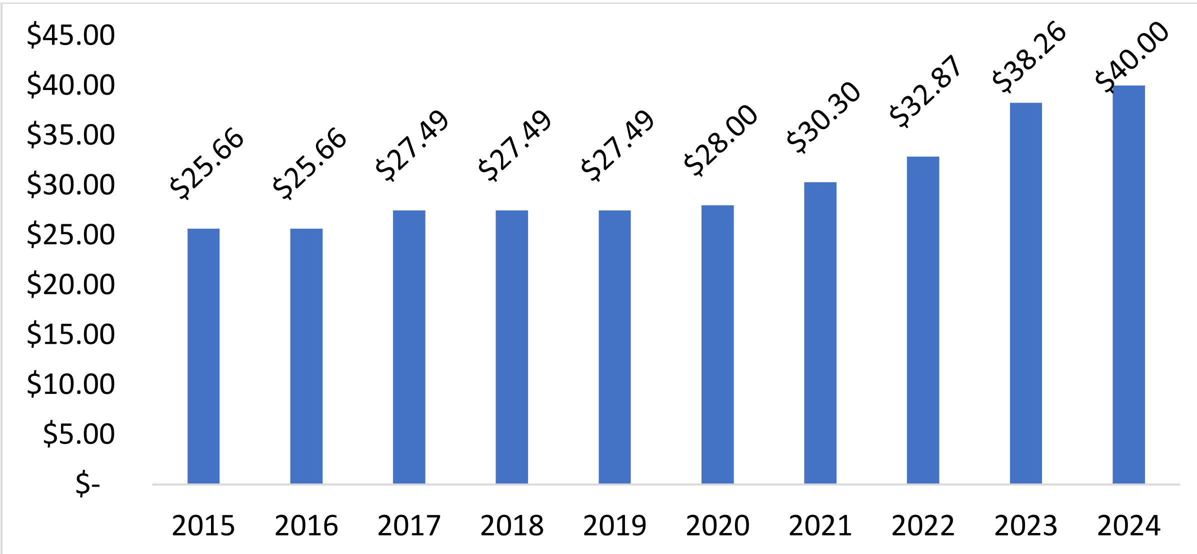
Source of Funds

The FMC has a single source of funding for salaries and expenses, provided by an annual appropriation available for commitments and obligations incurred during the fiscal year in which the authority was granted. Congress approved FY 2024 appropriations for the FMC in the amount of $40,000,000, of which $2,000,000 is multi-year funding, through P.L. 118-42. This is an increase of $1,740,000 over the FY 2023 appropriation level. Additionally, the Commission received reimbursements of $124,574.99 for work performed by FMC's employees supporting other government agencies.

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

Appropriations History

Appropriations History
Fiscal Years 2014-2024 (Dollar amount in Millions)

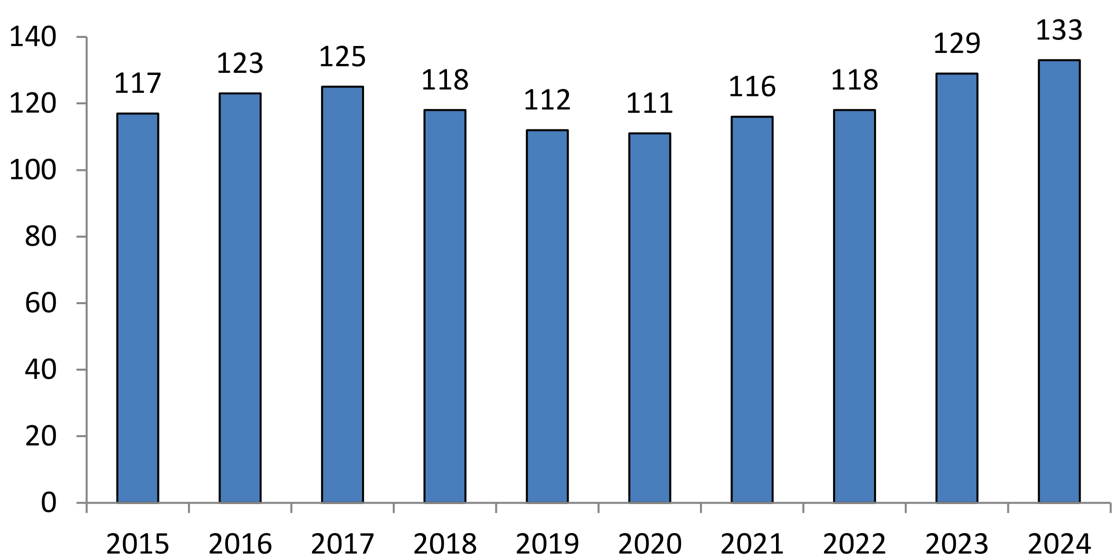


Full-time Equivalent History

The FMC's Full-time Equivalent (FTE) level is largely driven by its annual appropriation level. The FMC currently has its full complement of five statutorily authorized Commissioners on board.

The continued fast pace of retirements and separations in FY 2024 resulted in a lower than anticipated FTE level, at 133 FTEs, with 136 employees on board at the fiscal year's end. The Commission endeavors to fill vacancies and develop the appropriate mix of staffing and other available resources to ensure effective accomplishment of its mission.

Number of Employees in Fiscal Years 2015-2024



Uses of Funds

During FY 2024, obligations against the FMC's $40,000,000 appropriation totaled $38,552,011.80, representing 96.38 percent of the appropriation. Salaries and benefits are the single largest expense category at $26.5 million, making up 66.27 percent of the total budget. The second largest category is other contractual services at $7,712,099, which is 19.28 percent of the total budget. Other administrative expenses comprise the remaining 14.45 percent of the budget.

Audit Results

The FMC again received an unmodified opinion on its FY 2024 financial statements from the auditing firm of Harper, Rains, Knight & Company, under contract through the FMC's Office of the Inspector General. Comparative statements may be found in the *Financial Information* section of this report.

Financial Statement Highlights

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

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

Summary of Assets

The FMC's assets were $18,351,989 as of September 30, 2024. This represents an increase of $1,233,957 from FY 2023. The FMC's assets reported on the balance sheet are summarized in the table to the right.

Summary of Assets as of September 30, 2024		
	FY 2024	**FY 2023**
Fund Balance with Treasury	$18,230,630	$17,037,360
Advances	$46,254	$0
Accounts Receivable	$75,105	$80,672
Capital Assets	$0	$0
Other	$0	$0
Total Assets	**$18,351,989**	**$17,118,032**

The Fund Balance with Treasury of $18,230,630 represents the FMC's largest asset and comprises 99.34 percent of the agency's total assets. The Fund Balance with Treasury is comprised only of annual appropriations maintained by the U.S. Department of the Treasury to address current liabilities.

Accounts Receivable, as of September 30, 2024, totaled $75,105 for outstanding receivables billed to both Federal and non-Federal entities. This accounts for 0.4 percent of the FMC's assets.

Capital Assets, also known as Property, Equipment, and Software, account for 0.0 percent of the FMC's total assets as of September 30, 2024. The net value of $0 accounts for the depreciation of all assets and represents the current book value of those assets.

Summary of Liabilities

The FMC's liabilities totaled $2,828,854 as of September 30, 2024, a decrease of $1,070,429 from FY 2023. The FMC's assets reported on the balance sheet are summarized in the table to the right.

Summary of Liabilities as of September 30, 2024		
	FY 2024	FY 2023
Accounts Payable	$331,490	$143,585
Payroll Taxes	$233,703	$442,000
Federal Employee Salary, Leave and Benefits	$2,262,400	$3,312,379
Custodial Liabilities	$0	$0
Pension	$1,261	$1,319
Total Liabilities	**$2,828,854**	**$3,899,283**

The FMC's Accounts Payable, as of September 30, 2024, was $331,490. This represents the funds owed for goods and services received from vendors. The Federal Employee Salary Leave and Benefits is comprised of accrued funded payroll and leave, employer contributions on payroll taxes payable, and unfunded leave totaling $2,262,400.

Analysis of Changes in Net Position Summary

The Changes in Net Position Summary is a summary of two factors, Unexpended Appropriations and Cumulative Results of Operations. The total net position for FY 2024 is the result of a $2,304,386 increase from FY 2023.

Changes in Net Position Summary as of September 30, 2024		
	FY 2024	FY 2023
Unexpended Appropriations	$17,207,967	$14,959,706
Cumulative Results of Operations	($1,684,832)	($1,740,957)
Total Net Position	**$15,523,135**	**$13,218,749**

Unexpended Appropriations represent the amount of unobligated and unexpended budget authority for the 5-year period ending on September 30, 2024. Unobligated budget authority is the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation for the same period. The Cumulative Results of Operations (the cumulative excess of financing resources over expenses) is the net result of FMC's operations for all active fiscal years.

Analysis of Net Cost Summary

The Net Cost Summary represents the net cost of FMC's Programs as identified in the Annual Report.

Net Cost Summary as of September 30, 2024		
	FY 2024	FY 2023
Operational and Administrative	$37,465,568	$31,130,306
Office of the Inspector General	$514,581	$575,605
Multi-Year	$869,132	$1,835,561
Total Net Cost	**$38,849,281**	**$33,541,472**

The agency's two programs are Operational and Administrative and Office of the Inspector General. The Statement of Net

Costs shows the net cost of operations for the agency as a whole and its sub-organizations. Net Costs compared to Budgetary Resources can be found in the *Financial Information* section of this report. The table above reflects costs attributable to all active fiscal years (2020-2024).

Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources (SBR) shows the source of the agency's budgetary resources, the status of those resources at the end of the reporting period, and the relationship between the two. Total budgetary resources should equal 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 2024, the FMC had a total of $43,517,455 available, representing an increase in budgetary resources of $1,661,877 from FY 2023. The budgetary resources represent financial activity during the accounting period for the five currently active fiscal years (2020-2024).

Statement of Budgetary Resources as of September 30, 2024		
	FY 2024	**FY 2023**
Incurred	$39,489,666	$38,585,901
Unobligated Balance Unavailable	$2,553,142	$3,091,341
Unobligated Balance Available	$1,474,647	$178,336
Total Status of Budgetary Resources	**$43,517,455**	**$41,855,578**

Systems, Control, and Legal Compliance Analysis

The Commission's internal controls are fundamental to the systems and processes used to manage its operations and achieve its strategic goals. The Chairman's *Statement of Assurance* in the following section notes that there are no material weaknesses or instances of nonconformance to report for FY 2024.

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

Management Assurances

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

- obligations and costs comply with applicable laws;
- assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- revenues and expenditures are properly accounted for and recorded.

This Act encompasses program, operational, and administrative areas, as well as accounting and financial management. FMFIA requires that the Chairman provide a statement assuring the adequacy of management controls and conformance of financial systems with Government-wide standards; that the Commission's managers are held accountable for efficient and effective performance of their duties in compliance with applicable laws and regulations; and that maintenance of the integrity of management activities is achieved through the use of controls.

Chairman Maffei has provided his annual assurance statement in this report based on various sources, including knowledge of the daily operation of Commission programs and activities; regular discussions with the Managing Director and the Deputy Managing Director, the Directors of the Offices of Budget and Finance and Management Services; audits of the financial statements; and implementation of the Commission's Strategic Plan. The Chairman receives recommendations from the Senior Executive Service Leadership Team and regularly receives reports from the Inspector General and the Equal Employment Opportunity Director. Deficiencies identified in management control would be addressed at the Commission's highest management levels.

The Office of the Inspector General (OIG) identified no significant deficiencies in FY 2024, and there were no significant management decisions made on which the OIG disagreed. Management and the OIG reached agreement on all audit recommendations. Management resolved or worked to address a number of recommendations during the year.

Debt Collection Improvement Act of 1996

The Debt Collection Improvement Act of 1996 (DCI) enhanced the ability of the government to service and collect debts, as it centralized the collection of non-tax delinquent debt owed to the government. Federal agencies are required to refer delinquent accounts in excess of 180 days to the U.S. Department of the Treasury for collection. Collection of the Commission's delinquent debts is conducted by the Bureau of the Fiscal Service through the Cross-Servicing Program and Treasury Offset Program, where the names and taxpayer identification numbers (TIN) of the delinquent entities are matched against the TINs of recipients of government payments. The balance owed to the government is deducted or offset from the payment to the entity to satisfy the debt. The goal is to minimize the amount of delinquent debt owed to the government. During FY 2024, the FMC effectively managed debt collection in accordance with the DCI and delinquent accounts were timely submitted to the U.S. Treasury.

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 2024, the FMC maintained a 97.9 percent on-time payment rate and paid $1,148 in interest payments.

Performance Measure Summary

The Commission does not have an in-house financial accounting system and, therefore, does not receive a Performance Measure Summary from the U.S. Department of the Treasury. The Commission acquires travel, procurement, accounting, and financial services from the Bureau of the Fiscal Service and verifies and reconciles all financial statements and reports prior to submission.

Payment Integrity Information Act

The FMC reports its compliance with the Payment Integrity Information Act of 2019 through OMB's annual data call on payment integrity. The FMC's information is provided at www.paymentaccuracy.gov.

Inspector General Act and Inspector General Reform Act

Section 5(b) of the Inspector General Act of 1978 requires agencies to report on final actions taken on OIG audit recommendations. Action was taken to close all audit recommendations during the year. No significant deficiencies or material weaknesses were identified.

Inspector General-Issued Audits – FY 2024		
A24-01: Independent Auditor's Report of the FMC's FY 2023 Financial Statements		
Date Issued	Recommendations	Remediated in FY 2024
November 2023	0	n/a
A24-01A: FY 2023 Financial Statements Management Letter		
Date Issued	Recommendations	Remediated in FY 2024
November 2023	1	0
A24-02: Audit of the FMC's Compliance with the Federal Information Security Modernization Act FY 2024		
Date Issued	Recommendations	Remediated in FY 2024
July 2024	6	0

DATA Act – USA Spending Reconciliation

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

Limitations of the Financial Statements

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

Federal Managers' Financial Integrity Act Statement of Assurance

The Federal Maritime Commission is responsible for managing risks and maintaining effective internal control and financial management systems to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act. This includes conducting assessments to determine the effectiveness of internal control and conformance with financial system requirements. The Commission conducted its annual assessments in accordance with OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*.

These assessments considered the effectiveness of internal control over operations, enterprise risk management, financial reporting, and compliance with applicable laws and regulations. The objectives are to ensure the effectiveness and efficiency of operations, the reliability of reporting for internal and external use, and compliance with applicable laws and regulations.

Based on the results of this assessment, I can provide reasonable assurance that the Commission's internal control over operations, risk management, financial reporting, and compliance were operating effectively as of September 30, 2024. No material weaknesses were found in the design or operation of internal control over financial reporting.

The Commission assessed its financial management systems' conformance with financial system requirements, in accordance with the requirements of OMB Circular No. A-123, Appendix D. Based on this assessment, I can provide reasonable assurance that the FMC's financial management systems conform to these requirements and that no material non-conformances or instances of noncompliance were identified.

/s/

Daniel B. Maffei
Chairman
November 15, 2024

ANNUAL PERFORMANCE REPORT

Introduction

The FMC's performance management system includes specific strategic goals, performance measures, and targets. The goals outlined in the Strategic Plan covering fiscal years 2022-2026 represent the FMC's mission and reflect the outcomes and objectives the agency strives to achieve. This report describes progress achieved in FY 2024 towards meeting performance targets in furtherance of the Commission's mission to ensure a competitive and reliable international ocean transportation supply system that supports the U.S. economy and protects the public from unfair and deceptive practices.

The Commission plans to revise its Strategic Plan in FY 2025 to incorporate operational changes resulting from the implementation of OSRA 2022. The current strategic goals and objectives are as follows.

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

- Ensure no unreasonable increases in transportation costs or decreases in transportation service are attributed to anticompetitive practices under FMC-filed agreements.
- Ensure competition is preserved in the purchase of certain covered services (46 U.S.C. § 40102(5)) through 46 U.S.C. § 40307 authorities.

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

- Identify and take action to end unlawful, unfair, and deceptive practices.
- Prevent public harm through licensing and financial responsibility requirements.
- Enhance public awareness of agency resources, remedies, and regulatory requirements through education and outreach.
- Impartially and timely resolve international shipping disputes through alternative dispute resolution and adjudication.

Stewardship Objective: Advance the FMC's Performance Through Excellence in Organizational Management.

- Strengthen infrastructure and effective resource management.
- Foster a high performing, engaged, and diverse workforce where staff understand how their efforts contribute to the goals of the Commission.

Each measure, target, and actual result is reported in Table 1 and includes a description of the data used to measure performance and an explanation of the procedures in place to validate and ensure integrity of the reported result. Ten performance measures in support of the strategic goals and seven stewardship objectives were quantitatively measured during the fiscal year.

The Commission met or exceeded 9 of its 10 FY 2024 strategic goal targets. The first target under Strategic Goal 2 was not met and predates OSRA 2022 implementation. The Commission is in the process of reviewing its strategic goals and measures to reflect OSRA 2022 requirements.

Five of the seven stewardship goals were met or exceeded. The cybersecurity goal was not met as the FY 2024 FISMA audit identified one compliance exception with OMB memo M-21-31. The goal for achieving the integration of SMART-compliant goals for staff performance plans was impacted by the departure of certain leadership. This effort will be taken up again in FY 2025. Table 2 presents the Commission's five-year performance trend data. The Commission's commitment to continuously improve and streamline processes is evidenced in its year-over-year positive performance results.

Table 3 presents the third year of performance data for the Commission's new stewardship objectives. The Commission's commitment to organizational excellence will guide its efforts and ensure that its mission is efficiently and effectively carried out, and that it serves the public.

This Performance and Accountability Report (inclusive of this Annual Performance Report) has been forwarded to the President, OMB Director, appropriate Congressional committees, and others as dictated by OMB Circular A-136, Revised. Additionally, this report has been placed on the FMC's public website to ensure that it is accessible to interested parties. All Commission employees have been advised to review this report.

Table 1: Summary of Performance Measure Results – FY 2024

Strategic Goal No. 1: Maintain a competitive and reliable international ocean transportation supply system.		
Objectives, Performance Measures, and Validations	**FY 2024 Target**	**FY 2024 Actual**
Objective 1.1: Ensure no unreasonable increases in transportation costs or decreases in transportation services are attributed to anticompetitive practices under FMC-filed agreements.		
Measure: Percentage of newly filed vessel sharing agreements and amendments to agreements analyzed and presented to the Commission within 32 days. **Validation**: This outcome goal is measured using data from the eAgreements electronic filing system and tracking the time elapsed between the agreement submission and review.	85%	94.5%
Measure: Percentage of agreement monitoring reports reviewed within 30 days of receipt to detect actionable information, including market-distorting behavior. **Validation**: This outcome goal is measured using data contained in the eMonitoring system used for the electronic filing of agreement monitoring submissions. Performance is measured by comparing the file receipt date to the date that the filing was reviewed by staff analyst.	80%	97.3%
Objective 1.2: Ensure competition is preserved in the purchase of certain covered services (46 U.S.C. § 40102(5)) through 46 U.S.C. § 40307 authorities.		
Measure: Percentage of alternative agreement reports indicating joint contracting/ procurement of covered services analyzed and escalated to regular monitoring status within 30 days of receipt to ensure systematic analysis of data for actionable information. **Validation:** This outcome goal is measured using regulated entities' data. Performance is measured by reviewing information received and identifying whether reports indicating covered services are moved from this system to the eMonitoring system within 30 days.	>98%	100%
Strategic Goal No. 2: Protect the public from unlawful, unfair, and deceptive ocean transportation practices.		
Objectives, Performance Measures, and Validations	**FY 2024 Target**	**FY 2024 Actual**
Objective 2.1: Identify and take action to end unlawful, unfair, and deceptive practices.		
Measure: Percentage of enforcement actions taken under the Shipping Act successfully resolved through compliance audits, judgments, settlements, compromise agreements, or issuance of default judgments, that are favorable to the FMC's enforcement program. **Validation:** This outcome goal is measured by examining enforcement case inventory and counting the number of cases resolved. **Explanation:** This goal, measure, and validation criteria predate OSRA 2022 and BEIC's establishment. As such, the numeric goal is not reflective of the significantly more complex enforcement priorities, nor the additional statutory responsibilities included in OSRA 2022 including the processing of charge complaints. This objective will be revised in FY 2025.	77.5%	75%

Table 1: Summary of Performance Measure Results – FY 2024 (continued)

Objectives, Performance Measures, and Validations	FY 2024 Target	FY 2024 Actual
Measure: Percentage of contacted unlicensed OTIs that submit license applications within one year after pre-enforcement contact and education from an area representative. **Validation:** This outcome goal is measured by correlating prior fiscal year area representatives' approved pre-enforcement case inventories with the current fiscal year data and notices on the status of Ocean Transportation Intermediary licenses. This data is collected and maintained by the Bureau of Certification and Licensing on the Regulated Persons Index and the list of FMC Licensed & Bonded OTIs. **Explanation:** This performance measure will be reviewed during the Commission's FY 2025 strategic planning effort to reflect investigative program changes, including the conversion of Area Representative (AR) positions to Investigators.	15%	N/A
Objective 2.2: Prevent public harm through licensing and financial responsibility requirements.		
Measure: Percentage of decisions on completed OTI license applications rendered within 60 calendar days of receipt, facilitating lawful operation of OTIs with appropriate character and experience requirements. **Validation:** This outcome goal is measured by comparing the total number of OTI applications assigned to an analyst (X) and the number of applications completed by an analyst on or before the 60th calendar day following assignment (Y) during a specific time period. The outcome goal is calculated as (Y / X) x 100 = %.	75%	92.8%
Measure: Percentage of license renewals completed on or prior to the 3-year renewal deadlines to timely verify regulatory compliance. **Validation:** The Completion Status Report, generated in the license renewal system, provides the total number of renewals completed (X) and the number of renewals completed on or before the renewal deadline (Y) during a specific time period. The outcome goal is calculated as (Y / X) x 100 = %.	75%	94.3%
Measure: Percentage of PVOs examined during the year that have the full financial coverage required by regulation to protect against loss from nonperformance or casualty. **Validation:** This outcome goal is measured by comparing reported financial coverage amounts against required coverage amounts. 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%	96.5%
Objective 2.3: Enhance public awareness of agency resources, remedies, and regulatory requirements through education and outreach.		
Measure: Percentage of Commission issuances, orders, and reports available through the Commission's website within 5 working days of receipt. **Validation:** This outcome goal is measured by reviewing the workflow processes for posting documents to the Commission's website docket activity logs. The date that each docket activity log is updated with new filings or issuances is compared to the date the document is filed with or issued by the Commission in a particular proceeding.	90%	100%

Table 1: Summary of Performance Measure Results – FY 2024 (continued)

Objectives, Performance Measures, and Validations	FY 2024 Target	FY 2024 Actual
Objective 2.4: Impartially and timely resolve international shipping disputes through alternative dispute resolution and adjudication.		
Measure: Percentage of dispute resolution matters closed within 6 months of request for assistance. **Validation:** This outcome goal is measured using data maintained by the Commission on each dispute resolution matter opened. Cases are opened upon the request of the public for assistance and are subject to the normal fluctuations in businesses and consumers seeking help from the Commission. Cases are closed upon resolution, voluntary termination by the parties, refusal to participate or failure to respond by a party, or when the CADRS mediator determines that particular issues prevent the possibility for successful resolution.	70%	100%
Measure: Percentage of formal complaints or Commission-initiated orders of investigation completed within 2 years of filing or Commission initiation. **Validation:** This outcome goal is measured by using docket activity logs maintained by the Commission and used for docket management, and monthly and annual reporting purposes.	72%	79.8%
Stewardship Objective – Advance the FMC's performance through excellence in organizational management.		
Objectives, Performance Measures, and Validations	**FY 2024 Target**	**FY 2024 Actual**
Stewardship Sub-objective 1: Strengthen infrastructure and effective resource management.		
S.1.1 Manage risks and continue mission essential operations.		
Measure: COOP activities, including annual training, notification exercises, and an annual COOP exercise are conducted throughout the year consistent with the FMC COOP Plan. **Validation:** Complete and document all activities between July 1 and June 30. Sources include annual training materials, sign-in sheets/confirmation emails, and after-action reports.	100%	100%
S.1.2 FMC's financial management systems and practices demonstrate fiscal responsibility and proper accounting.		
Measure: Achieve an unmodified (clean) opinion from the independent auditor on the Commission's fiscal year end financial statements. (Data: Office of the Inspector General Independent Auditor's Report.) **Validation:** This outcome goal is an unmodified (clean) opinion by the Office of the Inspector General based on the findings from the independent auditor's review of the FMC's annual financial statements and internal controls over financial reporting. Each year, the independent auditor reviews approximately 75 processes, documents, procedures, checklists, transaction types, and reports that are all considered in the overall assessment.	100%	100%
S.1.3 Information Technology is optimized and IT systems are protected.		
Measure: Percentage of overall cybersecurity compliance with mandates that are issued. **Validation:** This objective is measured through the report card from the Cybersecurity and Infrastructure Security Agency (CISA). **Explanation:** The FMC is compliant with all current mandates with the exception of OMB M-21-31, logging tier EL-3, as identified in the FY 2024 FISMA audit.	100%	99.8%

Table 1: Summary of Performance Measure Results – FY 2024 (continued)

S.1.4 Maintain the Commission's cloud-based website to allow industry access to FMC resources and applications.		
Measure: FMC website uptime percentage. **Validation:** This objective is measured through the Commission's Azure server uptime report.	99.5%	99.9%
Stewardship Sub-objective 2: Foster a high performing, engaged, and diverse workforce where staff understand how their efforts contribute to the goals of the Commission.		
S.2.1 Management promotes a culture that is open, diverse, inclusive, and engaged.		
Measure: Benchmarking EEI index is above the average for small agencies; no more than 10% drop from the prior year. **Validation:** Annual employee responses from the Federal Employee Viewpoint Survey (FEVS).	>-10%	-5%
S.2.2 Management promotes a results-oriented performance culture.		
Measure: Benchmarking FEVS results tied to results-oriented performance culture. **Validation:** Annual employee responses from the FEVS.	>75%	89%
Measure: Percent of staff with the majority of (3 or more expectations per performance element) performance goals rated as meeting the characteristics of a specific, measurable, achievable, realistic, and timely (SMART) goal. Targets are for non-SES/ non-supervisory staff. SES and supervisor targets will exceed listed staff targets. **Validation:** Review of performance plans each performance year. **Explanation:** Achievement of this goal was impacted by the departure of leadership which caused delay in the updating and submission of performance plans. This measure will be reviewed during FY 2025.	98%	60.5%

Table 2: Performance Measure Trends, FY 2020-2024

Strategic Goal No. 1: Maintain a competitive and reliable international ocean transportation supply system.					
Performance Measure	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**
Measure: Percentage of newly filed vessel sharing agreements and amendments to agreements analyzed and presented to the Commission within 32 days.					
TARGET	N/A	N/A	85%	85%	85%
ACTUAL	N/A	N/A	100%	100%	94.5%
TARGET MET/UNMET	N/A	N/A	MET	MET	MET
Measure: Percentage of agreement monitoring reports reviewed within 30 days of receipt to detect actionable information, including market-distorting behavior.					
TARGET	67%	68%	80%	80%	80%
ACTUAL	91%	85%	100%	97%	97.3%
TARGET MET/UNMET	MET	MET	MET	MET	MET
Measure: Percentage of alternative agreement reports indicating joint contracting/procurement of covered services analyzed and escalated to regular monitoring status within 30 days of receipt to ensure systematic analysis of data for actionable information.					
TARGET	N/A	N/A	>95%	>98%	>98%
ACTUAL	N/A	N/A	100%	100%	100%
TARGET MET/UNMET	N/A	N/A	MET	MET	MET
Measure: Percentage of FMC-filed agreements reviewed at Commission level which are modified through negotiation to mitigate anticompetitive effects.*					
TARGET	52%	53%	N/A	N/A	N/A
ACTUAL	60%	20%	N/A	N/A	N/A
TARGET MET/UNMET	MET	UNMET	N/A	N/A	N/A
Strategic Goal No. 2: Protect the public from unlawful, unfair and deceptive ocean transportation practices.					
Measure: Percentage of enforcement actions taken under the Shipping Act successfully resolved through compliance audits, judgments, settlements, compromise agreements, or issuance of default judgments, that are favorable to the FMC's enforcement program.					
Performance Measure	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**
TARGET	N/A	N/A	77.5%	77.5%	77.5%
ACTUAL	N/A	N/A	77.8%	100%	75%
TARGET MET/UNMET	N/A	N/A	MET	MET	UNMET
Measure: Percentage of contacted unlicensed OTIs that submit license applications within one year after pre-enforcement contact and education from an area representative.**					
TARGET	N/A	N/A	10%	N/A	N/A
ACTUAL	N/A	N/A	0%	N/A	N/A
TARGET MET/UNMET	N/A	N/A	UNMET	N/A	N/A
Measure: Percentage of decisions on completed OTI license applications rendered within 60 calendar days of receipt, facilitating lawful operation of OTIs with appropriate character and experience requirements.					
TARGET	75%	75%	75%	75%	75%
ACTUAL	88%	98.8%	96%	78%	92.8%
TARGET MET/UNMET	MET	MET	MET	MET	MET
Measure: Percentage of license renewals completed on or prior to the 3-year renewal deadlines to timely verify regulatory compliance.					
TARGET	N/A	N/A	75%	75%	75%
ACTUAL	N/A	N/A	87%	92%	94.3%
TARGET MET/UNMET	N/A	N/A	MET	MET	MET
Measure: Percentage of PVOs examined during the year that have the full financial coverage required by regulation to protect against loss from nonperformance or casualty.					
TARGET	95%	95%	95%	95%	95%
ACTUAL	96%	97.9%	96%	96%	96.5%
TARGET MET/UNMET	MET	MET	MET	MET	MET

Table 2: Performance Measure Trends, FY 2020-2024 continued

Performance Measure	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Measure: Percentage of Commission issuances, orders, and reports available through the Commission's website within 5 working days of receipt.					
TARGET	86%	88%	90%	90%	90%
ACTUAL	100%	99%	91%	96%	100%
TARGET MET/UNMET	MET	MET	MET	MET	MET
Measure: Percentage of dispute resolution matters closed within 6 months of request for assistance.					
TARGET	N/A	N/A	67%	70%	70%
ACTUAL	N/A	N/A	100%	100%	100%
TARGET MET/UNMET	N/A	N/A	MET	MET	MET
Measure: Percentage of formal complaints or Commission-initiated orders of investigation completed within 2 years of filing or Commission initiation.					
TARGET	68%	70%	72%	72%	72%
ACTUAL	100%	75%	86%	88%	79.8%
TARGET MET/UNMET	MET	MET	MET	MET	MET
Measure: Percentage of enforcement actions taken under the Shipping Act successfully resolved through favorable judgment, settlement, issuance of default judgment, or compliance letter or notice.					
TARGET	77.5%	77.5%	N/A	N/A	N/A
ACTUAL	93%	90.3%	N/A	N/A	N/A
TARGET MET/UNMET	MET	MET	N/A	N/A	N/A
Measure: Percentage of Ombuds and ADR matters closed within 6 months of request for assistance.					
TARGET	63%	65%	N/A	N/A	N/A
ACTUAL	99.59%	100%	N/A	N/A	N/A
TARGET MET/UNMET	MET	MET	N/A	N/A	N/A

* This measure was replaced by the first 2 new measures listed under Strategic Goal No. 1 in the Commission's FY 2018-2022 Strategic Plan. For additional historical data on this measure, see Commission PARs posted on its website.

**This measure is no longer applicable to the newly reorganized Bureau of Enforcement, Investigations, and Compliance. It will be adjusted to align with revised priorities and organizational changes when the Strategic Plan is reviewed in FY 2025.

Table 3: Stewardship Objective Trends, 2022-2026

Stewardship Objective: Advance the FMC's performance through excellence in organizational management.					
Performance Measure	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
Measure: COOP activities, including annual training, notification exercises, and an annual COOP exercise are conducted throughout the year consistent with the FMC COOP Plan.					
TARGET	100%	100%	100%	100%	100%
ACTUAL	100%	100%	100%		
TARGET MET/UNMET	MET	MET	MET		
Measure: Achieve an unmodified (clean) opinion from the independent auditor on the Commission's fiscal year's end financial statements. (Data: Office of the Inspector General Independent Auditor's Report.)					
TARGET	100%	100%	100%	100%	100%
ACTUAL	100%	100%	100%		
TARGET MET/UNMET	MET	MET	MET		
Measure: Percentage of overall cybersecurity compliance with mandates that are issued.					
TARGET	100%	100%	100%	100%	100%
ACTUAL	100%	100%	99.8%		
TARGET MET/UNMET	MET	MET	UNMET		
Measure: FMC website uptime percentage.					
TARGET	99.5%	99.5%	99.5%	99.5%	99.5%
ACTUAL	99.5%	99.5%	99.9%		
TARGET MET/UNMET	MET	MET	MET		
Measure: Benchmarking EEI index is above the average for small agencies; no more than 10% drop from the prior year.					
TARGET	>-10%	>-10%	>-10%	>-10%	>-10%
ACTUAL	2%	5%	-5%		
TARGET MET/UNMET	MET	MET	MET		
Measure: Benchmarking FEVS results tied to a results-oriented performance culture.					
TARGET	>75%	>75%	>75%	>75%	>75%
ACTUAL	93%	88%	89%		
TARGET MET/UNMET	MET	MET	MET		
Measure: Percent of staff with the majority of (3 or more expectations per performance element) performance goals rated as meeting the characteristics of a specific, measurable, achievable, realistic, and timely (SMART) goal. Targets are for non-SES/non-supervisory staff. SES and supervisor targets will exceed listed staff targets.					
TARGET	25%	50%	98%	99%	99%
ACTUAL	30%	62%	60.5%		
TARGET MET/UNMET	MET	MET	UNMET		

FINANCIAL INFORMATION

Message from the Chief Financial Officer

I am pleased to present the Federal Maritime Commission's Financial Information for FY 2024, the twenty-first consecutive year that an independent auditor has rendered an unmodified opinion on the Commission's financial statements. The auditor's tests for compliance with selected provisions of applicable laws, regulations and contracts identified no deficiencies in internal control over financial reporting considered to be material weaknesses nor disclosed any instances of noncompliance for FY 2024 reportable under U.S. generally accepted government auditing standards. This demonstrates the Commission's long-held and consistent record as a diligent steward of taxpayer dollars, maintaining high standards for the financial management of the resources entrusted to it.

The financial statements and related notes were prepared in conformity with accounting principles generally accepted in the U.S., and requirements of OMB Circular A-136, *Financial Reporting Requirements,* revised May 30, 2024, and fairly present the Commission's financial position.

The FMC's financial condition remains sound, and its internal controls are sufficient to ensure that its budget authority is not exceeded, and that funds are used efficiently and effectively. The following key accomplishments demonstrate the effectiveness and efficiency of the FMC's acquisition and financial functions during FY 2024:

- A continuous record of no material weaknesses, significant control deficiencies, or nonconformance with the FMFIA and other applicable laws and regulations;
- Civil enforcement proceedings and user fees collections totaling $3,182,072;
- Continued focus on internal controls and risk management, as mandated by OMB Circular A-123, providing budget information in concise, reliable, and understandable formats;
- Accurate, timely issuance of financial statements as required by the Accountability of Tax Dollars Act of 2002, prepared from, and fully supported by, the books and records of the FMC in accordance with Generally Accepted Accounting Principles, standards approved by the Federal Accounting Standards Advisory Board, and OMB Circular A-136; and
- Successful implementation of the Digital Accountability and Transparency Act of 2014 (DATA Act), which provides detailed information on the FMC's careful stewardship of resources on the USASpending.gov website.

I am proud of the Commission's track record and confident that the excellent level of financial management at the Commission will continue into the future. We strive to enhance operational efficiency while protecting the interest of the American shipping public.

/s/
Earl Taylor
Chief Financial Officer
November 15, 2024

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 determined by reducing gross cost by any offsetting revenue;
- Statement of Changes in Net Position – Presents the accounting activities that caused the change in net position during the reporting period;
- Statement of Budgetary Resources – Presents how budgetary resources were made available and the status of those resources at fiscal year-end; and
- Statement of Custodial Activity – Presents collections and their disposition by the agency on behalf of the Treasury General Fund. The FMC acts as custodian and does not have use of these funds.

Limitations of the Financial Statements

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

The Federal Maritime Commission's financial statements were audited by Harper, Rains, Knight & Company, under contract to the FMC's Office of the Inspector General.

Financial Statements & Independent Auditor Report

FEDERAL MARITIME COMMISSION

Washington, DC 20573

November 15, 2024

Office of Inspector General

Dear Chairman Maffei and Commissioners Dye, Sola, Bentzel, and Vekich:

I am pleased to provide the attached audit report required by the Accountability for Tax Dollars Act of 2002 (ATDA), which presents an unmodified opinion on the Federal Maritime Commission's (FMC) fiscal year (FY) 2024 financial statements. 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 Harper, Rains, Knight & Company (HRK) to perform the audit of the FMC's financial statements for fiscal year ending September 30, 2024; 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 OIG 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. The financial statements of FMC for the year ended September 30, 2023, were audited by another auditor who expressed an unmodified opinion on those statements on November 15, 2023.

In connection with the OIG's contract, the OIG reviewed HRK's 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. HRK is responsible for the attached auditors' report dated November 15, 2024, and the conclusions expressed in the report. However, our review disclosed no instances where HRK 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 HRK and the OIG meet the audit objectives.

Respectfully submitted,

/s/
Jon Hatfield
Inspector General

Attachment

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

Independent Auditor’s Report

Harper, Rains, Knight & Company

Independent Auditors' Report

To Chairman Daniel B. Maffei
Federal Maritime Commission

Report on the Audit of the Financial Statements

Opinion

In accordance with the Accountability of Tax Dollars Act, we have audited the financial statements of the Federal Maritime Commission (FMC). FMC's financial statements comprise the balance sheet as of September 30, 2024, and the related statements of net cost, changes in net position, budgetary resources, and custodial activities for the fiscal year then ended, and the related notes to the financial statements.

In our opinion, FMC's financial statements present fairly, in all material respects, FMC's financial position as of September 30, 2024, and its net cost of operations, changes in net position, budgetary resources and custodial activities for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FMC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matters

The financial statements of FMC for the year ended September 30, 2023, were audited by another auditor who expressed an unmodified opinion on those statements on November 15, 2023.

Certified Public Accountants · Consultants · hrkcpa.com

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Chairman
Federal Maritime Commission (continued)

Responsibilities of Management for the Financial Statements

FMC's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; preparing, measuring, and presenting the Required Supplementary Information (RSI) in accordance with accounting principles generally accepted in the United States of America; preparing and presenting other information included in documents containing the audited financial statements and auditors' report, and ensuring the consistency of that information with the audited financial statements and the RSI; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with GAAS, GAGAS and OMB Bulletin No. 24-02 will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually, or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, GAGAS, and OMB Bulletin No. 24-02, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 FMC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

Chairman
Federal Maritime Commission (continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America issued by the Federal Accounting Standards Advisory Board (FASAB) require that the information in the Management's Discussion and Analysis be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB who considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with GAAS, which consisted of (1) inquiries of management about the methods of preparing the RSI and (2) comparing the information for consistency with management's responses to the auditors' inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit, and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on FMC's financial statements. The information in the FMC's 2024 Performance and Accountability Report, to include *A Message from Chairman Maffei*, *Annual Performance Report*, *Message from the Chief Financial Officer*, and *Other Required Information* sections contain a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the Other Required Information. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

Report on Internal Control over Financial Reporting

In planning and performing our audit of FMC's financial statements as of and for the year ended September 30, 2024, in accordance with GAGAS, we considered FMC's internal control relevant to the financial statement audit as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for

Chairman
Federal Maritime Commission (continued)

the purpose of expressing an opinion on the effectiveness of FMC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of FMC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

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.

***Report on Internal Control over Financial Reporting* (continued)**

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

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

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, and contracts, noncompliance with which could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Chairman
Federal Maritime Commission (continued)

Report on Compliance with Laws, Regulations, and Contracts

As part of obtaining reasonable assurance about whether FMC's financial statements are free from material misstatement, we performed tests of its compliance with selected provisions of applicable laws, regulations, and contracts that have a direct effect on the determination of material amounts and disclosures in FMC's financial statements, and to perform certain other limited procedures, but not for the purposes of expressing an opinion on FMC's compliance with applicable laws, regulations, and contracts. Accordingly, we do not express such an opinion. We did not test compliance with all laws, regulations, and contracts applicable to FMC. FMC management is responsible for complying with laws, regulations, and contracts applicable to the entity.

Our tests of compliance with these selected provisions of applicable laws, regulations, and contracts disclosed no instances of noncompliance for the year ended September 30, 2024, that would be reportable under GAGAS or OMB Bulletin No. 24-02. We caution that noncompliance may occur and not be detected by these tests.

***Purpose of the Other Reporting Required by* Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by GAGAS is solely to describe the scope of our testing of internal control and compliance with selected provisions of applicable laws, regulations, and contracts, and the results of that testing, and not to provide an opinion on the effectiveness of FMC's internal control or compliance. These reports are an integral part of an audit performed in accordance with GAGAS and OMB Bulletin No. 24-02 in considering the entity's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

Harper, Rains, Knight & Company, P.A.

November 15, 2024
Washington, D.C.

Comments on Audit Report

Federal Maritime Commission
Washington, DC 20573

Office of the
Managing Director

November 15, 2024

Matthew N. Farage, CPA, CISA, CITP, CGFM
Harper, Rains, Knight & Company
1425 K Street, NW, Suite 1120
Washington, DC 20005

Dear Mr. Farage:

I have reviewed the financial statements audit report for the Federal Maritime Commission for FY 2024. I concur with the audit report's findings that the financial statements fairly present the Commission's financial position during the fiscal year ending September 30, 2024, and that the financial statements are in conformity with U.S. Generally Accepted Accounting Principles; that the FMC has maintained, in all material respects, effective internal control over financial reporting; and that there were no instances of reportable noncompliance with laws and regulations tested by the auditors.

The Commission appreciates HRK's work over the past fiscal year.

Sincerely,

/s/
Earl Taylor
Chief Financial Officer

Financial Statements

FEDERAL MARITIME COMMISSION
FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024, AND 2023

TABLE OF CONTENTS

FEDERAL MARITIME COMMISSION
BALANCE SHEETS
AS OF SEPTEMBER 30, 2024 AND 2023
(In Dollars)

	2024	2023
Assets		
Intragovernmental Assets		
Fund Balance with Treasury (Note 2)	$ 18,230,630	$ 17,037,360
Accounts Receivable, Net (Note 3)	-	9,638
Advances and Prepayments	46,254	-
Total Intragovernmental Assets	18,276,884	17,046,998
Other than Intragovernmental Assets		
Accounts Receivable, Net (Note 3)	75,105	71,034
Total Other than Intragovernmental Assets	75,105	71,034
Total Assets	**$ 18,351,989**	**$ 17,118,032**
Liabilities (Note 5)		
Intragovernmental Liabilities		
Accounts Payable	$ 57,030	$ 24,015
Other Liabilities (Note 6)	233,703	442,000
Other Liabilities (Without Reciprocals)	51,963	109,715
Liability to the General Fund of the U.S. Government for Custodial and Other Non-Entity Assets	74,369	71,034
Other Current Liabilities - Benefit Contributions Payable	107,371	261,251
Total Intragovernmental Liabilities	290,733	466,015
Other than Intragovernmental Liabilities		
Accounts Payable	274,460	119,570
Federal Employee Salary, Leave, and Benefits Payable	2,262,400	3,312,379
Pension, Post-Employment, and Veterans Benefits Payable	1,261	1,319
Total Other than Intragovernmental Liabilities	2,538,121	3,433,268
Total Liabilities	**$ 2,828,854**	**$ 3,899,283**
Net Position		
Unexpended Appropriations		
Funds from Other than Dedicated Collections	$ 17,207,967	$ 14,959,706
Cumulative Results of Operations		
Funds from Other than Dedicated Collections	(1,684,832)	(1,740,957)
Total Net Position	**$ 15,523,135**	**$ 13,218,749**
Total Liabilities and Net Position	**$ 18,351,989**	**$ 17,118,032**

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

FEDERAL MARITIME COMMISSION
STATEMENTS OF NET COST
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(In Dollars)

		2024		2023
Gross Program Costs				
Operational and Administrative:				
Gross Costs	$	37,592,766	$	31,285,488
Less: Earned Revenue		(127,198)		(155,182)
Net Program Costs	**$**	**37,465,568**	**$**	**31,130,306**
Office of Inspector General				
Gross Costs	$	514,581	$	575,605
Net Program Costs	**$**	**514,581**	**$**	**575,605**
Multi Year Operational & Administrative				
Gross Costs	$	869,132	$	1,835,561
Net Program Costs	**$**	**869,132**	**$**	**1,835,561**
Net Cost of Operations	**$**	**38,849,281**	**$**	**33,541,472**

FEDERAL MARITIME COMMISSION
STATEMENTS OF CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(In Dollars)

		2024		2023
Unexpended Appropriations				
Beginning Balance	$	14,959,706	$	9,608,620
Appropriations Received		40,000,000		38,260,000
Other Adjustments		(1,023,387)		(1,118,430)
Appropriations Used		(36,728,352)		(31,790,484)
Net Change in Unexpended Appropriations		2,248,261		5,351,086
1. Total Unexpended Appropriations	**$**	**17,207,967**	**$**	**14,959,706**
1.				
Cumulative Results of Operations				
• Beginning Balance	$	(1,740,957)	$	(1,642,534)
• Appropriations Used		36,728,352		31,790,484
• Imputed Financing (Note 9)		2,177,054		1,652,565
• Net Cost of Operations		(38,849,281)		(33,541,472)
Net Change in Cumulative Results of Operations		56,125		(98,423)
Total Cumulative Results of Operations	**$**	**(1,684,832)**	**$**	**(1,740,957)**
Net Position	**$**	**15,523,135**	**$**	**13,218,749**

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

FEDERAL MARITIME COMMISSION
STATEMENTS OF BUDGETARY RESOURCES
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(In Dollars)

	2024	2023
Budgetary Resources		
Unobligated Balance From Prior Year Budget Authority, Net	$ 3,390,257	$ 3,440,396
Appropriations	40,000,000	38,260,000
Spending Authority from Offsetting Collections	127,198	155,182
Total Budgetary Resources	**$ 43,517,455**	**$ 41,855,578**
Status of Budgetary Resources		
New Obligations and Upward Adjustments (Total)	$ 39,489,666	$ 38,585,901
Unexpired Unobligated Balance, End of Year	1,474,647	178,336
Expired Unobligated Balance, End of Year	2,553,142	3,091,341
Unobligated Balance, End of Year (Total)	4,027,789	3,269,677
Total Budgetary Resources	**$ 43,517,455**	**$ 41,855,578**
Outlays, Net and Disbursements, Net		
Outlays, Net (Total)	$ 37,783,343	$ 31,465,671
Distributed Offsetting Receipts	(876,688)	(426,141)
Agency Outlays, Net	**$ 36,906,655**	**$ 31,039,530**

FEDERAL MARITIME COMMISSION
STATEMENTS OF CUSTODIAL ACTIVITY
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(In Dollars)

	2024	2023
Total Custodial Revenue		
I. Sources of Cash Collections		
Miscellaneous	$ 3,182,072	$ 3,322,694
Total Cash Collections (Note 12)	**$ 3,182,072**	**$ 3,322,694**
II. Accrual Adjustments (+/-)	3,335	(4,243)
Total Custodial Revenue	**$ 3,185,407**	**$ 3,318,451**
Disposition of Collections		
III. Transferred to Others (by Recipient)	$ 3,182,072	$ 3,322,694
IV. (Increase)/Decrease in Amounts Yet to be Transferred (+/-)	3,335	(4,243)
Total Disposition of Collections	3,185,407	3,318,451
Custodial Revenue Less Disposition of Collections	**$ -**	**$ -**

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

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 monitoring, enforcement and dispute resolution programs designed to assist regulated entities in achieving compliance and to detect and remedy malpractices and violations of the 1984 Act; monitors the laws and practices of foreign governments which could have a discriminatory or otherwise adverse impact on shipping conditions in U.S. trades, and imposes remedial action, as appropriate, pursuant to section 19 of the 1920 Act or FSPA; enforces special regulatory requirements applicable to carriers owned or controlled by foreign governments; processes and reviews agreements, service contracts, and service arrangements pursuant to the 1984 Act for compliance with statutory requirements; and reviews common carriers' privately published tariff systems for accessibility and accuracy, as required by OSRA.

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

The FMC is composed of five Commissioners appointed for five-year terms by the President and confirmed by the United States 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 the FMC. The Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency's operating results; the Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency's resources and follows the rules for the Budget of the United States Government.

The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of the 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 the FMC's 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 the 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 the control and monitoring of federal funds as well as the compliance with legal requirements on the use of those funds.

D. Fund Balance with Treasury

Fund Balance with Treasury is an asset of a reporting entity and a liability of the General Fund. It is the aggregate amount of the FMC's funds with Treasury in expenditure, receipt, revolving, and deposit fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

The FMC does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. When the reporting entity seeks to use Fund Balance with Treasury or investments in Government securities to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, which is to borrow from the public if there is a budget deficit (and to use current receipts if there is a budget surplus). Funds are disbursed for the agency on demand.

E. Accounts Receivable

Accounts receivable consists of amounts owed to the FMC by other federal agencies and the general public. Amounts due from federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. 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. The FMC's capitalization threshold is $25,000 for individual purchases. Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

Description	Useful Life (years)
Building	5
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 Other than Intragovernmental. Intragovernmental liabilities represent funds owed to another government agency. Liabilities other than intragovernmental 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 and FOIA request fees.

I. Annual, Sick, and Other Leave

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

J. Accrued and Actuarial Workers' Compensation

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

K. Retirement Plans

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

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

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

The 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

The FMC's employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGLIP); employees 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. Contingencies

Liabilities are deemed contingent when the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. The 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.

O. Reclassification

Certain fiscal year 2023 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

P. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Q. New Accounting Standard

Effective FY 2024, agencies are required to comply with the SFFAS 54: Leases. Among other things, this standard requires lessees to (1) recognize operating leases as lease assets and lease liabilities on the balance sheet and (2) disclose key information about significant leasing arrangements. We have determined that the reporting requirement is applicable to us, however currently our rent is provided through an intra-governmental lease (see Note 7) and therefore has no material impact on our current year financial statement reporting requirements.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury account balances as of September 30, 2024, and 2023, were as follows:

	2024	2023
Status of Fund Balance With Treasury		
Unobligated Balance		
Available	$ 1,474,647	$ 178,336
Unavailable	2,553,142	3,091,341
Obligated Balance Not Yet Disbursed	14,202,841	13,767,683
Total	**$ 18,230,630**	**$ 17,037,360**

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 10).

NOTE 3. ACCOUNTS RECEIVABLE, NET

Accounts receivable balances as of September 30, 2024, and 2023, were as follows:

	2024	2023
Intragovernmental Accounts Receivable		
Accounts Receivable	$ -	$ 9,638
Total Intragovernmental Accounts Receivable	$ -	$ 9,638
With the Public		
Miscellaneous Accounts Receivable	$ 74,714	$ 71,034
Interest Receivable	121	-
Penalties and Fines Receivable	270	-
Total Accounts Receivable-Public	$ 75,105	$ 71,034
Total Accounts Receivable	**$ 75,105**	**$ 80,672**

The accounts receivable is primarily made up of services provided to the public. Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2024, and 2023.

NOTE 4. PROPERTY, PLANT, AND EQUIPMENT, NET

Schedule of General Property, Plant, and Equipment, Net as of September 30, 2024 and 2023:

	Acquisition Cost	Accumulated Depreciation and Amortization	Net Book Value
2024			
Major Class:			
Leasehold Improvements	$ 225,000	$ 225,000	$ -
Furniture and Equipment	316,289	316,289	-
Total	$ 541,289	$ 541,289	$ -
2023			
Major Class:			
Leasehold Improvements	$ 225,000	$ 225,000	$ -
Furniture and Equipment	316,289	316,289	-
Total	$ 541,289	$ 541,289	$ -

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the FMC as of September 30, 2024, and 2023, 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.

	2024	2023
Intragovernmental-FECA	$ 296	$ 296
Unfunded Leave	1,710,727	1,766,058
Actuarial FECA	1,261	1,318
Total Liabilities Not Covered by Budgetary Resources	$ 1,712,284	$ 1,767,672
Total Liabilities Covered by Bugetary Resources	1,042,201	2,060,577
Liabilities Not Requiring Budgetary Resources	74,369	71,034
Total Liabilities	**$ 2,828,854**	**$ 3,899,283**

FECA and the Unemployment Insurance liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on the FMC's behalf and payable to the DOL. The 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.

Liabilities not requiring budgetary resources represent the custodial liabilities of fines, penalties, and fees to be collected and transferred to Treasury. FMC being a collecting agency recognizes fines, penalties, and fees as a custodial liability and receivable. Once the funds are collected, they are then transferred to Treasury at the end of each fiscal year.

NOTE 6. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2024, and 2023, were as follows:

	Current	Non-Current	Total
2024			
Intragovernmental:			
Employer Contributions and Payroll Taxes Payable (without reciprocals)	$ 51,964	$ -	$ 51,964
Custodial Liability (to the general fund)	74,369	-	74,369
Employer Contributions and Payroll Taxes Payable	107,074	-	107,074
Unfunded FECA Liability	296	-	296
Total Intragovernmental	$ 233,703	$ -	$ 233,703
Total Other Liabilities	**$ 233,703**	**$ -**	**$ 233,703**
2023			
Intragovernmental:			
Employer Contributions and Payroll Taxes Payable (without reciprocals)	$ 109,715	$ -	$ 109,715
Custodial Liability (to the general fund)	71,034	-	71,034
Employer Contributions and Payroll Taxes Payable	260,955	-	260,955
Unfunded FECA Liability	296	-	296
Total Intragovernmental	$ 442,000	$ -	$ 442,000
Total Other Liabilities	**$ 442,000**	**$ -**	**$ 442,000**

NOTE 7. LEASES

FMC occupies office space in two locations, of which both lease agreements are considered intra-governmental leases per SFFAS 54 lease requirement for FY24. One of the locations will expire at end of October 2024 due to an increase in remote work. The total lease expense for the periods ended September 30, 2024, and 2023, respectively were $1,450,349 and $439,622, respectively.

The lease locations and terms are listed below:

Location	Term	Lease Expiration Date
Tacoma, WA	10 Years	10/31/2024
Washington, DC	15 Years	10/31/2037

The operating lease amount does not include estimated payments for leases with annual renewal options.

Below is a schedule of future payments for the term of the lease:

	Office Space	Total Federal
Fiscal Year		
2025	$ 3,215,128	$ 3,215,128
2026	3,245,441	3,245,441
2027	3,373,190	3,373,190
2028	3,423,109	3,423,109
2029	3,466,383	3,466,383
2030-2034	18,085,817	18,085,817
2035-2039	11,945,028	11,945,028
Total	**$ 46,754,096**	**$ 46,754,096**

NOTE 8. COMMITMENTS AND CONTINGENCIES

The FMC records commitments and contingent liabilities for legal cases in which payment has been deemed probable and for which the amount of potential liability has been estimated, including certain judgments that have been issued against the agency. There were no contingent liabilities as of September 30, 2024.

NOTE 9. INTER-ENTITY COSTS

FMC recognizes certain inter-entity costs for goods and services that are received from other federal entities at no cost or at a cost less than the full cost. Certain costs of the providing entity that are not fully reimbursed are recognized as imputed cost and are offset by imputed revenue. Such imputed costs and revenues relate to employee benefits and claims to be settled by the Treasury Judgement Fund. FMC recognizes as inter-entity costs the amount of accrued pension and post-retirement benefit expenses for current employees.

The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the fiscal years ended September 30, 2024, and 2023, respectively, inter-entity costs were as follows:

	2024	2023
Office of Personnel Management	$ 2,177,054	$ 1,652,565
Total Imputed Financing Sources	**$ 2,177,054**	**$ 1,652,565**

NOTE 10. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Budgetary resources obligated for undelivered orders as of September 30, 2024, and 2023 were as follows:

	Intragovernmental	Other than Intragovernmental	Total
2024			
Paid Undelivered Orders	$ 46,254	$ -	$ 46,254
Unpaid Undelivered Orders	6,057,947	7,102,693	13,160,640
Total Undelivered Orders	**$ 6,104,201**	**$ 7,102,693**	**$ 13,206,894**
2023			
Unpaid Undelivered Orders	$ 5,934,800	$ 5,781,944	$ 11,716,744
Total Undelivered Orders	**$ 5,934,800**	**$ 5,781,944**	**$ 11,716,744**

NOTE 11. EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT

The President's Budget that will include fiscal year 2024 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2025 and can be found at the OMB website: http://www.whitehouse.gov/omb/. The Fiscal Year 2025 Budget of the United States Government, with the “"Actual”" column completed for 2023, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

(In Millions)

	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 42	$ 39	$ -	$ 31
Unobligated Balance Not Available	(3)	-	-	-
Difference Due to Rounding	(1)	(1)	-	(1)
Budget of the U.S. Government	**$ 38**	**$ 38**	**$ -**	**$ 30**

NOTE 12. CUSTODIAL REVENUES

The FMC is an administrative agency collecting for another entity or the General Fund. As a collecting entity, the FMC measures and reports cash collections and refunds. These collections are reported as custodial activity on the “Statement of Custodial Activity”. The type of cash collected is for fines, penalties and administrative fees. A small portion is for interest on the past due fines. Another 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, 2024, and 2023.

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

	2024	2023
Fines, Penalties, and Forfeitures	$ 2,305,384	$ 2,896,852
General Fund Proprietary Receipts-User Fees	876,506	425,994
Refund of Proprietary Receipts-User Fees	-	(250)
Interest	182	98
Total Cash Collections	**$ 3,182,072**	**$ 3,322,694**

NOTE 13: RECONCILIATION OF NET OPERATING COST & NET BUDGETARY OUTLAYS

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

The reconciliation of Net Cost to Net Outlays as of September 30, 2024:

	Intragovern-mental	Other than Intragovern-mental	Total
Net Operating Cost (Revenue) Reported on Statement of Net Cost	**$ 12,482,479**	**$ 26,366,802**	**$ 38,849,281**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
Accounts Receivable, Net	(9,638)	736	(8,902)
Advances and Prepayments	46,254	-	46,254
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
Accounts Payable	(33,015)	(154,890)	(187,905)
Federal Employee Salary, Leave, and Benefits Payable	-	1,049,979	1,049,979
Pension, Other Post-Employment, and Veterans Benefits Payable	-	57	57
Other Liabilities	211,633	-	211,633
Financing Sources:			
Imputed Cost	(2,177,054)	-	(2,177,054)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	**$ (1,961,820)**	**$ 895,882**	**$ (1,065,938)**
Misc Items			
Distributed Offsetting Receipts (SBR 4200)	-	(876,688)	(876,688)
Custodial/Non-Exchange Revenue	3,185,407	(3,185,407)	-
Total Other Reconciling Items	**$ 3,185,407**	**$ (4,062,095)**	**$ (876,688)**
Total Net Outlays (Calculated Total)	**$ 13,706,066**	**$ 23,200,589**	**$ 36,906,655**
Budgetary Agency Outlays, net			**$ 36,906,655**

The reconciliation of Net Cost to Net Outlays as of September 30, 2023:

	Intragovern-mental	Other than Intragovern-mental	Total
Net Operating Cost (Revenue) Reported on Statement of Net Cost	**$ 9,404,323**	**$ 24,137,149**	**$ 33,541,472**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
Accounts Receivable, Net	9,638	(6,169)	3,469
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
Accounts Payable	30,817	172,313	203,130
Federal Employee Salary, Leave, and Benefits Payable	-	(100,785)	(100,785)
Other Liabilities	(76,863)	(452,237)	(529,100)
Financing Sources:			
Imputed Cost	(1,652,565)	-	(1,652,565)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	**$ (1,688,973)**	**$ (386,878)**	**$ (2,075,851)**
Misc Items			
Distributed Offsetting Receipts (SBR 4200)	(426,141)	-	(426,141)
Custodial/Non-Exchange Revenue	3,318,450	(3,318,450)	-
Non-Entity Activity	50	-	50
Total Other Reconciling Items	**$ 2,892,359**	**$ (3,318,450)**	**$ (426,091)**
Total Net Outlays (Calculated Total)	**$ 10,607,709**	**$ 20,431,821**	**$ 31,039,530**
Budgetary Agency Outlays, net			**$ 31,039,530**

OTHER REQUIRED INFORMATION

Inspector General's Statement on Management and Performance Challenges

FEDERAL MARITIME COMMISSION
Washington, DC 20573

October 15, 2024

Office of Inspector General

TO: Chairman Maffei
Commissioner Dye
Commissioner Sola
Commissioner Bentzel
Commissioner Vekich

FROM: Inspector General

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

The Reports Consolidation Act of 2000 (Public Law 106-531) requires inspectors general to provide a summary and assessment of the most serious management and performance challenges facing Federal agencies, and their progress in addressing these challenges. The attached document responds to the requirements and provides the annual statement to be included in the Federal Maritime Commission's (FMC) Performance and Accountability Report (PAR) for fiscal year (FY) 2024.

This year, the Office of Inspector General (OIG) has identified two management and performance challenges, ***information technology (IT) security and organizational changes***. This assessment is based on information derived from a combination of sources, including OIG audit and review 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 FMC PAR that is due by November 15, 2024.

Jon Hatfield

Attachment

Cc: Office of the Managing Director
Office of the General Counsel
Office of Information Technology
Office of Human Resources

Office of Inspector General (OIG)
Fiscal Year 2024 – FMC Management Challenges

The Management Challenge - *Information Technology (IT) Security*

Government-wide, the Government Accountability Office (GAO) has designated information security as a high-risk area since 1997. In 2003, GAO expanded this area to include computerized systems supporting the nation's critical infrastructure and, in 2015, GAO further expanded this area to include protecting the privacy of personally identifiable information. A 2021 GAO report[1] recognized that IT systems supporting Federal agencies and our nation's critical infrastructures are inherently at risk. These systems are highly complex and dynamic, technologically diverse, and often geographically dispersed. This complexity increases the difficulty in identifying, managing, and protecting the numerous operating systems, applications, and devices comprising the systems and networks. Compounding the risk, systems and networks used by Federal agencies and our nation's critical infrastructure are also often interconnected with other internal and external systems and networks, including the internet.

The 2021 GAO report recognizes with this greater connectivity, threat actors are increasingly willing and capable of conducting a cyberattack on the Federal government's critical infrastructure that could be disruptive and destructive. Common cyber adversaries include criminal groups, hackers, insiders, nations, and terrorists. More specifically, hackers break into networks sometimes for the challenge, and insiders are individuals (e.g., employees, contractors, or vendors) with authorized access to an information system or enterprise who have the potential to cause harm, wittingly or unwittingly, through destruction, disclosure, modification of data, or through denial of service.

Further, GAO reported that to facilitate their efforts, cyber adversaries use a variety of tactics and techniques, often by performing reconnaissance (e.g., scanning for vulnerabilities in target hosts or applications) and establishing resources that can be used to support their operations (e.g., develop malicious software). Attackers will seek to gain initial access to a target network using methods such as targeted spear phishing emails or exploiting weaknesses on public-facing webservers. After gaining an initial foothold, attackers will often use a variety of tactics and techniques to achieve their objectives, such as trying to run malicious code, attempting to steal account names and passwords, and gain higher-level permissions, and moving throughout a network to find and gain access to their target.

The Federal Information Security Modernization Act (FISMA) requires an agency's inspector general (IG), or an independent external auditor, to conduct an annual independent

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[1] GAO, HIGH-RISK SERIES: Federal Government Needs to Urgently Pursue Critical Actions to Address Major Cybersecurity Challenges, GAO-21-288 (Washington, D.C.: March 2021).

evaluation to determine the effectiveness of the agency's information security program and practices. Each year, these independent assessments are based on metrics (IG FISMA Metrics) developed by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) in coordination with the Office of Management and Budget (OMB), the Department of Homeland Security (DHS), the Federal Chief Information Officers (CIO) Council, and other stakeholders.

In the OIG's *Audit of the FMC's Compliance with the Federal Information Security Modernization Act (FISMA) FY 2024,* there were six findings and 18 recommendations for weaknesses that existed during FY 2024. Findings included an occurrence where unauthorized and unmanaged software was installed and able to be executed; the IT supply chain risk management policies have been developed but not fully implemented; and an occurrence where a non-privileged user was able to bypass multifactor authentication to access SharePoint. Other findings included several employees who had not completed the security awareness training; the lack of a business impact analysis policy; and the agency has not met the event logging tiers in accordance with Office of Management and Budget requirements. FMC management agreed with all the recommendations to address the audit findings. Addressing these identified audit findings will strengthen the FMC's information security program and practices and contributes to ongoing efforts to maintain reasonable assurance of adequate security over information resources.

In addition to the annual FISMA audit, the OIG also completed an information technology vulnerability audit (ITVA) in September 2023. The objectives of this audit were to evaluate the FMC external and internal network segments, systems, and applications to assess the FMC's IT vulnerability assessment program and identify critical security IT weaknesses. The scope of the ITVA included multiple FMC network targets within the external and internal network environments.

The ITVA audit testing team simulated an outside attacker, gathered publicly available information about the target environment, and attempted to gain unauthorized access to FMC systems within the scope of testing. The simulated external attack scenario did not lead to unauthorized access within the testing timeframe. The audit did identify multiple vulnerabilities in FMC IT systems and applications. Eight recommendations were provided to FMC management to address four findings. The findings involved: insufficient software management; default authentication credentials are utilized; insufficient configuration management; and flaws in custom-developed application functionality. FMC management agreed with all four audit findings. FMC management reported in early October 2024 that several recommendations have been implemented and progress is being made on the other recommendations.

Agency Progress in Addressing the Challenge

In the OIG's *Audit of the FMC's Compliance with the Federal Information Security Modernization Act (FISMA) FY 2024*, the OIG found that the FMC resolved two of the prior year's FISMA audit recommendations. FMC management reported in early October 2024 that policies are under development that would close the remaining two FY 2023 audit recommendations. The FY 2024 audit reported 18 new recommendations, and FMC management concurred and outlined corrective actions they plan to implement by the second quarter of FY 2025. The results of the

OIG's FY 2024 FISMA audit found the FMC's information security program to be consistently implemented and effective.

The OIG has increased oversight of IT security due to the ongoing management challenge and security incidents at the FMC. Over the last several years and continuing in FY 2024, the OIG has found the FMC to be focused on maintaining an effective IT security program. However, outdated technology at the FMC increases cybersecurity risks. Therefore, there is an even greater importance on effective IT strategic planning to ensure that investments are cost-beneficial and meet mission needs and that the most appropriate development or acquisition approach is chosen. The FMC's most recent IT strategic plan is dated December 2018 for FYs 2018 through 2022. The Office of Information Technology is working on a new IT strategic plan to be finalized by the agency. Lastly, in FY 2024, the agency elevated the Chief Information Officer (CIO) position to the senior executive service and hired a new CIO.

The Management Challenge – *Organizational Changes*

Over the last several years, the relatively small FMC agency has experienced significant organizational changes that continue to be a challenge. These changes include the high turnover in senior and staff positions, and the coronavirus pandemic (Covid-19), during a time the agency is responsible for the implementation of the Ocean Shipping Reform Act of 2022 (OSRA). Although the public health emergency related to the Covid-19 pandemic officially ended in May 2023, the impact and changes to the FMC workplace have been substantial at a time when the agency is responsible for implementation of significant legislation.

On June 16, 2022, President Joseph R. Biden Jr. signed into law the Ocean Shipping Reform Act of 2022 (OSRA), enacted as Public Law 116-146. The FMC is charged with ensuring a competitive and reliable international ocean transportation supply system that supports the U.S. economy and protects the public from unfair and deceptive practices. The OSRA intends to level the playing field for American exporters and importers by providing the FMC the tools it needs for effective oversight of international ocean carriers. These oversight and enforcement tools will help the FMC eliminate unfair charges, prevent unreasonable denial of American exports, and crack down on other unfair practices harming American businesses and consumers. In a prior year, the Inspector General (IG) identified the implementation of OSRA as one of the management and performance challenges facing the FMC because of the importance and magnitude of the legislation's requirements. The number of new requirements, timeframes, and resources required are substantial, and are in addition to the agency's existing mission requirements.

The most important requirement for successful implementation and execution of OSRA is to ensure the agency has the necessary staff resources. A prior year's IG report identified high turnover in senior positions as one of the management challenges facing the agency and this continues to be a challenge. In FY 2024, the Bureau of Trade Analysis (BTA) and Office of Budget and Finance (OBF) experienced turnover in the most senior position. The high turnover in senior positions is particularly challenging for a small organization like the FMC because bureaus and offices lack multiple management layers to draw upon when senior leadership turnover occurs. The turnover of talented and very experienced senior leaders has resulted in the loss of institutional knowledge and expertise that required many years to develop.

Agency Progress in Addressing the Challenge

The FMC has reported that substantial progress has been made in implementing many of the requirements established by OSRA. In FY 2024, the FMC published a final rule establishing new requirements for how common carriers and marine terminal operators (MTOs) must bill for demurrage and detention charges, providing clarity on who can be billed, within what timeframe, and the process for disputing bills. The FMC also published a final rule that establishes the necessary elements for the Commission to apply OSRA with respect to refusals of cargo and vessel space accommodations.

The FMC had 136 positions filled and 30 positions vacant at the end of FY 2024. While the Office of Human Resources (OHR) was successful in onboarding 28 new hires during FY 2024, 21 employees separated from the FMC during the same period. An important development was the decision last year for the OHR to add an additional staffing specialist to assist on the recruitment and onboarding staffing goals of the FMC. OHR onboarded the new staffing specialist in the early part of October 2024. The additional OHR staffing specialist will provide additional resources focused on hiring but is not likely to address all recruitment challenges. Recruitment of qualified applicants is a challenge and is evidenced by a pattern of multiple job announcements for the same position at FMC. For example, recruitment for the permanent positions of a Deputy General Counsel and Director of the Bureau of Trade Analysis were each advertised twice in FY 2024 and the positions continue to be unfilled. The OHR acknowledges that every recruitment is different, but there are some common themes on the challenges with recruitment. In a memorandum dated August 14, 2024, and titled "Improving the Federal Hiring Experience," the Office of Management and Budget (OMB) details priorities around which agencies should align their resources to drive improvements in the agency hiring experience for applicants, agency hiring managers, and agency HR professionals. The memorandum states that doing so will support the Government's efforts to inspire talented individuals to pursue Federal service and recruit, hire, and retain the Federal workforce necessary to carry out agency missions. Further, the OMB memorandum commits the Office of Personnel Management (OPM) will continue to produce resources to support agency adoption of the practices outlined in the August 2024 memorandum.

Employee recruitment and retention strategies both play a critical role to ensure the agency has the workforce to successfully accomplish its mission. According to OPM, many organizations' strategies focus primarily on monetary benefits to retain and engage quality employees. However, OPM reports that employees cite multiple reasons for job and employer satisfaction. OPM's annual Federal Employee Viewpoint Survey (FEVS) provides agency leadership with employee perspectives on many critical areas including leadership, communication, pay, innovation, and work-life balance. In the most recent OPM FEVS for 2023, agency employees were asked if they were considering leaving the agency, to indicate the main reason(s). For those indicating they were considering leaving the agency, the top two reasons cited were better career opportunities (22.9%, or 17 respondents) and inadequate remote work opportunities (30.1% or 23 respondents). The OPM FEVS results for 2024 are expected to be released in November 2024 and will provide agency leadership with important employee feedback that can be used for employee recruitment and retention.

Comments on Inspector General's Statement

The Commission appreciates the Inspector General's assessment of the serious management and performance challenges facing it and the Federal government in general. Addressing the OIG's findings and recommendations in both the annual FISMA audit and the FY 2023 ITVA aids the Commission in strengthening its IT security controls, maintaining an effective information security program, protecting valuable resources, and mitigating risk.

During FY 2024, the Commission did encounter some challenges in recruiting staff with the requisite talent to meet its mission as well as the additional challenge of implementing OSRA. However, as the Inspector General mentioned, the Commission has made substantial progress in implementing OSRA's requirements. The Commission's OHR will continue to refine its recruitment and retention strategies to ensure that the agency has a talented, focused workforce to carry out its mission.

Financial Statement Audit Summary

Table 1 is a summary of the results of the independent audit of the FMC's financial statements by the agency's auditors in connection with the FY 2024 audit.

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

Management Assurances Summary

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

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

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

Fraud Reduction Report

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

Financial stewardship is an important part of the FMC's risk management strategy. Internal controls and financial and accounting data are subject to multiple levels of monthly or annual review performed internally by the FMC and externally by the BFS. The most recent OIG risk assessment of the purchase card program, completed in 2024, considered several factors, including: effectiveness of internal controls; training requirements; policies and procedures; any prior problems with the program; and previous audits and reviews. The OIG concluded the risk of illegal, improper, or erroneous use in the FMC's purchase card program is "low," and as a result, the OIG anticipates performing another risk assessment of the purchase card program in 2026.

The OIG completed an audit survey of the agency's civil monetary penalty program during FY 2024. The Shipping Act of 1984 authorizes the FMC to collect civil penalties from any person(s) that violate(s) its regulations, statutes, or orders. The OIG's audit survey identified four suggestions for improvement and agency management agreed with all four of the OIG's suggestions.

In addition, for the OIG's most recent annual review of the FMC's compliance with reporting and performance requirements regarding improper payments, for fiscal year (FY) 2023, the OIG concluded the FMC complied with all the requirements that are applicable to the agency for improper payment reporting. During the OIG's review, two issues were noted where the FMC could improve its improper payment reporting process. The OIG concluded that none of the issues affected compliance nor altered the payment integrity information reported by the FMC.

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

The FMC does not oversee or have responsibility for any credit, grant, or loan programs. No new programs were initiated in FY 2024, and no current programs are at high risk for fraud, abuse, or exposure to waste.

Civil Monetary Penalty Adjustment for Inflation

The *Federal Civil Penalties Inflation Adjustment Act of 1990*, Pub. L. 104-410, as amended by the *Debt Collection Improvement Act of 1996*, Pub. L. 104-134, and the *Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015*, Pub. L. 114-74, requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties to maintain their deterrent effect.

The following table shows the civil penalties that the FMC may impose, authority for imposing the penalty, dates of inflation adjustments, and current penalty levels. The Federal Register notice (89 FR 1464) may be viewed at: [Federal Register: Inflation Adjustment of Civil Monetary Penalties]

Penalty	Statutory Authority	Date of Previous Adjustment	Date of Current Adjustment	Maximum Penalty
Adverse impact on U.S. carriers by foreign shipping practices	46 U.S.C. 42304	January 15, 2023	January 15, 2024	$2,559,636
Knowing and Willful violation / Shipping Act of 1984, or Commission regulation or order	46 U.S.C. 41107(a)	January 15, 2023	January 15, 2024	$73,045
Violation of Shipping Act of 1984, Commission regulation or order, not knowing and willful	46 U.S.C. 41107(a)	January 15, 2023	January 15, 2024	$14,608
Operating in foreign commerce after tariff suspension	46 U.S.C. 41108(b)	January 15, 2023	January 15, 2024	$146,092
Failure to provide required reports, etc. / Merchant Marine Act of 1920	46 U.S.C. 42104	January 15, 2023	January 15, 2024	$11,524
Adverse shipping conditions / Merchant Marine Act of 1920	46 U.S.C. 42106	January 15, 2023	January 15, 2024	$2,304,629
Operating after tariff or service contract suspension / Merchant Marine Act of 1920	46 U.S.C. 42108	January 15, 2023	January 15, 2024	$115,231
Failure to establish financial responsibility for non-performance of transportation*	46 U.S.C. 44102	January 15, 2023	January 15, 2024	$29,108 $971
Failure to establish financial responsibility for death or injury*	46 U.S.C. 44103	January 15, 2023	January 15, 2024	$29,108 $971
Program Fraud Civil Remedies Act / makes false claim	31 U.S.C. 3802(a)(1)	January 15, 2023	January 15, 2024	$13,946
Program Fraud Civil Remedies Act / giving false statement	31 U.S.C. 3802(a)(2)	January 15, 2023	January 15, 2024	$13,946

*These amounts are based on the penalties established in § 44104 for violations of §§ 44102 and 44103: $5,000, plus $200 for each passage sold. These penalties were established in 1966 and, applying the statutory inflation adjustment formula, amount to $29,108, plus $971 for each passage sold, in current dollars.

Biennial Review of User Fees

Agencies are required by the *Chief Financial Officers Act of 1990* to conduct biennial reviews of fees and other charges that they impose and to revise these fees and charges to cover program and administrative costs incurred, as necessary. The Commission last updated its user fees in a direct final rule effective June 5, 2023. User fee rates will be examined in calendar year 2024.