



*Thirty-five years – promoting and protecting labor-management relations for effective, efficient government.*

## **U.S. FEDERAL LABOR RELATIONS AUTHORITY PERFORMANCE AND ACCOUNTABILITY REPORT**

Decisions of the  
FEDERAL  
LABOR  
RELATIONS  
AUTHORITY

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**UNITED STATES  
FEDERAL LABOR RELATIONS AUTHORITY**



**Performance and Accountability Report**

**FISCAL YEAR 2014**

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## MESSAGE FROM THE CHAIRMAN



I am pleased to submit the FY 2014 Performance and Accountability Report for the Federal Labor Relations Authority (FLRA). As I discuss in more detail below, overall, FY 2014 was a strong year for the FLRA. The agency faced head-on the unprecedented challenges that FY 2013 brought, and that the agency continued to experience in FY 2014, and it identified and pursued opportunities to achieve the goal of improved and sustainable performance excellence throughout the FLRA. The FLRA encompasses, in one small agency, the investigator, prosecutor, adjudicator, and interest arbitrator for labor-management disputes involving 1.2 million federal employees. And we are committed to fostering a productive and effective federal government, providing leadership in establishing policies and guidance related to federal-sector labor-management relations, and ensuring compliance with the Federal Service Labor-Management Relations Statute (the Statute).

I am proud to report that, in many respects, the FLRA successfully overcame its challenges, delivering on its mission to the federal-sector labor-management community, and finding ways to be more innovative and collaborative in the delivery of its services. In this connection, the Office of the General Counsel (OGC) investigated and resolved more unfair-labor-practice (ULP) charges than it has in many years. The Federal Service Impasses Panel (FSIP) continued to resolve bargaining impasses at a brisk pace. And the FLRA, as a whole, delivered 225 training, outreach, and facilitation sessions to over 5,100 customers, continuing not only its commitment to the success of President Obama's Executive Order 13522, *Creating Labor-Management Forums to Improve Delivery of Government Services*, but also to more general training regarding rights and responsibilities under the Statute.

In addition, alternative-dispute-resolution (ADR) activities throughout the agency continued to be extremely successful. In the OGC and the FSIP components, ADR is deeply embedded in the way all cases are processed. Indeed, the sheer volume of ULP charges filed in the OGC (approximately 4,700 in FY 2014) would overwhelm that component without the voluntary settlement of so many of these charges with facilitation by the employees in the Regional Offices where they are processed. In the Authority component, ADR is available in every ULP case that reaches the Office of Administrative Law Judges (OALJ), as well as in every negotiability case and every arbitration case before the Authority. Of course, making ADR available and making it work are two different things. And I am pleased to report that, throughout the FLRA, we did *both*. In the OGC, for example, approximately 94 percent of the cases in which the parties agreed to use ADR settled as a result. In the OALJ, the number is 95 percent. Parties filing negotiability cases agreed to use ADR services provided by the Authority's Collaboration and Alternative Dispute Resolution Office (CADRO) in 80 percent of cases, and those parties reached at least partial resolution in 100 percent, and full resolution in 96 percent, of those cases.

Moreover, I proudly note, on behalf of us all, that despite both the pressures experienced by all federal agencies and those that are unique to the FLRA, we realized dramatic increases in, and continued to rank at or near the very top of, several categories in the *Federal Employee Viewpoint Survey* administered by the Office of Personnel Management. The FLRA's 2014 positive ratings increased from 2013 in 61 items. And the FLRA's Human Capital Assessment

and Accountability Framework index scores increased in *every* category – by as much as 7 percent over 2013 – with 100 percent of FLRA respondents reporting that they are willing to put in extra effort to get a job done; 97 percent indicating that they are being held accountable for achieving results; 96 percent knowing how their work relates to the agency’s goals and priorities; and 94 percent knowing what is expected of them on the job. Further, the FLRA was ranked in the top five for “New IQ Performance,” which measures workplace inclusiveness. These responses reflect the FLRA’s progress towards meeting government-wide human-capital objectives and their relationship to organizational performance. The FLRA’s dramatic and sustained improvement in employee engagement over the last five and a half years reflects the commitment of leadership – at all levels and throughout the agency – to manage the agency with transparency and accountability, and to truly and meaningfully engage our employees.

Of course, there were challenges in FY 2014. Beginning in January 2013 and continuing until mid-November 2013, the FLRA’s Authority component lacked a quorum of Members. As a result, the Authority was unable to accomplish a key function – the issuance of decisions resolving disputes – for the final 9 months of FY 2013 and the first (nearly) 2 months of FY 2014. Naturally, as cases continued to be filed during this period, and as decisions in those cases could not issue, a backlog arose. And, as a direct result of sequestration, the FLRA (rather than furloughing employees) did not fill vacated positions during FY 2013, thereby opening FY 2014 with 22 vacant positions – well over 10 percent of the workforce. Indeed, 2 of the 22 positions were Authority Members! Adding to the mix of challenges, the FLRA headquarters office consolidated from three floors of an office building to two floors.

I am pleased to report that the consolidation of space was, by all accounts, a huge success, resulting in more efficient use of space, decreased rental costs over time, and increased *esprit de corps* among employees. Further, over the course of the fiscal year, virtually all vacant positions were filled, and the FLRA addressed office-specific mission-performance needs resulting from the vacancies by reallocating attorney positions, utilizing internal details and temporary appointments, and contracting for time-specific paralegal support. Moreover, the Authority component has begun to tackle its backlog – which it is committed to eliminating in FY 2015 – through implementation of a case-issuance strategy.

All of these accomplishments were achievable because of the high level of collaboration and dedication among the FLRA’s Presidential leadership, career managers, employees, and employees’ representative union. It is only through good management practices, the strategic engagement of its workforce in a way that encourages high performance and innovation, and a deep commitment to the FLRA’s mission that the FLRA successfully seized the opportunities presented by its challenges. FY 2014 is a true example of the FLRA’s resiliency and ability to again tackle difficult and complex obstacles.



Carol Waller Pope  
Chairman  
Federal Labor Relations Authority  
November 17, 2014

# **MANAGEMENT’S DISCUSSION AND ANALYSIS**

## **BACKGROUND AND MISSION**

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The U.S. Federal Labor Relations Authority (FLRA) is responsible for establishing policies and guidance regarding the labor-management-relations program for 2.1 million non-Postal, federal employees worldwide, approximately 1.2 million of whom are represented in 2,200 bargaining units. The FLRA was created by Title VII of the Civil Service Reform Act of 1978, also known as the Federal Service Labor-Management Relations Statute (the Statute). The agency’s genesis dates from the issuance of Executive Order 10988 by President Kennedy in 1962. In 2012, the FLRA celebrated the 50th anniversary of the Order, which established the first government-wide, labor-management-relations program within the federal government. In 1970, President Nixon established the Federal Labor Relations Council, by Executive Order 11491, to administer the federal labor-management-relations program and to make final decisions on policy questions and major disputes arising under Executive Order 10988. Executive Order 11491, as amended, was the basis for President Carter’s proposal to Congress to create the FLRA as an independent agency.

The Statute protects the rights of federal employees to form, join, or assist a labor organization, or to refrain from such activity, freely and without fear of penalty or reprisal. These rights include acting for a labor organization as a representative and, in that capacity, presenting the views of the organization. Employees also have the right to engage in collective bargaining with respect to conditions of employment through representatives chosen by the employees.

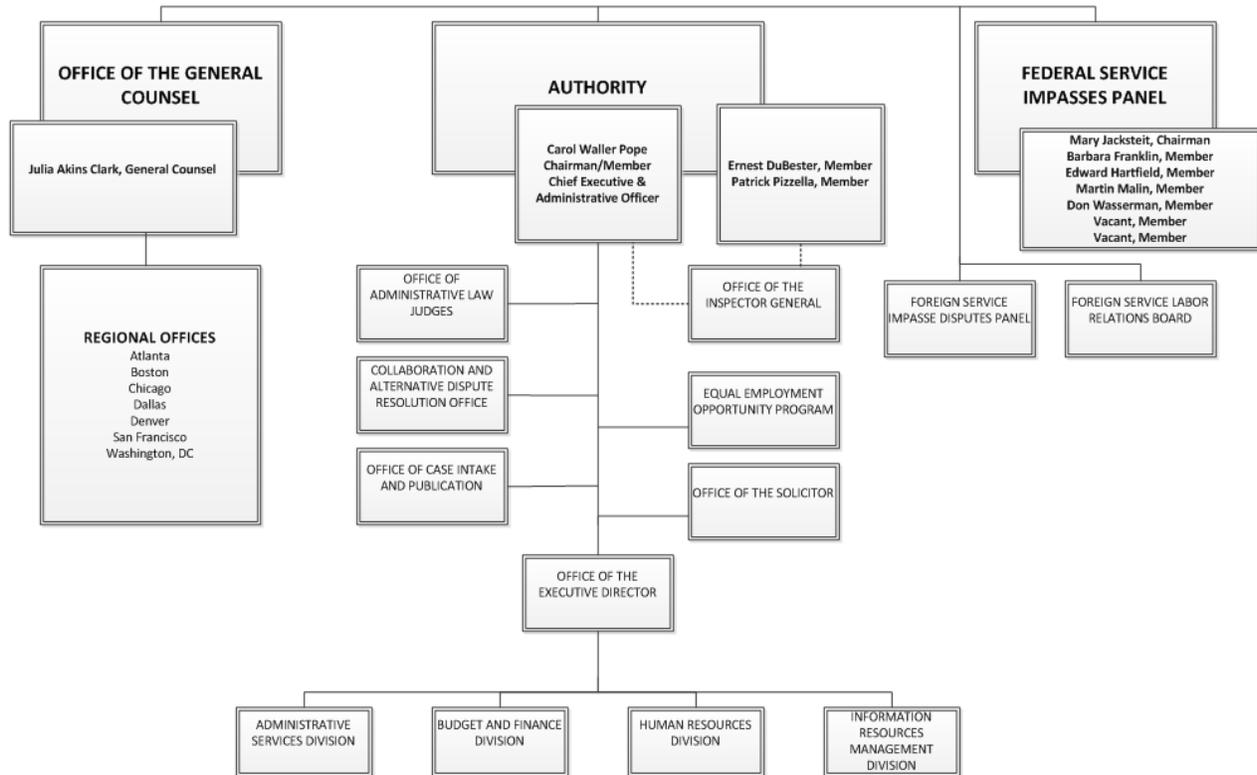
The mission of the FLRA is to promote stable, constructive labor-management relations in the federal government by resolving and assisting in the prevention of labor-management disputes in a manner that gives full effect to the collective-bargaining rights of employees, unions, and agencies. Although the FLRA is a small agency, accomplishing its mission – including timely and quality resolution of labor-management disputes – is essential for program performance government-wide. If a labor-management dispute remains unresolved for too long, then mission accomplishment at the affected agencies likely will suffer.

## **ORGANIZATIONAL STRUCTURE**

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The FLRA consists of the Authority, the Office of the General Counsel, and the Federal Service Impasses Panel. The agency also provides full staff support to two other organizations, the Foreign Service Impasse Disputes Panel and the Foreign Service Labor Relations Board.

# U.S. FEDERAL LABOR RELATIONS AUTHORITY



## The Authority

The Authority is composed of three full-time Members appointed by the President with the advice and consent of the Senate. The Members are appointed for fixed, five-year, staggered terms, and one Member is designated by the President to serve as Chairman. The Chairman acts as the agency’s chief executive and administrative officer. The Authority is empowered to: resolve disputes over the negotiability of proposals made in collective bargaining; decide whether conduct alleged in a complaint constitutes an unfair labor practice (ULP); resolve exceptions to grievance-arbitration awards; and review decisions of Regional Directors in representation disputes over union elections and unit determinations.

The Authority Members appoint Administrative Law Judges (ALJs) to hear and prepare recommended decisions in cases involving ULP complaints, as well as decisions involving applications for attorney fees filed pursuant to the Back Pay Act or the Equal Access to Justice Act. The Office of Administrative Law Judges (OALJ) also provides settlement opportunities in all ULP cases. Decisions of the ALJs may be appealed to the Authority.

The Office of the Solicitor represents the FLRA in court proceedings before all United States courts, including the U.S. Supreme Court, the U.S. Courts of Appeals, and the Federal District Courts. In this connection, parties aggrieved by certain Authority orders may institute an action for judicial review within 60 days after the order issues. The Authority may also seek

enforcement of its orders, temporary relief, or restraining orders in the appropriate U.S. Courts of Appeals or Federal District Courts. The Office of the Solicitor also serves as the agency's in-house counsel, providing legal advice to all FLRA components, and performs various functions under the Freedom of Information Act and the Privacy Act. The Solicitor also serves as the Designated Agency Ethics Official.

The Office of the Inspector General provides independent and objective assessments of the FLRA's efficiency, effectiveness, and compliance with laws and regulations. This is accomplished through proactive evaluations of agency operational processes. In addition to striving to prevent and detect fraud, waste, and abuse of the FLRA's resources and operations, a key goal of the Inspector General is to serve as a catalyst for improving operations and maximizing the efficiency and integrity of agency programs. In fulfilling these responsibilities and objectives, the Inspector General conducts and supervises investigations, internal reviews, audits, and evaluations of the programs and operations of the agency. The Inspector General communicates the results of investigations and assessments to FLRA management, the Congress, other oversight entities, and the public as appropriate. Generally, results are communicated in formal reports and contain findings and recommendations aimed at correcting any deficiencies identified and promoting efficiency and effectiveness in agency programs and operations. The Inspector General also manages a hotline to provide employees and the public with a direct means for communicating information on potential fraud, waste, or abuse.

### **The Office of the General Counsel**

The General Counsel, who is appointed by the President with the advice and consent of the Senate, has separate and independent responsibilities from the Authority. Under the Statute, the General Counsel has sole responsibility – independent of the Authority – over the investigation and prosecution of unfair-labor-practice cases. The General Counsel's determinations in these matters are final and unreviewable. The General Counsel has direct authority over, and responsibility for, all employees in the Office of the General Counsel (OGC), including those in the FLRA's Regional Offices (the field). Approximately 50 percent of the FLRA's staff is employed in the field, where all ULP charges and representation petitions are filed. The Regional Offices, on behalf of the General Counsel, investigate and resolve alleged ULPs, file and prosecute ULP complaints, effectuate compliance with settlement agreements and Authority Orders, and provide training and alternative-dispute-resolution (ADR) services. In addition, through delegation by the Authority, the Regional Offices investigate and resolve representation cases and conduct secret-ballot elections.

The General Counsel has a small staff at FLRA Headquarters, located in Washington, D.C. Headquarters management provides administrative oversight; develops policies, guidance, procedures, and manuals that provide programmatic direction for the Regional Offices and training and education for the parties; and processes appeals from the Regional Offices' dismissals of ULP charges. Each Regional Office is headed by a Regional Director who provides leadership and management expertise for the respective region.

Atlanta Regional  
Office

Boston Regional  
Office

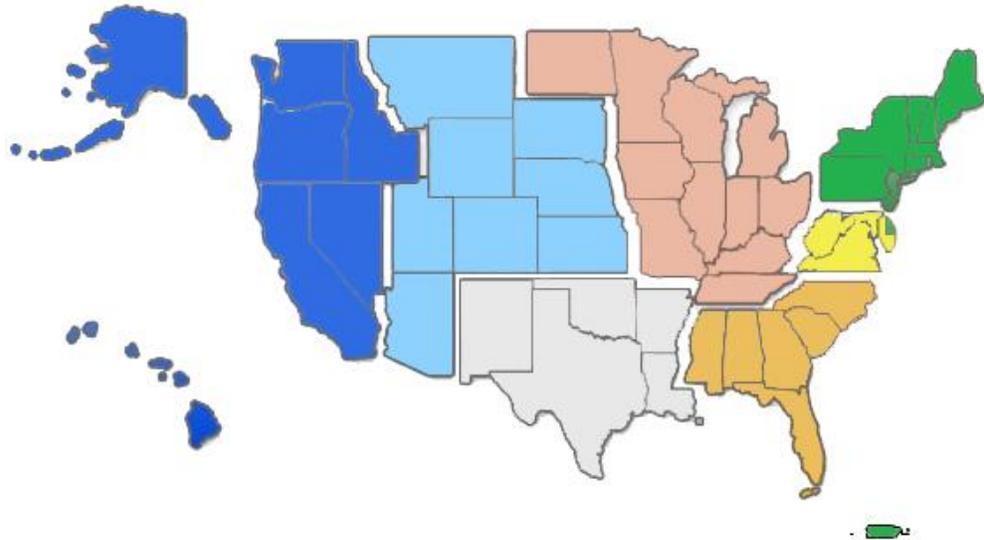
Chicago Regional  
Office

Dallas Regional  
Office

Denver Regional  
Office

San Francisco  
Regional Office

Washington DC  
Regional Office



## The Federal Service Impasses Panel

The Federal Service Impasses Panel (FSIP or the Panel) resolves impasses, between federal agencies and unions representing federal employees, arising from negotiations over conditions of employment under the Statute and the Federal Employees Flexible and Compressed Work Schedules Act. The Chairman and six other Members of the Panel are appointed by the President for five-year terms. If bargaining between the parties, followed by mediation assistance, does not result in a voluntary agreement, then either party or the parties, jointly, may request the FSIP's assistance.

Following a preliminary investigation by its staff, the Panel may determine to assert jurisdiction over the request. If jurisdiction is asserted, then the FSIP has the authority to recommend or direct the use of various ADR procedures. These include informal conferences, additional mediation, fact-finding, written submissions, and mediation-arbitration by Panel Members, the Panel's staff, or private arbitrators. If the parties are still unable to reach a voluntary settlement, then the FSIP may take whatever action it deems necessary to resolve the dispute, including imposition of contract terms through a final action. The merits of the FSIP's decision may not be appealed to any court.

## **STRATEGIC AND PERFORMANCE-PLANNING FRAMEWORK**

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Over the last several years, through a comprehensive review – by agency leadership and the Union of Authority Employees, the employees' representative organization – of its operations, staffing, work processes, resource allocations, and performance, the FLRA has established strategies and goals that are designed to maximize the delivery of agency services throughout the federal government. The FLRA has engaged in a continuous assessment of performance and

other data to ensure that it is accomplishing its mission, effectively and efficiently, and that it is promoting innovation throughout the agency.

The FLRA's performance-planning framework is based on the agency's FY 2010 - 2015 Strategic Plan, which is now in the process of revision, and is supported by the agency's Annual Performance Plan, which establishes the agency's annual performance goals. The Annual Performance Plan reflects the agency's commitment to establishing meaningful measures that will assist in assessing performance outcomes, aligning resources, and effectively identifying staffing and training needs. The Annual Performance Plan also demonstrates the FLRA's ongoing commitment to organizational excellence.

Consistent with Office of Management and Budget (OMB) Memorandum No. 14-06, *Guidance for Providing and Using Administrative Data for Statistical Purposes*, the FLRA continually monitors its progress in accomplishing the goals and measures set forth in the Annual Performance Plan. This ongoing, agency-wide review is conducted on a monthly basis with distribution of the Monthly Analysis of Performance and Status (MAPS) Report, which contains statistical case and performance data derived from the FLRA's Case Management System (CMS) and agency management. The data contained in the MAPS Report is examined in a variety of forums, and the status toward meeting the agency's case-processing performance goals are shared with all employees through the weekly, agency-wide newsletter. At the component and office levels, there are also daily performance assessments using a variety of reports, including case-filing reports, which track the number and age of cases; case-status reports, which track the status of all assigned pending cases within the Authority, the OGC, and the FSIP; and monthly disposition reports, which track the number, age, and resolution type of every closed case within the OGC.

The analysis and assessment of these reports drive, among other things, decisions to target services (including training, facilitations, and on-site investigations) to certain parties or geographical locations; adjustments in workload through case transfers at the national, regional, and office level; and reallocation of resources, including use of details, contract support, and temporary hires. As to the latter point, after identifying a backlog of cases awaiting decision in the OALJ, the FLRA reallocated an attorney position to the office; utilized internal details; created and filled an additional, temporary not-to-exceed, six-month attorney appointment; and contracted for time-specific paralegal support to increase mission performance in that office.

<b>FLRA Strategic Goals</b>
<b>1.</b> Achieve superior customer service.
<b>2.</b> Develop leaders at every level to meet goals and position the agency for the future.
<b>3.</b> Advance performance through organizational and management excellence.
<b>4.</b> Develop, empower, and engage FLRA employees to meet program needs and improve job satisfaction.

The FLRA seeks to achieve its strategic goals primarily through the timely review and disposition of cases. The agency supplements these efforts with a focus on reducing litigation and its attendant costs by helping parties resolve their own disputes through collaboration, ADR,

and labor-management-cooperation activities. These efforts are further supported by the FLRA's focus on internal improvements in information technology (IT) and more effective and efficient use of human capital.

<b>FY 2014 Performance Goals</b>
1. Provide timely review and disposition of unfair-labor-practice cases.
2. Provide timely review and disposition of representation cases.
3. Provide timely review and disposition of arbitration cases.
4. Provide timely review and disposition of negotiability cases.
5. Provide timely review and disposition of bargaining-impasse cases.
6. Use collaboration techniques and alternative-dispute-resolution services to minimize and/or resolve labor-management disputes.
7. Modernize agency information-technology business systems to support and enhance program achievement.
8. Develop, manage, and utilize the FLRA's human capital to meet program needs.

## **Timeliness**

Improvements in the timeliness of case disposition further the FLRA's critical role in facilitating orderly, efficient, and effective change within the federal government. In large part, the FLRA exists to promote effective labor-management relations that, in turn, permit improved employee performance and government operations. Timely dispute resolution – or dispute avoidance – is critical to this endeavor.

The FLRA facilitates improvements in performance, government-wide, that have inevitable effects on employee working conditions and implicate the bargaining rights of the more than 1.2 million employees represented by labor organizations. Unless management and labor can reach timely agreements or, failing that, have their disagreements resolved expeditiously, mission performance will suffer. This is particularly relevant now as federal agencies are making significant adjustments and changes in how they perform their missions in response to the budgetary and policy challenges that they are facing.

## **Alternative Dispute Resolution and Education**

Throughout the years, the Authority, the OGC, and the FSIP have not only recognized the many benefits associated with using ADR to resolve workplace disputes, but they have also integrated ADR techniques into all aspects of case processing. Put simply, offering ADR services in every case, at every step, results in better, faster outcomes for the parties and the FLRA. For this reason, the agency continues to leverage existing staff and resources to increase its ADR reach. This includes partnering with other agencies – such as the Federal Mediation and Conciliation Service (FMCS) and the Department of Veterans Administration – to train large numbers of practitioners, and supporting labor-management forums, pursuant to Executive Order 13522, *Creating Labor-Management Forums to Improve Delivery of Government Services*.

In addition, the FLRA's training initiative is intended to make case processing more effective and efficient and to better serve the FLRA's customers by providing meaningful and clear guidance on statutory rights and responsibilities. Timely and efficient case processing is furthered by FLRA customers being knowledgeable about their rights and obligations under the Statute, as well as FLRA case law, regulations, and case-processing procedures. The FLRA delivers its educational materials through a variety of means, such as in-person training sessions; comprehensive, web-based training modules; and case outlines, manuals, and subject-matter guides that are easily accessible on [www.flra.gov](http://www.flra.gov) and that have been developed to assist members of the federal labor-management relations community with issues and cases arising under the Statute. Using collaboration and ADR techniques – along with other training, outreach, and facilitation services – to assist parties in minimizing and resolving labor-management disputes significantly reduces the need for litigation and its attendant costs, and it gets the parties back to work accomplishing their missions and delivering effective and efficient government services.

## **Information Technology**

IT and automation of agency processes continue to be key areas of focus for the agency. Both are fundamental for ensuring the efficiency and effectiveness of the FLRA, as measured by the agency's ability to meet its annual performance goals. The agency continues to improve its efficiency and the customer-service experience by engaging in new and innovative ways to conduct business, such as through electronic case filing (eFiling). In addition, the agency has placed a significant emphasis on IT modernization to ensure that its equipment and infrastructure enable it to maximize gains in efficiency that can be achieved through use of technology.

The FLRA's eFiling system is an important e-government initiative that was developed to provide easier and more user-friendly access to the FLRA and its services. As expected, eFiling has already begun to increase efficiency by reducing procedural-filing errors and resulting processing delays. This efficiency is expected to increase over time with expansion and increased use of the agency's eFiling system, and is yet another example of the FLRA's ongoing efforts to better serve its customers and to provide current and useful online tools for federal employees, the unions that represent them, and federal agencies for resolving issues under the Statute. In FY 2014, the agency completed the infrastructure necessary to launch the final phase of eFiling, which will enable the parties to electronically file cases with the OALJ. By the first quarter of FY 2015, all four of the agency offices that receive case filings – the FSIP, the Authority, the OGC, and the OALJ – will thus be capable of receiving them electronically. Having successfully implemented eFiling in all four components is a major step towards meeting the agency's long-term goal of having 100 percent of cases filed electronically and creating an "end-to-end" electronic case file for all cases. Moreover, through eFiling-specific training and outreach, this year, nearly 40 percent of Authority cases were filed electronically. Future training and outreach is expected to increase eFiling throughout all agency components.

The eFiling system provides the platform for development of an "end-to-end" electronic case file. As such, this year, the agency devoted significant effort to automating functions between office-specific eFiling and existing case-management systems. This automation immediately increased case-processing efficiency – administrative staff no longer needs to manually enter data regarding an eFiling into the office's existing electronic case-tracking system because that

process is now automated. The agency also made significant progress in building the infrastructure for transferring cases and case documents electronically – rather than by hard copy – from office to office. In this regard, the agency successfully completed its pilot electronic-case-file program between the Authority and the Collaboration and Alternative Dispute Resolution Office (CADRO). The Authority and the CADRO now share all case files electronically, thus, the agency has met its goal of creating a fully electronic case file for at least one component. This will serve as the model for implementing the agency’s long-term goal of sharing electronic case files throughout the FLRA, as well as the OMB-mandated target of having 100 percent electronic files by 2019. In support of this endeavor, the agency has “mapped out” the flow of cases between various agency components and developed a plan for transferring cases between all components. The agency has taken initial steps to identify electronic document-management solutions that will work in tandem with the agency’s electronic case-management systems to provide the required storage space and capacity for an “end-to-end” electronic case file.

## **Human Capital**

The FLRA continues to have a highly engaged workforce that is dedicated to the accomplishment of its mission. As evidence of this, the results of the Office of Personnel Management’s *2014 Federal Employee Viewpoint Survey* (FEVS) show that: 83 percent of eligible employees responded to the survey; 100 percent of FLRA respondents report that they are willing to put in extra effort to get a job done; 97 percent indicate that they are being held accountable for achieving results; 96 percent know how their work relates to the agency’s goals and priorities; and 94 percent know what is expected of them on the job. The agency’s values of transparency, open dialogue, and pre-decisional involvement allow for effective communication and continuous feedback around mission performance and agency operations.

In addition, the FLRA invests in its employees through classroom training, rotational details, cross-component learning, challenging assignments, and leadership-development trainings and opportunities to enhance and broaden employees’ skills. In this connection, employees at all levels – both professional and administrative-support staff – delivered positive agency outcomes and led numerous mission-related initiatives, including: the development of the FLRA’s bilingual webpages; a decision-writing initiative intended to strengthen the quality of the Authority’s decisions; and the development of Authority and OGC training materials, guides, and manuals – many of which are web based – to educate the FLRA’s customers about the Statute, applicable legal standards and FLRA precedent, and the agency’s case-processing procedures.

Internal developmental details accomplished two strategic objectives: (1) development of future leaders to facilitate succession planning; and (2) cross-training to allow for the reassignment of employees to positions more closely matched to their career interests. Position descriptions were updated and now allow for greater growth and advancement opportunities within the agency. And employees readily volunteered for collateral-duty assignments, new initiatives, and projects. The agency also renewed its agreement with a local university to offer discounted tuition for FLRA employees.

In order to further fulfill the FLRA's mission, the agency also focuses on succession planning by identifying its future human-resources needs, as well as potential organizational and skills gaps and vulnerabilities, and setting goals to address them. With respect to succession planning, the FLRA launched a training initiative designed to assist higher-graded employees identify and strengthen critical leadership skills in preparation for eventually transitioning to formal leadership positions. To strengthen and support the FLRA's new cadre of first-time managers and supervisors, the agency identified a series of trainings geared towards developing strategic thinking and other critical skills in preparation for executive leadership at the FLRA. The agency had not provided such targeted leadership development for its employees in more than 15 years. And the FLRA developed and provided high-level, mission-based training for its attorneys – nearly 20% of whom are new to the FLRA in FY 2014 – that built upon their existing legal, technical, and ADR skills to improve and maximize performance. These training initiatives crossed components, bringing together future agency leaders from all offices to enhance their skills and encourage collaboration among peers.

The agency also updated its Attorney Recruitment Policy in order to allow managers greater hiring flexibility with respect to the agency's only mission-critical occupation – attorney – and to expedite the recruitment process. And, in collaboration with the Partnership for Public Service's Excellence in Government Fellows program, the agency developed and piloted an Employee Onboarding Handbook to enhance and standardize the onboarding process.

The FLRA is committed to fostering a workplace where employees from all backgrounds are recruited, retained, and developed for successful performance and career progression. The agency achieved greater diversity in its workforce in FY 2014 by increasing targeted recruitment and posting job opportunities with career planning and placement services, local colleges and universities, and professional affinity-group organizations. The FLRA also utilized both Student Pathways and summer externship programs to accomplish mission-related initiatives throughout the agency.

Further, based on employee feedback provided through the *2014 Federal Employee Viewpoint Survey*, the FLRA moved into the top scoring ranking in terms of "New IQ Performance," which measures the results of 20 separate survey questions related to inclusive environments. In particular, 81 percent of FLRA respondents – compared to 73 percent in 2013 – reported that supervisors work well with employees of different backgrounds. And 73 percent of respondents – a 12 percent increase from 2013 – stated that the FLRA's policies and programs promote diversity in the workplace (e.g., recruiting minorities and women, training in awareness of diversity issues, mentoring). Both of these statistics show that the FLRA is well above the government-wide average with respect to both questions – nearly 20 percent higher for each.

## **PERFORMANCE SUMMARY**

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The FLRA's mission is to promptly and fairly resolve disputes that are voluntarily filed under the Statute by agencies, labor organizations, and individuals. Accomplishing its mission in an effective and efficient manner is key to enabling the federal government, as a whole, to adapt to changing circumstances, as necessary, to continue delivering the highest quality services to the

American public, consistent with President Obama's management agenda to deliver a smarter, more innovative, and more accountable government.

For the past two fiscal years, the FLRA has been faced with significant obstacles to overcome in meeting its mission requirements. In FY 2013, the FLRA was able to effectively manage its budgetary resources to avoid furloughing employees due to sequestration. That year, the agency also experienced a wave of employee retirements, but was unable to backfill the positions, leaving well over 10 percent of its workforce vacant to start FY 2014. Further, the Authority lacked a quorum of Members necessary to issue decisions from January 2013 until November 2013, resulting in a backlog of Authority cases awaiting decision when the quorum was re-established. But, in large part, those obstacles were overcome. Although the backlog in the Authority component has not been eliminated, the Authority is committed to doing so by the end of FY 2015, and has implemented a case-issuance strategy (an action plan) to accomplish this.

With respect to its mission accomplishments, the FLRA continued its significant improvement over the last five and a half years in providing customers with timely and quality dispute-resolution services. As a result of a comprehensive review of arbitration case processing, the Authority implemented regulatory changes in FY 2010 involving those cases. The changes were necessary to reduce the number of procedural deficiencies in the parties' filings, and to clarify for its customers the grounds for the Authority's review and the applicable legal standards. Along with the regulatory changes, the Authority developed a *Guide to Arbitration Under the Statute*, which the Authority has continued to update annually, as well as a comprehensive, arbitration-training program, which the Authority has delivered on an ongoing basis. There have been real performance-improvement outcomes from these initiatives. Arbitration cases are now processed and resolved more expeditiously. And continuing to update the *Guide* and the training materials are expected to yield dividends far into the future. In addition to arbitration, in 2013, the Authority developed a *Guide to Negotiability Under the Statute*, and an accompanying, comprehensive, negotiability-training program, which the Authority has delivered on an ongoing basis. As with the arbitration initiatives, the development of the *Guide* and the provision of training have yielded real performance-improvement outcomes – the parties are better educated about the Authority's negotiability law and case-processing requirements, which has resulted in a reduction in procedurally deficient filings and higher-quality better-drafted briefs – which should enable the Authority to more expeditiously process those cases.

The OGC's performance during FY 2014 was very successful, marked by increases in productivity along with improvements in the timely resolution of cases. Despite an increase in case filings, the OGC exceeded its mission-critical performance goals on the timely resolution of ULP and representation cases and resolved 6 percent more cases than in FY 2013. The OGC closed over 4,800 ULP and 250 representation cases, conducted 52 representation elections, and held more than 30 ULP and representation hearings.

The OGC has expanded its use of ADR techniques and services to resolve cases. This is particularly important as the OGC has the largest case intake among all the FLRA components (handling over three quarters of the FLRA's total case intake) and is the FLRA component with

which the parties have the most contact. The beneficial effects of voluntary ULP settlements and representation agreements are obvious and are aggressively pursued by the OGC.

In FY 2014, the parties informally resolved over 1100 ULP cases during the investigative process. In addition, the OGC resolved 94 percent of the cases in which merit was found without the need for formal litigation. These successful voluntary ADR efforts resulted in significant savings of governmental staff and budgetary resources. For example, in May and June of 2014, the OGC received several ULP charges concerning an agency's termination of alternative work schedules (AWS) at several of its facilities. These cases involved employees in several states and raised the prospect of time-consuming and expensive litigation if not resolved. Early on in the investigative process, the OGC offered the parties the opportunity to explore resolution of the cases through use of ADR. The parties accepted, and after working closely with the OGC for a few days, the parties reached a full resolution of the cases. The settlement provided for restoration of the AWS, and provided the parties with a framework for handling AWS issues that arise in the future. By using ADR to resolve these cases early on in the process, the OGC saved the parties time and money, and gave them a framework to resolve future related disputes on their own.

The OALJ also continued to resolve cases in FY 2014 at an improved pace. In response to a backlog of cases awaiting decision, the agency reallocated resources, through details and temporary hires, to the OALJ to assist in resolving those cases more expeditiously. With over 1,000 new cases on its docket in the last four years, the OALJ has successfully resolved cases without the need for costly litigation involving a hearing or written decision through use of the OALJ Settlement Judge Program – without the need for a hearing. In FY 2014, in over 95 percent of cases in which the parties participated in the OALJ Settlement Judge Program, they reached agreement and fully resolved their dispute. This is real evidence that the delivery of ADR services at all stages of case processing results in more effective and efficient program performance for the FLRA, as well as the timely resolution of disputes for its customers. As a result, the OALJ has seen a decrease in demand for hearings even though the number of complaints remains high, exceeding 250 again in 2014. To reduce the need for final written decisions, the ALJs are encouraging the parties to request a bench decision when the matter is not settled prior to hearing, and a bench decision is appropriate under the facts of the case.

With respect to the FSIP, as an example of the FLRA's important mission, in FY 2014, that component received 40 unexpected requests for assistance concerning bargaining over the impact and implementation of agency decisions to furlough employees during the shutdown to start the year. The FSIP prioritized disposition of those furlough-related cases – while maintaining timeliness in regard to the processing of non-furlough cases – using dispute-resolution procedures that maximized the possibility of voluntary settlements, rather than imposing contract terms. In turn, the Panel continued to obtain a high rate of voluntary settlement, consistent with the FSIP's guiding philosophy that the voluntary settlement of bargaining impasses using mediation-arbitration techniques is the most effective and efficient form of dispute resolution. In this regard, in cases where mediation-arbitration was used to resolve federal-sector impasses, the Panel obtained complete voluntary settlements 60 percent of the time.

The FSIP also continued to prioritize case processing to ensure that disruption to government operations and costs to taxpayers were minimized. Among the most significant examples of this prioritization were two impasses that arose as a result of Administration initiatives requiring agencies to ensure that their total square footage remains at their FY 2012 baseline levels and to dispose of excess properties. In this regard, the Department of Health and Human Services decided to relocate approximately 160 bargaining-unit employees in its Denver Regional Office, represented by the National Treasury Employees Union, to a more energy-efficient office, reducing space by 20 percent. Similarly, the Department of Housing and Urban Development decided to relocate approximately 200 bargaining-unit employees in its San Francisco Regional Office, represented by the National Federation of Federal Employees. Requests for FSIP assistance were filed in both cases requiring quick resolution of the parties' impasses if the agencies involved were to avoid the costs of having to pay rent in two locations. The FSIP conducted mediation-arbitration proceedings at the sites of the disputes. When the parties were unable to reach voluntary settlements, arbitration awards were issued that prevented unnecessary taxpayer expenditures.

In addition, the CADRO continues to help parties resolve significant disputes in cases pending before the Authority. The CADRO also delivers "prevention" services, teaching parties techniques for effectively resolving labor-management issues on their own, without needing third-party involvement. These types of services have helped the parties develop constructive workplace relationships that promote better mission performance, as well as quality of work life – real evidence that the program works. In fact, 96 percent of CADRO cases in FY 2014 resulted in full resolution of the underlying dispute and closure of the pending case. The parties report that these ADR services improve their ability to resolve important problems, make critical decisions, and develop a more successful problem-solving relationship. Moreover, CADRO initiatives serve the dual purpose of preventing unnecessary litigation before the FLRA and making case processing more effective and efficient.

Noteworthy CADRO cases in FY 2014 include a negotiability petition in which an agency proposed to consolidate and reorganize offices nationwide, potentially displacing – or terminating – more than 700 employees. The CADRO worked with two national unions and two separate agency bargaining teams to completely resolve all negotiability disputes, plus all of the underlying bargaining impasses. As a result, the agency has already begun implementing the consolidation with the resulting efficiencies, cost savings, and expected improvement in mission performance. And, in an arbitration-exception case, the embattled parties entered the CADRO process with a six-figure back-pay and attorney-fees dispute that had raged for years before it reached the FLRA. Highly competent counsel, who had the capacity to engage in protracted litigation, represented both parties. But, knowing the costs and the risks to both parties if they continued their litigation strategies, counsel found the CADRO process to be a safe alternative. The parties eventually achieved a complete settlement and ended that costly chapter in their shared history.

Two additional FY 2014 cases exemplify the value of CADRO training and facilitation services. The Air Force and the American Federation of Government Employees (AFGE) jointly asked the CADRO to continue its efforts to address their joint concerns, including preserving tens of thousands of federal and private jobs at and around the largest industrial complex in the State of

Georgia. Following dozens of hours of remote planning, support, and preparation, the CADRO led a joint FLRA-FMCS team that trained top management and union leaders at Robins Air Force Base to collaboratively lead this vital initiative. The CADRO then led the development of a multi-year action plan to implement the fundamentals of a military support enterprise. In the other case, the AFGE and management at the Department of Homeland Security's Immigration and Customs Enforcement (ICE) jointly requested CADRO assistance to help them begin addressing mission-critical, labor-management issues from coast to coast. Following joint planning and preparation sessions, the CADRO facilitated a day-long gathering of more than 40 high-level managers and corresponding union officials from every sector of ICE operations. Long-term efforts must continue in order to make a lasting impact, but CADRO's involvement enabled the parties to get off to a very strong start.

FY 2014 was also the first complete year that the CADRO conducted, under the auspices of the Chief ALJ, settlement activities in ULP cases pending with the OALJ, in addition to the CADRO's ongoing intervention in negotiability and arbitration cases pending in the Authority. In doing so, CADRO resolved over 95 percent of 67 ULP complaints in which the parties chose to avail themselves of ADR services under the OALJ Settlement Judge Program. In one of these cases, a party refused to execute terms of a collective-bargaining agreement directed by the FSIP, leading to a charge filed by the other party and a complaint issued by the OGC. Working through the Settlement Judge Program, it became apparent that the refusal resulted from lack of understanding about what the Statute requires under such circumstances. The settlement conference served as an example of how such forums can be used to educate the parties as to their respective obligations, in addition to obtaining immediate, cost-effective compliance with the Statute.

Further, the FLRA continued to provide training to members of the labor-management community – union representatives, agency representatives, and neutrals – in all aspects of its law and case processes. The FLRA, as a whole, provided 225 separate training sessions to over 5,100 participants.

The Authority provided training at several conferences, including the Federal Dispute Resolution and the Society of Federal Labor and Employee Relations Professionals Conferences, and an arbitration workshop sponsored by the National Academy of Arbitrators and the FMCS. These sessions included presentations of newly-prepared materials of current relevance, as well as updated materials for more standard sessions. In addition, the Authority sponsored its own training programs, including several, full-day sessions of comprehensive negotiability training and comprehensive arbitration training. In particular, because negotiability cases have the highest rate of procedural dismissals of any type of case filed with the Authority, the negotiability training is intended to meet the goals of helping the parties to: comply with the Authority's regulatory procedural requirements (thus reducing case-processing time); file their cases in a different, appropriate forum when necessary; and use ADR. Feedback received from participants in these sessions indicates that these trainings produced the desired results and will further the above goals in future cases.

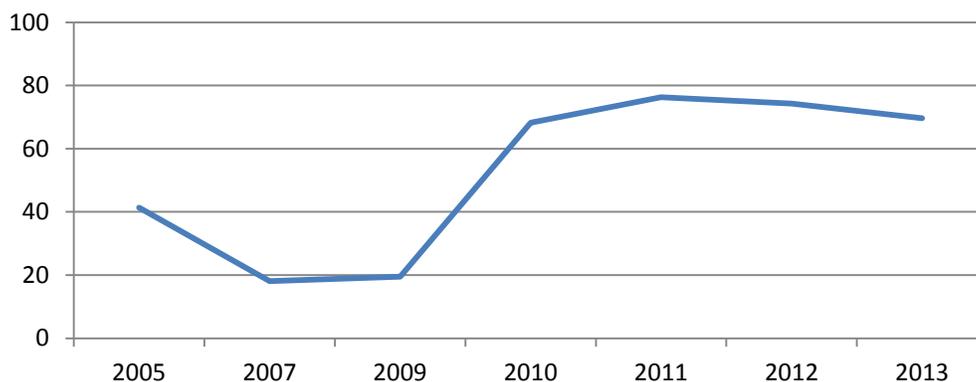
The OGC focuses its training efforts on the parties at the local level where the work is performed and the labor-relations issues arise. By bringing its training services directly to the parties, the

OGC educates local management and labor representatives on their rights and responsibilities under the Statute, thereby empowering them to more effectively and efficiently avoid – and if necessary, resolve – workplace disputes at the lowest level. The OGC’s training initiative is intended to make case processing more effective and efficient and to better serve the parties by providing meaningful and clear guidance on statutory rights and responsibilities. Ensuring that OGC customers are knowledgeable about their rights and obligations under the Statute, as well as FLRA case law, regulations, and case-processing procedures furthers timely and efficient case processing.

Further, the FLRA supports the National Council on Federal Labor-Management Relations (the National Council) by training practitioners and labor-management-forum participants pursuant to Executive Order 13522. Such training includes critical process skills, such as communications and consensus decision making, guidance on rights and responsibilities under the Statute, as well as FLRA case law, regulations, and case-processing procedures. The FLRA’s training, facilitation, and support of the National Council remain critical to the implementation and ongoing success of the Order. When appropriate, the FLRA – primarily through the CADRO and the OGC – partners with other agencies, such as the FMCS, to train practitioners and support labor-management forums.

In 2010, the FLRA was named the *Most Improved Small Agency* by the Partnership for Public Service. Building on that success in 2011, the agency once again placed among the top of the most improved small agencies. In 2012 and 2013, the agency continued its commitment to increasing employee satisfaction and morale, capturing the #8 small-agency ranking overall in the *Best Places to Work in the Federal Government Survey*, reflecting a dramatic and unprecedented improvement of over 250 percent since 2009 – the year in which the FLRA placed last in the survey. Most notable for 2013 were the FLRA’s rankings for certain *Best in Class* categories: second overall in both “Teamwork” and “Strategic Management,” as well as third in “Effective Leadership of Senior Leaders” and “Training and Development.”

### ***Best Places to Work Score***



Empowering employees is a key component of effective leadership, and, in 2013, the FLRA was recognized by the Partnership’s *Federal Leadership Snapshot* as the #3 small agency for its effective leadership in the federal government. The agency’s score of 70 far exceeded the government-wide average of 53. The FLRA was also noted as the #2 small agency in terms of

leadership communication, with a score of 74 compared to the government-wide average of 50. Effective leadership is not only important for directing an organization’s operations and motivating its workforce, but also in guiding an organization through tough decisions about how to meet increased demand for services in a constrained resource environment. Most importantly, effective communication from organizational leaders is necessary to establish a transparent, positive work environment. The FLRA’s leadership has played a pivotal role in advancing the agency’s mission results, increasing program effectiveness and efficiency, and motivating employees.

In 2014, the FLRA also continued its success in the *Federal Employee Viewpoint Survey*, with an employee response rate of 83 percent – significantly higher than the government-wide average of 47 percent. The FLRA’s 2014 positive ratings increased from 2013 in 61 items. And the FLRA’s Human Capital Assessment and Accountability Framework (HCAAF) index scores increased in every category – by as much as 7 percent over 2013. Specifically, the agency scored 78 percent in “Leadership and Knowledge Management,” 71 percent in “Results-Oriented Performance Culture,” 79 percent in “Talent Management,” and 75 percent in “Job Satisfaction” – exceeding the government-wide average in each. These responses reflect the FLRA’s progress toward meeting government-wide human capital objectives and the relationship to organizational performance. And, consistent with an agency-wide focus on targeting challenges identified in the survey, the FLRA addresses areas of weakness or concern in full collaboration with employees at all levels through its own Labor-Management Forum. As an example, the FLRA placed special emphasis in FY 2014 on strengthening supervisory skills and improving the supervisor-employee relationship, especially as it relates to giving and receiving feedback on performance.

The FLRA’s dramatic and sustained improvement over the last five and a half years reflects the commitment of leadership – at all levels and throughout the agency – to manage the agency with transparency and accountability and to engage employees. It also demonstrates the commitment and dedication of FLRA employees. Consistent with the agency’s significant increase in employee morale and satisfaction since 2009 has been a marked improvement in the FLRA’s mission performance and the delivery of services to its customers.

Performance Outcome Measures	FY 2014 Target	FY 2014 Actual	Result
<b>Strategic Goal 1:</b> Achieve superior customer service.			
<b>Performance Goal 1:</b> Provide timely review and disposition of unfair-labor-practice (ULP) cases.			
<b>Measure 1.1:</b> The percentage of ULP charges resolved by the OGC by complaint, withdrawal, dismissal, or settlement within 120 days of filing of the charge.	65%	67%	Exceeded

Performance Outcome Measures	FY 2014 Target	FY 2014 Actual	Result
<b>Measure 1.2:</b> The percentage of decisions on an appeal of a Regional Director's dismissal of a ULP charge issued within 60 days of the date filed, and in no case more than 120 days.	90%/100%	98%/100%	Exceeded/ Met
<b>Measure 1.3:</b> The percentage of ULP complaints issued by the General Counsel resolved or decided in the OALJ within 180 days of the complaint being issued.	90%	91%	Exceeded
<b>Measure 1.4:</b> The percentage of ULP cases decided within 180 days of assignment to an Authority Member.	60%	50%	Not Met
<b>Performance Goal 2:</b> Provide timely review and disposition of representation cases.			
<b>Measure 2.1:</b> The percentage of representation cases resolved by the OGC through withdrawal, election, or issuance of a Decision and Order within 120 days of the filing of a petition.	60%	66%	Exceeded
<b>Measure 2.2:</b> The percentage of representation cases in which the Authority issued a decision whether to grant review within 60 days of the filing of an application for review.	100%	100%	Met

Performance Outcome Measures	FY 2014 Target	FY 2014 Actual	Result
<b>Performance Goal 3:</b> Provide timely review and disposition of arbitration cases.			
<b>Measure 3.1:</b> The percentage of arbitration cases decided within 180 days of assignment to an Authority Member.	60%	34%	Not Met
<b>Performance Goal 4:</b> Provide timely review and disposition of negotiability cases.			
<b>Measure 4.1:</b> The percentage of negotiability cases decided within 180 days of assignment to an Authority Member.	60%	17%	Not Met
<b>Performance Goal 5:</b> Provide timely review and disposition of bargaining-impasse cases.			
<b>Measure 5.1:</b> The percentage of bargaining-impasse cases in which jurisdiction is declined closed within 140 days of the date filed.	80%	89%	Exceeded
<b>Measure 5.2:</b> The percentage of bargaining-impasse cases voluntarily settled after jurisdiction has been asserted within 160 days of the date filed.	70%	68%	Substantially Met
<b>Measure 5.3:</b> The percentage of bargaining-impasse cases resolved through a final action closed within 200 days of the date filed.	70%	61%	Not Met
<b>Performance Goal 6:</b> Use collaboration techniques and alternative-dispute-resolution services to minimize and/or resolve labor-management disputes.			
<b>Measure 6.1:</b> The percentage of ULP cases in the OGC in which an offer of ADR services is accepted by the parties that are partially or totally resolved.	95%	98%	Exceeded

Performance Outcome Measures	FY 2014 Target	FY 2014 Actual	Result
<b>Measure 6.2:</b> The percentage of ULP cases in the OALJ in which an offer of Settlement Judge services is accepted by the parties that are partially or totally resolved.	80%	96%	Exceeded
<b>Measure 6.3:</b> The percentage of representation cases in the OGC in which an offer of ADR services is accepted by the parties that are partially or totally resolved.	95%	100%	Exceeded
<b>Measure 6.4:</b> The percentage of arbitration cases in which an offer of ADR services is accepted by the parties that are partially or totally resolved.	75%	80%	Exceeded
<b>Measure 6.5:</b> The percentage of negotiability cases in which an offer of ADR services is accepted by the parties that are partially or totally resolved.	90%	100%	Exceeded
<b>Measure 6.6:</b> The percentage of bargaining-impasse cases in which an offer of ADR services is accepted by the parties that are partially or totally resolved.	30%	27%	Substantially Met
<b>Measure 6.7:</b> The number of training, outreach, and facilitation activities conducted.	200	225	Exceeded

Performance Outcome Measures	FY 2014 Target	FY 2014 Actual	Result
<b>Measure 6.8:</b> The number of participants involved in training, outreach, and facilitation activities.	6,000	5,114	Not Met
<b>Strategic Goal 3:</b> Advance performance through organizational and management excellence.			
<b>Performance Goal 7:</b> Modernize agency IT business systems to support and enhance program achievement.			
<b>Measure 7.1:</b> The percentage of cases filed electronically with the FLRA.	25%	12%	Not Met
<b>Measure 7.2:</b> The percentage of cases processed electronically end-to-end.	Migrate one FLRA component to an end-to-end electronic case file.	Migrated one FLRA component to an end-to-end electronic case file.	Met
<b>Strategic Goal 4:</b> Develop, empower, and engage FLRA employees to meet program needs and improve job satisfaction.			
<b>Performance Goal 8:</b> Develop, manage, and utilize FLRA's human resources to meet program needs.			
<b>Measure 8.1:</b> Program managers ensure that the right employees are in the right place to achieve results.	Focus on succession planning, including diversity and inclusion. Continue to develop employees in accordance with agency needs and individual-development plans. Assess progress to date on agency human-capital plan/ initiatives.	Focused on succession planning, including diversity and inclusion. Continued to develop employees in accordance with agency needs and individual-development plans. Assessed progress to date on agency human-capital plan/ initiatives.	Met

## FINANCIAL ANALYSIS

The FLRA's principal financial statements have been prepared to report the financial position and the results of operations of the agency, pursuant to the requirements of 31 U.S.C. § 3515(b). While the statements have been prepared from the books and records of the FLRA in accordance with U.S. Generally Accepted Accounting Principles for federal entities and the formats prescribed by the OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The

statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity.

## Balance Sheet

The Balance Sheet reflects the FLRA’s financial position through the identification of agency assets, liabilities, and net position. The FLRA’s fund balance with the Department of the Treasury (the Treasury) is its largest asset, accounting for 85 percent of the total at the end of FY 2014. The FLRA does not maintain any cash in commercial bank accounts or foreign currency balances, nor does it have any revolving or trust funds. The agency’s second largest asset is its general property and equipment, which is recorded at original acquisition cost and depreciated using the straight-line method over the estimated useful life of the asset. Total assets increased from \$3.7 million at the end of FY 2013 to \$4.3 million at the end of FY 2014. This increase is attributable primarily to the property and equipment purchases made in FY 2014 that were necessary to upgrade the FLRA’s outdated IT infrastructure.

Assets as of September 30	2014	2013
Fund balance with the Treasury	\$3,626,652	\$3,488,106
General property and equipment	588,076	212,632
Advances and prepayments	46,494	27,298
Accounts receivable	3,634	16,742
<b>Total</b>	<b>\$4,264,856</b>	<b>\$3,744,778</b>

Funds held with the Treasury are available to pay agency liabilities, which represent the amounts to be paid by the FLRA as a result of transactions or events that have already occurred. Accrued employee leave, payroll, and benefits costs, along with accrued workers’ compensation under the Federal Employees Compensation Act (FECA), accounted for 95 percent of the total at the end of FY 2014. The remaining 5 percent reflects the amount owed by the FLRA to vendors and other Federal agencies for purchased goods and services. Total liabilities decreased from \$4.3 million at the end of FY 2013 to \$3.5 million at the end of FY 2014 due to the fewer number of workdays included in the FY 2014 payroll and benefits accrual.

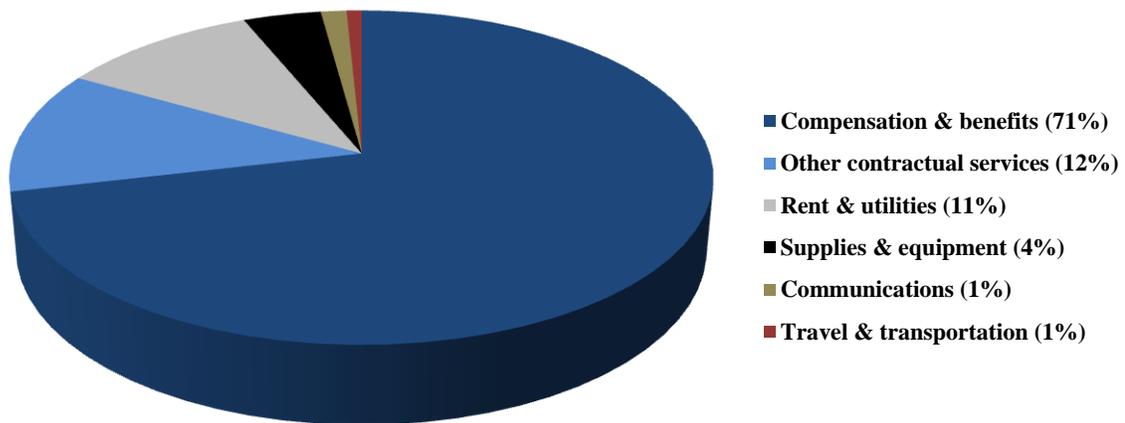
Liabilities as of September 30	2014	2013
Unfunded leave	1,511,241	1,412,090
FECA liability	1,342,635	1,407,583
Payroll and benefits	510,906	1,025,702
Accounts payable	153,535	414,815
Custodial liability/other	0	282
<b>Total</b>	<b>\$3,536,582</b>	<b>\$4,260,472</b>

The agency's net position at the end of FY 2014 was \$728 thousand, a \$1.2 million increase over the negative \$516 thousand reported at the end of FY 2013.

### Statement of Net Cost

The Statement of Net Cost reflects the gross cost of operating the FLRA's 3 major programs, less any reimbursable revenue earned from those activities. The net cost of operations in FY 2014 was \$25.4 million, an \$800 thousand increase over the agency's FY 2013 net cost of operations. In FY 2014, 58 percent of the FLRA's cost was attributable to the Authority, which includes central management provided to the entire agency; 39 percent was attributable to the OGC; and the remaining 3 percent was attributable to the FSIP.

**FY 2014 Financial Obligations by Budget Object Class**



### Statement of Changes in Net Position

The Statement of Changes in Net Position reflects the changes that occurred within the cumulative results of operations and total unexpended appropriations. The cumulative results of operations represent the results of operations since inception, the amount of prior-year adjustments, the remaining book value of property and equipment, and future funding requirements. Cumulative results of operations remained relatively constant in FY 2014, totaling \$2.3 million.

Unexpended appropriations include undelivered orders and unobligated balances. Undelivered orders reflect the amount of goods and services ordered that have yet to be received. Unobligated balances are the amount of appropriations remaining after deducting obligations from the amounts available. Total unexpended appropriations increased by \$900 thousand in FY 2014.

## Statement on Budgetary Resources

The Statement on Budgetary Resources reports the budgetary resources available to the FLRA during FY 2013 and FY 2014 to carry out the activities of the agency, as well as the status of those resources at the end of each year. The FLRA's primary funding source is its annual Salaries and Expenses appropriation from the Congress. The agency also receives reimbursements, pursuant to the Economy Act, for travel expenses associated with training provided by employees on the Statute, the FLRA mission, and Executive Order 13522. The FLRA had \$26.3 million available for obligation in FY 2014, of which only \$723 thousand remains. The agency incurred obligations of \$25.5 million in FY 2014, while recording outlays of \$25.1 million.

## MANAGEMENT ASSURANCES

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The Federal Managers Financial Improvement Act (FMFIA) of 1982 requires agencies to establish internal-control and financial systems that provide reasonable assurance that the integrity of federal programs and operations are protected. The FMFIA also requires the Chairman to annually assess and report on the effectiveness of internal controls and to provide an annual Statement of Assurance on whether the agency has met this requirement.

### Annual FMFIA Statement of Assurance

In accordance with the requirements of OMB Circular A-123, *Management's Responsibility for Internal Control*, the FLRA conducted an assessment of the effectiveness of the organization's internal controls to support effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations, and to determine whether the financial management system conforms to applicable financial requirements.

Based on the results of this assessment, the FLRA provides reasonable assurance that its internal controls over the effectiveness and efficiency of operations, reliable financial reporting, and compliance with applicable laws and regulations as of September 30, 2014, were operating effectively and that no material weaknesses were found in the design or operation of our internal controls.

Further, based on our assessment, we determined that the FLRA financial-management system conforms to applicable financial-systems requirements.



Carol Waller Pope  
Chairman  
November 17, 2014

## PERFORMANCE GOALS AND RESULTS

### GOAL 1: PROVIDE TIMELY REVIEW AND DISPOSITION OF UNFAIR-LABOR-PRACTICE CASES.

The General Counsel has independent responsibility for the investigation, settlement, and prosecution of all unfair-labor-practice (ULP) charges. ULP cases originate with the filing of a charge in a Regional Office by an employee, labor organization, or agency. Once a charge has been filed, the Regional Office will investigate the charge to determine whether it has merit. If the Regional Director determines that the charge has merit, then he or she will, absent settlement, issue and prosecute a complaint before an Administrative Law Judge (ALJ). If the Regional Director determines that the charge lacks merit, then the charging party is entitled to a written explanation, and, if not satisfied, may appeal the decision to the General Counsel in Washington, D.C. If the dismissal is upheld, then the case is closed. The Authority has appointed ALJs to hear ULP cases prosecuted by the General Counsel. Decisions of the ALJs are transmitted to the Authority and may be affirmed, modified, or reversed in whole or in part. If no exceptions are filed, then a decision by the ALJ is adopted by the Authority.

OGC	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Cases pending, start of year	1,587	1,811	1,453	1,488	1,570
Charges filed	<u>4,398</u>	<u>4,094</u>	<u>4,375</u>	<u>4,659</u>	<u>4,696</u>
<b>Total caseload</b>	<b>5,985</b>	<b>5,905</b>	<b>5,828</b>	<b>6,147</b>	<b>6,266</b>
Charges withdrawn/settled	3,141	3,425	3,377	3,646	3,779
Charges dismissed	751	812	732	673	809
Complaints issued	<u>282</u>	<u>215</u>	<u>231</u>	<u>258</u>	<u>253</u>
<b>Total cases closed</b>	<b>4,174</b>	<b>4,452</b>	<b>4,340</b>	<b>4,577</b>	<b>4,841</b>
<b>Cases pending, end of year</b>	<b>1,811</b>	<b>1,453</b>	<b>1,488</b>	<b>1,570</b>	<b>1,425</b>
OALJ	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Cases pending, start of year	67	54	72	115	120
Cases received from the OGC	<u>282</u>	<u>234</u>	<u>240</u>	<u>271</u>	<u>260</u>
<b>Total caseload</b>	<b>349</b>	<b>288</b>	<b>312</b>	<b>386</b>	<b>380</b>
Settlements before decision	275	191	177	223	240
Cases closed by decision	<u>20</u>	<u>25</u>	<u>20</u>	<u>43</u>	<u>30</u>
<b>Total cases closed</b>	<b>295</b>	<b>216</b>	<b>197</b>	<b>266</b>	<b>270</b>
<b>Cases pending, end of year</b>	<b>54</b>	<b>72</b>	<b>115</b>	<b>120</b>	<b>110</b>

Authority	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Cases pending, start of year	14	14	6	2	12
Exceptions filed	<u>18</u>	<u>17</u>	<u>20</u>	<u>27</u>	<u>27</u>
<b>Total caseload</b>	<b>32</b>	<b>31</b>	<b>26</b>	<b>29</b>	<b>39</b>
Cases closed procedurally	9	13	16	16	18
Cases closed based on merits	<u>9</u>	<u>12</u>	<u>8</u>	<u>1</u>	<u>8</u>
<b>Total cases closed</b>	<b>18</b>	<b>25</b>	<b>24</b>	<b>17</b>	<b>26</b>
<b>Cases pending, end of year</b>	<b>14</b>	<b>6</b>	<b>2</b>	<b>12</b>	<b>13</b>

**Measure 1.1:** The percentage of ULP charges resolved by the Office of the General Counsel (OGC) by complaint, withdrawal, dismissal, or settlement within 120 days of filing of the charge.

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	
Actual	Actual	Actual	Actual	Target	Actual
49%	54%	61%	68%	65%	67%

Data Source: Case Management System (CMS)

**Target: Exceeded.**

**Measure 1.2:** The percentage of decisions on an appeal of a Regional Director's dismissal of a ULP charge issued within 60 days of the date filed, and in no case more than 120 days.

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	
Actual	Actual	Actual	Actual	Target	Actual
31%	97%/100%	99%/100%	100/100%	90%/100%	98%/100%

Data Source: CMS

**Target: Exceeded/Met.** In FY 2011, an additional target was established to measure the percentage of decisions on appeal issued within 120 days (100 percent).

**Measure 1.3:** The percentage of ULP complaints issued by the General Counsel resolved or decided in the Office of the Administrative Law Judges (OALJ) within 180 days of the complaint being issued.

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	
Actual	Actual	Actual	Actual	Target	Actual
N/A	95%	90%	86%	90%	91%

Data Source: CMS

**Target: Exceeded.** This measure was established in FY 2011, as a consolidation of two previous 90-day measures into one of 180 days.

**Measure 1.4:** The percentage of ULP cases decided within 180 days of assignment to an Authority Member.

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	
Actual	Actual	Actual	Actual	Target	Actual
18%	31%	75%	100%	60%	50%

Data Source: CMS

**Target: Not Met.** For more than ten months of FY 2014, the Authority lacked a quorum of Members necessary to issue decisions. When the Authority regained its quorum, it immediately focused its efforts on addressing and issuing decisions in those cases in its inventory that had already exceeded the 180-day performance goal – defined by the Authority as a “backlog.” Necessarily, the Authority issued a greater percentage of decisions in FY 2014 that exceeded the 180-day performance goal.

## **GOAL 2: PROVIDE TIMELY REVIEW AND DISPOSITION OF REPRESENTATION CASES.**

The Federal Service Labor-Management Relations Statute (the Statute) sets out a specific procedure for employees to petition to be represented by a labor union and to determine which employees will be included in a “bargaining unit” that a union represents. Implementing this procedure, the FLRA conducts secret-ballot elections for union representation and resolves a variety of issues related to questions of union representation of employees. These issues include, for example, whether particular employees are managers or “confidential” employees excluded from union representation, whether there has been election misconduct on the part of agencies or unions, and whether changes in union and agency organizations affect existing bargaining units. Representation cases are initiated by the filing in a Regional Office of a petition by an individual, a labor organization, or an agency. After a petition is filed, the Regional Director conducts an investigation to determine the appropriateness of a unit or other matter related to the petition. After concluding such investigation, the Regional Director may conduct a secret-ballot election or hold a hearing to resolve disputed factual matters. After a hearing, the Regional Director issues a Decision and Order, which is final unless an application for review is filed with the Authority.

OGC	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Cases pending, start of year	104	102	82	70	62
Petitions filed	<u>278</u>	<u>267</u>	<u>271</u>	<u>240</u>	<u>235</u>
<b>Total caseload</b>	<b>382</b>	<b>369</b>	<b>353</b>	<b>310</b>	<b>297</b>
Petitions withdrawn	113	126	115	106	118
Cases closed based on merits	<u>167</u>	<u>161</u>	<u>168</u>	<u>142</u>	<u>138</u>
<b>Total cases closed</b>	<b>280</b>	<b>287</b>	<b>283</b>	<b>248</b>	<b>256</b>
<b>Cases pending, end of year</b>	<b>102</b>	<b>82</b>	<b>70</b>	<b>62</b>	<b>41</b>

Authority	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Cases pending, start of year	5	6	6	0	9
Applications for review	<u>15</u>	<u>12</u>	<u>6</u>	<u>11</u>	<u>13</u>
<b>Total caseload</b>	<b>20</b>	<b>18</b>	<b>12</b>	<b>11</b>	<b>22</b>
Cases closed procedurally	1	0	0	1	2
Cases closed based on merits	<u>13</u>	<u>12</u>	<u>12</u>	<u>1</u>	<u>13</u>
<b>Total cases closed</b>	<b>14</b>	<b>12</b>	<b>12</b>	<b>2</b>	<b>15</b>
<b>Cases pending, end of year</b>	<b>6</b>	<b>6</b>	<b>0</b>	<b>9</b>	<b>7</b>

**Measure 2.1:** The percentage of representation cases resolved by the OGC through withdrawal, election, or issuance of a Decision and Order within 120 days of the filing of a petition.

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	
Actual	Actual	Actual	Actual	Target	Actual
65%	60%	62%	60%	60%	66%

Data Source: CMS

**Target: Exceeded.**

**Measure 2.2:** The percentage of representation cases in which the Authority issued a decision whether to grant review within 60 days of the filing of an application for review.

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	
Actual	Actual	Actual	Actual	Target	Actual
100%	100%	100%	100%	100%	100%

Data Source: CMS

**Target: Met.**

### **GOAL 3: PROVIDE TIMELY REVIEW AND DISPOSITION OF ARBITRATION CASES.**

Either party to grievance arbitration may file with the Authority an exception (or appeal) to an arbitrator's award. The Authority will review an arbitrator's award to which an exception has been filed to determine whether the award is deficient because it is contrary to any law, rule, or regulation, or on grounds similar to those applied by federal courts in private-sector, labor-management relations.

Authority	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Cases pending, start of year	247	173	66	40	123
Exceptions filed	<u>134</u>	<u>110</u>	<u>107</u>	<u>124</u>	<u>89</u>
<b>Total caseload</b>	<b>381</b>	<b>283</b>	<b>173</b>	<b>164</b>	<b>212</b>
Cases closed procedurally	31	22	24	19	16
Cases closed based on merits	<u>177</u>	<u>195</u>	<u>109</u>	<u>22</u>	<u>106</u>
<b>Total cases closed</b>	<b>208</b>	<b>217</b>	<b>133</b>	<b>41</b>	<b>122</b>
<b>Cases pending, end of year</b>	<b>173</b>	<b>66</b>	<b>40</b>	<b>123</b>	<b>90</b>

**Measure 3.1:** The percentage of arbitration cases decided within 180 days of assignment to an Authority Member.

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	
Actual	Actual	Actual	Actual	Target	Actual
30%	33%	58%	91%	60%	34%

Data Source: CMS

**Target: Not Met.** For more than ten months of FY 2014, the Authority lacked a quorum of Members necessary to issue decisions. When the Authority regained its quorum, it immediately focused its efforts on addressing and issuing decisions in those cases in its inventory that had already exceeded the 180-day performance goal – defined by the Authority as a “backlog.” Necessarily, the Authority issued a greater percentage of decisions in FY 2014 that exceeded the 180-day performance goal.

#### **GOAL 4: PROVIDE TIMELY REVIEW AND DISPOSITION OF NEGOTIABILITY CASES.**

A federal agency bargaining with a union may claim that a particular union proposal cannot be bargained because it conflicts with federal law, a government-wide rule or regulation, or an agency regulation for which there is a compelling need. In these cases, a union may petition the Authority to resolve the negotiability dispute.

Authority	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Cases pending, start of year	39	22	15	8	9
Petitions filed	<u>52</u>	<u>39</u>	<u>45</u>	<u>30</u>	<u>43</u>
<b>Total caseload</b>	<b>91</b>	<b>61</b>	<b>60</b>	<b>38</b>	<b>52</b>
Cases closed procedurally	46	33	38	27	29
Cases closed based on merits	<u>23</u>	<u>13</u>	<u>14</u>	<u>2</u>	<u>6</u>
<b>Total cases closed</b>	<b>69</b>	<b>46</b>	<b>52</b>	<b>29</b>	<b>35</b>
<b>Cases pending, end of year</b>	<b>22</b>	<b>15</b>	<b>8</b>	<b>9</b>	<b>17</b>

**Measure 4.1:** The percentage of negotiability cases decided within 180 days of assignment to an Authority Member.

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	
Actual	Actual	Actual	Actual	Target	Actual
17%	29%	50%	100%	60%	17%

Data Source: CMS

**Target: Not Met.** For more than ten months of FY 2014, the Authority lacked a quorum of Members necessary to issue decisions. When the Authority regained its quorum, it immediately focused its efforts on addressing and issuing decisions in those cases in its inventory that had already exceeded the 180-day performance goal – defined by the Authority as a “backlog.” Necessarily, the Authority issued a greater percentage of decisions in FY 2014 that exceeded the 180-day performance goal.

## **GOAL 5: PROVIDE TIMELY REVIEW AND DISPOSITION OF BARGAINING-IMPASSE CASES.**

In carrying out the right to bargain collectively, it is not uncommon for a union representative and a federal agency to simply not agree on certain issues, and for the bargaining to reach an impasse. Several options are available by which the parties may attempt to resolve the impasse. The parties may: decide, on their own, to use certain techniques to resolve the impasse, but may proceed to private, binding arbitration only after the Federal Service Impasses Panel (FSIP or the Panel) approves the procedure; seek the services and assistance of the Federal Mediation and Conciliation Service; or seek the assistance of the FSIP in resolving the negotiation impasse, but only after the previous options have failed.

FSIP	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Cases pending, start of year	69	36	53	38	40
Impasses filed	143	152	176	194	134
<b>Total caseload</b>	<b>212</b>	<b>188</b>	<b>229</b>	<b>232</b>	<b>174</b>
<b>Cases closed</b>	<b>176</b>	<b>135</b>	<b>191</b>	<b>192</b>	<b>146</b>
<b>Cases pending, end of year</b>	<b>36</b>	<b>53</b>	<b>38</b>	<b>40</b>	<b>28</b>

**Measure 5.1:** The percentage of bargaining-impasse cases in which jurisdiction is declined closed within 140 days of the date filed.

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	
Actual	Actual	Actual	Actual	Target	Actual
N/A	64%	92%	95%	80%	89%

Data Source: CMS

**Target: Exceeded.** The performance measures for the FSIP were completely revised in FY 2011 to concisely set forth timeliness targets for the Panel’s three most important categories of case disposition.

**Measure 5.2:** The percentage of bargaining-impasse cases voluntarily settled after jurisdiction has been asserted within 160 days of the date filed.

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	
Actual	Actual	Actual	Actual	Target	Actual
N/A	79%	86%	97%	70%	68%

Data Source: CMS

**Target: Substantially Met.**

**Measure 5.3:** The percentage of bargaining-impasse cases resolved through a final action closed within 200 days of the date filed.

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	
Actual	Actual	Actual	Actual	Target	Actual
N/A	65%	77%	87%	70%	61%

Data Source: CMS

**Target: Not Met.** The FSIP did not meet this goal because, as a result of scheduling delays relating to the October 2013 government shutdown, three final actions were issued outside of the 200-day performance goal. Excluding those three actions, the FSIP exceeded its target, closing 73 percent of its cases within 200 days of the date filed.

**GOAL 6: USE COLLABORATION TECHNIQUES AND ALTERNATIVE-DISPUTE-RESOLUTION SERVICES TO MINIMIZE AND/OR RESOLVE LABOR-MANAGEMENT DISPUTES.**

The FLRA has integrated alternative dispute resolution (ADR) and consensus decision-making into virtually all of its processes, and has significantly expanded its training, outreach, and facilitation activities since FY 2011. ADR is an informal process that allows parties to discuss and develop their interests in order to resolve the underlying issues and problems in their relationships. This includes interest-based conflict resolution and intervention services in pending ULP cases, representation cases, arbitration cases, negotiability appeals, and bargaining-impasse disputes. The agency also provides facilitation and training to help labor and

management develop collaborative relationships. Many of the FLRA’s training programs are now available as web-based training modules, bringing educational tools and resources directly to agency customers at their desks to further assist them in resolving labor-management disputes.

**Measure 6.1:** The percentage of ULP cases in the OGC in which an offer of ADR services is accepted by the parties that are partially or totally resolved.

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	
Actual	Actual	Actual	Actual	Target	Actual
N/A	87%	97%	98%	95%	98%

Data Source: CMS

**Target: Exceeded.** This performance goal was established in FY 2011 to emphasize the importance of using collaboration and ADR techniques along with other training, outreach, and facilitation services to assist the parties in minimizing and resolving labor-management disputes. The goal encompasses all three FLRA components.

**Measure 6.2:** The percentage of ULP cases in the OALJ in which an offer of Settlement-Judge services is accepted by the parties that are partially or totally resolved.

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	
Actual	Actual	Actual	Actual	Target	Actual
N/A	88%	80%	78%	80%	96%

Data Source: CMS

**Target: Exceeded.**

**Measure 6.3:** The percentage of representation cases in the OGC in which an offer of ADR services is accepted by the parties that are partially or totally resolved.

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	
Actual	Actual	Actual	Actual	Target	Actual
N/A	93%	91%	100%	95%	100%

Data Source: CMS

**Target: Exceeded.**

**Measure 6.4:** The percentage of arbitration cases in which an offer of ADR services is accepted by the parties that are partially or totally resolved.

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	
Actual	Actual	Actual	Actual	Target	Actual
N/A	100%	N/A	100%	75%	80%

Data Source: CMS

**Target: Exceeded.** In FY 2012, there was only one arbitration case in which an offer of ADR services was accepted by the parties, and ADR in that case was still ongoing at the end of the fiscal year. As a result, this performance measure did not apply in FY 2012.

**Measure 6.5:** The percentage of negotiability cases in which an offer of ADR services is accepted by the parties that are partially or totally resolved.

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	
Actual	Actual	Actual	Actual	Target	Actual
N/A	87%	100%	100%	90%	100%

Data Source: CMS

**Target: Exceeded.**

**Measure 6.6:** The percentage of bargaining-impasse cases in which an offer of ADR services is accepted by the parties that are partially or totally resolved.

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	
Actual	Actual	Actual	Actual	Target	Actual
N/A	29%	32%	28%	30%	27%

Data Source: CMS

**Target: Substantially Met.**

**Measure 6.7:** The number of training, outreach, and facilitation activities conducted.

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	
Actual	Actual	Actual	Actual	Target	Actual
N/A	332	221	302	200	225

Data Source: CMS

**Target: Exceeded.**

**Measure 6.8:** The number of participants involved in training, outreach, and facilitation activities.

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	
Actual	Actual	Actual	Actual	Target	Actual
N/A	11,975	8,933	5,976	6,000	5,114

Data Source: CMS

**Target: Not Met.** Much of the demand for training, outreach, and facilitation activities in FY 2011 and FY 2012 was for overview training on instituting forums and pre-decisional involvement under Executive Order 13522. Because this training is now available through a web-based training course, and since forums are now well-established, the FLRA expects the focus of its services to be on supporting the successful operation of these forums and further developing the skills for a successful labor-management relationship.

## **GOAL 7: MODERNIZE AGENCY INFORMATION-TECHNOLOGY BUSINESS SYSTEMS TO SUPPORT AND ENHANCE PROGRAM ACHIEVEMENT.**

The FLRA’s electronic case filing (eFiling) system was fully implemented in FY 2012, and the agency began accepting eFilings in FY 2013. The FLRA is now focused on increasing its customers’ use of the system, which has proven to enhance significantly the quality of the parties’ filings and reduce procedural deficiencies. The agency also intends to fully implement “end-to-end” electronic case files in order to streamline the processing and handling of FLRA case files internally.

**Measure 7.1:**The percentage of cases filed electronically with the FLRA.

FY 2010	Actual	Implemented a new electronic Case-Management System (CMS) for all FLRA components.
FY 2011	Actual	Began developing an eFiling solution. Completed development of customer registration and FSIP eFiling capability.
FY 2012	Actual	Completed development of Authority and OGC eFiling capability. Began testing eFiling capability with customers.
FY 2013	Actual	10%
FY 2014	Target	25%
	Actual	12%

Data Source: CMS

**Target: Not Met.** Although the FLRA did not meet its FY 2014 performance target as an agency, nearly 40 percent of the cases filed with the Authority component were filed electronically.

**Measure 7.2:**The percentage of cases processed electronically end-to-end.

<b>FY 2010</b>	<b>Actual</b>	N/A
<b>FY 2011</b>	<b>Actual</b>	N/A
<b>FY 2012</b>	<b>Actual</b>	Enhanced the CMS to provide the structure that supports end-to-end electronic case processing.
<b>FY 2013</b>	<b>Actual</b>	Conducted a pilot program on end-to-end case processing.
<b>FY 2014</b>	<b>Target</b>	Migrate one FLRA component to an end-to-end electronic case file.
	<b>Actual</b>	Migrated the CADRO to an end-to-end electronic case file.

Data Source: FLRA Information Resources Management Division

**Target: Met.** This measure was established in FY 2012 to serve as an indicator of success in developing and implementing an end-to-end electronic case file.

**GOAL 8: DEVELOP, MANAGE, AND UTILIZE THE FLRA’S HUMAN CAPITAL TO MEET PROGRAM NEEDS.**

Over the last five-and-a-half years, the FLRA has demonstrated significant and marked improvement in its performance and service delivery, and has continued to rank among the top ten small agencies in the 2013 *Best Places to Work in the Federal Government Survey*. These results demonstrate the agency’s commitment to empowering and developing a highly engaged and effective workforce. The success of FLRA employees is instrumental to its success as an agency. It is within this spirit that the FLRA actively manages its human-capital programs.

**Measure 8.1:** Program managers ensure that the right employees are in the right place to achieve results.

<b>FY 2010</b>	<b>Actual</b>	Increased staffing levels in each program area; improved employee work-life balance through implementation of a robust telework program and video-conferencing, which, respectively, reduced time away from family/home and travel costs; implemented an employee-leadership developmental initiative in the OGC; and implemented a Student Temporary Employment Program. Began human capital e-initiatives to improve hiring through the purchase of USAStaffing (an automated hiring system), which engages the hiring manager in all aspects of the hiring process, reduces time-to-hire metrics, and improves applicants’ Federal hiring experience.
<b>FY 2011</b>	<b>Actual</b>	Continued to focus on employee engagement. Through its Labor-Management Forum (LMF), updated the agency’s Alternative Work Schedule policy, which increased flexibility within the program; began work on recognizing diversity through special-emphasis programs; and initiated efforts to update employee-awards programs. Formed a joint labor-management workgroup to design a new Performance-Management System for General Schedule employees for Office of Personnel Management (OPM) approval and agency implementation. Through an employee workgroup, designed and

		submitted to OPM for approval a revised Senior Executive Service (SES) appraisal system. Consistent with the agency’s Human Capital Strategic Plan, developed a training-needs assessment, which will be used to create individual-development plans to address areas needing skills improvement and to further increase mission-critical competencies. Supported employee ideas, initiatives, and employee-focused programs, such as “Bring Your Child to Work” day, Public-Service Recognition Week, a health-benefits fair, and a blood drive. Initiated brown-bag programs and an educational series to inform and develop employees in a casual setting. Continued human capital e-initiatives with the successful implementation of USAStaffing, NBC’s DataMart reporting tool, and employee eOPFs.
<b>FY 2012</b>	<b>Actual</b>	Enhanced development offerings, to include competency-based training, career-ladder developmental programs, and continuation of HR workshops and educational brown-bags. Drafted and implemented a five-year Diversity and Inclusion Strategic Plan to make the agency a more inclusive and inviting workplace for all of its employees. Increased diversity by hiring summer student interns, in some cases using targeted minority-hiring strategies. Expanded developmental offerings, to include attorney details.
<b>FY 2013</b>	<b>Actual</b>	Implemented a web-based T&A system to increase efficiency and accuracy of reporting. Obtained provisional certification of the FLRA’s SES Performance-Management System from OPM. Established an ADR process for resolving performance-management issues. As part of its strategic workforce planning efforts, continued employee development, including attorney details to other offices; ADR-facilitator training; and leadership-development and other workforce training. Established a Student Pathways Policy for student internships and partnered with the University of Maryland’s Federal Semester Program to offer unpaid internships to students.
<b>FY 2014</b>	<b>Target</b>	Focus on succession planning, including diversity and inclusion, in light of current retirement projections. Continue to develop employees strategically in accordance with agency needs and individual-development plans. Assess progress to date on the overall agency human-capital plan and related initiatives.
	<b>Actual</b>	Focused on succession planning by increasing targeted attorney recruitment. Renewed agreement with the University of Maryland for discounted tuition for agency employees. Increased agency resources through recruitment, staffing, and placement. Utilized the Student Pathways and Summer Externship programs to increase resources for casework and administrative initiatives throughout the agency. Realigned functions within the agency’s Office of the Executive Director to allow for improved efficiencies and customer service to agency employees. Worked extensively with managers to hold employees accountable for performance and development. Updated Attorney Recruitment Policy in order to allow managers greater hiring

		flexibility of the agency’s mission-critical occupation and to streamline the recruitment process. In collaboration with the Partnership for Public Service’s Excellence in Government Fellows program, developed and piloted an Employee Onboarding Handbook to improve the onboarding process and increase employee engagement.
Data Source: FLRA Human Resources Division		
<b>Target: Met</b>		

## **VERIFICATION AND VALIDATION OF PERFORMANCE DATA**

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The CMS is used by FLRA offices to track and manage caseload. Each office enters information on case filings into the CMS, and is accountable for quality control of the data entered into the system. Case-performance data verification and validation was performed using information from the CMS.

# PRINCIPAL FINANCIAL STATEMENTS

## MESSAGE FROM THE CHIEF FINANCIAL OFFICER

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The FLRA's FY 2014 Performance and Accountability Report reflects the correlation between the financial and programmatic aspects of the agency's work. The report bridges these two areas by presenting FLRA performance with the financial results of agency operations. The principal financial statements and notes that follow explain the FLRA's financial position as of September 30, 2014, and how the agency's financial resources were expended to achieve performance results. For the eleventh consecutive year, the FLRA has received an unqualified audit opinion on its financial statements. Along with the unqualified opinion, the report of independent auditors found no material weaknesses in the design and operation of the agency system of internal controls over financial reporting.

With FY 2015 expected to be another challenging year, we will continue to focus on identifying solutions to maintain our financial stability, ensure transparency and accountability, and maintain our high levels of mission performance and employee satisfaction and morale. We will also continue to work with the Administration and the Congress in seeking ways to strengthen and improve the agency's system for the administrative control of funds. We are confident that the FLRA's financial and performance data are complete, accurate, and reliable.



Carol Waller Pope  
Chairman and Chief Financial Officer  
November 17, 2014

**Federal Labor Relations Authority**  
**BALANCE SHEET**  
(in dollars)

**As of September 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Assets:</b>		
<b>Intragovernmental:</b>		
Fund balance with the Treasury (Note 2)	\$3,626,652	\$3,488,106
Accounts receivable (Note 3)	0	0
Advances and prepayments	46,494	27,298
Total intragovernmental	3,673,146	3,515,404
Accounts receivable from the public, net (Note 3)	3,634	16,742
General property and equipment, net (Note 4)	588,076	212,632
<b>Total Assets</b>	<b><u>\$4,264,856</u></b>	<b><u>\$3,744,778</u></b>
<b>Liabilities:</b>		
<b>Intragovernmental:</b>		
Accounts payable	\$18,265	\$52,987
Unfunded FECA liability (Note 5)	216,609	227,025
Total intragovernmental	234,874	280,012
Accounts payable	153,535	361,828
FECA actuarial liability (Note 5)	1,126,026	1,180,558
Unfunded leave (Note 5)	1,511,241	1,412,090
Accrued payroll and benefits	510,906	1,025,702
Other (Note 6)	0	282
<b>Total Liabilities</b>	<b><u>\$3,536,582</u></b>	<b><u>\$4,260,472</u></b>
<b>Net Position:</b>		
Unexpended appropriations – other funds	\$2,991,329	\$2,071,393
Cumulative results of operations – other funds	<u>(2,263,055)</u>	<u>(2,587,087)</u>
<b>Total Net Position</b>	<b><u>\$728,274</u></b>	<b><u>\$(515,694)</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$4,264,856</u></b>	<b><u>\$3,744,778</u></b>

The accompanying notes are an integral part of these statements.

**Federal Labor Relations Authority**  
**STATEMENT OF NET COST**  
(in dollars)

**For the Years Ended September 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Gross Program Costs:</b>		
Authority:		
Intragovernmental costs	\$4,346,447	\$3,928,616
Public costs	<u>10,412,911</u>	<u>11,392,530</u>
Total costs	14,759,358	15,321,146
Intragovernmental earned revenue	(1,540)	(24,275)
Public earned revenue	<u>(1,311)</u>	<u>(2,902)</u>
Less: Total earned revenue	<u>(2,851)</u>	<u>(27,177)</u>
<b>Net Program Costs</b>	<b><u>\$14,756,507</u></b>	<b><u>\$15,293,969</u></b>
Office of the General Counsel:		
Intragovernmental costs	\$0	\$39,215
Public costs	<u>9,942,518</u>	<u>8,699,750</u>
Total costs	9,942,518	8,738,965
Intragovernmental earned revenue	(10,821)	(10,296)
Public earned revenue	<u>(9,218)</u>	<u>(8,903)</u>
Less: Total earned revenue	<u>(20,039)</u>	<u>(19,199)</u>
<b>Net Program Costs</b>	<b><u>\$9,922,479</u></b>	<b><u>\$8,719,766</u></b>
Federal Service Impasses Panel:		
Intragovernmental costs	\$0	\$0
Public costs	<u>763,268</u>	<u>621,410</u>
Total costs	763,268	621,410
Intragovernmental earned revenue	0	0
Public earned revenue	<u>0</u>	<u>(600)</u>
Less: Total earned revenue	<u>0</u>	<u>(600)</u>
<b>Net Program Costs</b>	<b><u>\$763,268</u></b>	<b><u>\$620,810</u></b>
<b>Net Cost of Operations</b>	<b><u>\$25,442,254</u></b>	<b><u>\$24,634,545</u></b>

The accompanying notes are an integral part of these statements.

**Federal Labor Relations Authority**  
**STATEMENT OF CHANGES IN NET POSITION**  
(in dollars)

**For the Years Ended September 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Cumulative Results of Operations:</b>		
Beginning balance	\$(2,587,087)	\$(2,583,413)
Budgetary financing sources:		
Appropriations used	24,365,987	23,270,794
Non-exchange revenue	0	(282)
Other financing sources (non-exchange):		
Imputed financing	<u>1,400,299</u>	<u>1,360,359</u>
Total financing sources	25,766,286	24,630,871
Net cost of operations	<u>(25,442,254)</u>	<u>(24,634,545)</u>
Net change	<u>324,032</u>	<u>(3,674)</u>
<b>Cumulative Results of Operations</b>	<b><u>\$(2,263,055)</u></b>	<b><u>\$(2,587,087)</u></b>
<b>Unexpended Appropriations:</b>		
Beginning balance	\$2,071,393	\$3,117,955
Budgetary financing sources:		
Appropriations received	25,500,000	24,723,000
Other adjustments	(214,077)	(2,498,768)
Appropriations used	<u>(24,365,987)</u>	<u>(23,270,794)</u>
Total budgetary financing sources	<u>919,936</u>	<u>(1,046,562)</u>
<b>Total Unexpended Appropriations</b>	<b><u>\$2,991,329</u></b>	<b><u>\$2,071,393</u></b>
<b>Net Position</b>	<b><u>\$728,274</u></b>	<b><u>\$(515,694)</u></b>

The accompanying notes are an integral part of these statements.

**Federal Labor Relations Authority**  
**STATEMENT OF BUDGETARY RESOURCES**  
(in dollars)

**For the Years Ended September 30, 2014 and 2013**

	2014	2013
<b>Budgetary Resources:</b>		
Unobligated balance, brought forward, October 1	\$903,324	\$1,847,474
Recoveries of prior year unpaid obligations	33,362	418,760
Other changes in unobligated balance	<u>(214,077)</u>	<u>(1,205,607)</u>
Unobligated balance from prior year budget authority, net	722,609	1,060,627
Appropriation	25,500,000	23,429,839
Spending authority from offsetting collections	43,086	46,900
<b>Total budgetary resources</b>	<b><u>\$26,265,695</u></b>	<b><u>\$24,537,366</u></b>
<b>Status of Budgetary Resources:</b>		
Obligations incurred (Note 10)	\$25,487,316	\$23,634,042
Unobligated balance, end of year:		
Apportioned	107,618	67,001
Unapportioned	<u>670,761</u>	<u>836,323</u>
Total obligated balance, end of year	<u>778,379</u>	<u>903,324</u>
<b>Total budgetary resources</b>	<b><u>\$26,265,695</u></b>	<b><u>\$24,537,366</u></b>
<b>Change in Obligated Balance:</b>		
Unpaid obligations:		
Unpaid obligations, brought forward, October 1	\$2,587,584	\$2,692,558
Obligations incurred	25,487,316	23,634,042
Outlays (gross)	(25,190,604)	(23,320,255)
Recoveries of prior year unpaid obligations	<u>(33,362)</u>	<u>(418,760)</u>
Unpaid obligations, end of year	2,850,934	2,587,585
Uncollected payments:		
Uncollected payments, Federal sources, brought forward, October 1	(3,085)	(14,937)
Change in uncollected payments, Federal sources	<u>424</u>	<u>11,852</u>
Uncollected payments, Federal sources, end of year	(2,661)	(3,085)
Memorandum (non-add) entries:		
<b>Obligated balance, start of year</b>	<b><u>\$2,584,500</u></b>	<b><u>\$2,677,621</u></b>
<b>Obligated balance, end of year</b>	<b><u>\$2,848,273</u></b>	<b><u>\$2,584,500</u></b>
<b>Budget Authority and Outlays, Net:</b>		
Budget authority, gross	\$25,543,086	\$23,476,739
Actual offsetting collections	(43,510)	(58,752)
Change in uncollected customer payments from Federal sources	<u>424</u>	<u>11,852</u>
<b>Budget authority, net</b>	<b><u>\$25,500,000</u></b>	<b><u>\$23,429,839</u></b>
Outlays, gross	\$25,190,604	\$23,320,255
Actual offsetting collections	<u>(43,510)</u>	<u>(58,752)</u>
Outlays, net	<u>25,147,094</u>	<u>23,261,503</u>
<b>Agency Outlays, Net</b>	<b><u>\$25,147,094</u></b>	<b><u>\$23,261,503</u></b>

The accompanying notes are an integral part of these statements.

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 1: Significant Accounting Policies

(a) **Reporting Entity** – The FLRA is an independent, administrative Federal agency created by Title VII of the Civil Service Reform Act of 1978, with a mission to carry out five statutory responsibilities: (1) determining the appropriateness of units for labor organization representation; (2) resolving complaints of unfair labor practices; (3) adjudicating exceptions to arbitrators' awards; (4) adjudicating legal issues relating to duty to bargain; and (5) resolving impasses during negotiations. The agency consists of three components: the Authority, the Office of the General Counsel, and the Federal Service Impasses Panel.

(b) **Basis of Accounting and Presentation** – The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and budgetary resources of the FLRA in accordance with the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, and the Accountability of Tax Dollars Act of 2002. The statements have been prepared from agency financial records in accordance with U.S. Generally Accepted Accounting Principles (GAAP), in accordance with guidance issued by the Federal Accounting Standards Advisory Board (FASAB) and the Office of Management and Budget (OMB), as prescribed in OMB Circular A-136, *Financial Reporting Requirements*, and pursuant to the requirements of 31 U.S.C. § 3515(b). These financial statements include all funds and accounts under the control of the FLRA.

The accounting structure of Federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned, and expenses are recognized when incurred, without regard to the receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases occur before an accrual-based transaction takes place. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds. The accompanying financial statements are prepared on the accrual basis of accounting.

(c) **Budget Authority** – The Congress passes appropriations annually that provide the FLRA with authority to obligate funds for necessary salaries and expenses to carry out mandated program activities. These funds are available until expended, subject to OMB apportionment and to Congressional restrictions on the expenditure of funds. Also, the FLRA places internal restrictions on fund expenditures to ensure the efficient and proper use of all funds.

(d) **Fund Balance with the Treasury** – FLRA receipts and disbursements are processed by the Department of the Treasury. Fund balances with the Treasury consist of appropriated funds that are available to pay current liabilities and to finance authorized purchase commitments. No cash is held in commercial bank accounts.

(e) **Accounts Receivable** – Accounts receivable consist of amounts due from other Federal entities and from current and former employees and vendors. Amounts due from the public

are stated net of an allowance for uncollectible accounts that is based on an analysis of outstanding receivables balances and past collection experience. No allowance is established for intragovernmental receivables, as they are considered fully collectible from other Federal agencies.

**(f) General Property and Equipment (P&E)** – This category consists of equipment and internal use software. The basis for recording purchased P&E is full cost, including all costs incurred to bring FLRA P&E to and from a location suitable for its intended use. P&E is depreciated using the straight-line method over the estimated useful life of the asset. Statement of Federal Financial Accounting Standards (SFFAS) No. 10, *Accounting for Internal Use Software*, provides accounting standards for internal use software used by each agency. The standards provide for capitalized property to continue to be reported on the Balance Sheet. P&E that are not capitalized because they are under the capitalization threshold are expensed in the year of acquisition.

The FLRA’s capitalization threshold for individual purchases is \$25,000. Bulk purchases of similar items that individually are worth less than \$25,000, but collectively are worth more than \$100,000 are also capitalized using the same general P&E categories and useful lives as capital acquisitions. Major building alterations and renovations are capitalized, while maintenance and repair costs are charged to expense as incurred.

General P&E Category	Service Life
Software	3 years
Computer equipment	5 years
Office equipment	7 years
Office furniture	15 years
Leasehold improvements	Life of lease

**(g) Liabilities** – Liabilities represent the amount of monies or other resources likely to be paid by the FLRA as a result of transactions or events that have already occurred. No liability can be paid, however, absent an appropriation. Liabilities for which an appropriation has not been enacted are, therefore, classified as not covered by budgetary resources, since there is no certainty that the appropriation will be enacted. Also, the Federal government, acting in its sovereign capacity, can abrogate liabilities other than contracts. Liabilities that are covered by budgetary resources consist of intragovernmental and public accounts payable and accrued funded payroll. Liabilities not covered by budgetary resources in FY 2013 and FY 2014 consist of accrued and actuarial Federal Employees Compensation Act (FECA) compensation and unfunded employee leave.

**(h) FECA Liabilities** – An accrued FECA liability is recorded for actual and estimated future payments to be made for workers’ compensation pursuant to the FECA. The actual costs incurred are reflected as a liability because agencies will reimburse the Department of Labor (DOL) two years after the actual payment of expenses. Future revenues will be used for their reimbursement to the DOL. The liability consists of: (1) the unreimbursed cost paid by the

DOL for compensation to recipients under the FECA; and (2) the net present value of estimated future payments calculated by the DOL.

An estimated actuarial liability for future workers' compensation benefits is included. The liability estimate is based on the DOL's FECA actuarial model that takes the amount of benefit payments over the last twelve quarters and calculates the annual average of payments for medical expenses and compensation. This average is then multiplied by the liabilities-to-benefits paid ratios for the whole FECA program. The ratios may vary from year to year as a result of economic assumptions and other factors, but the model calculates a liability approximately twelve times the annual payments.

- (i) ***Annual, Sick and Other Leave*** – Amounts associated with the payment of annual leave are accrued while leave is being earned by employees, and this accrual is reduced as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent that current or prior-year appropriations are not available to finance annual leave, future financing sources will be used. Sick leave and other types of non-vested leave are expensed as taken.

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. Federal Employees Retirement System (FERS)-covered employees were not entitled to use unused sick leave for additional service credit until October 28, 2009. For retirements effective between October 28, 2009 and December 31, 2013, 50 percent of unused sick leave can be used for additional service credit. For retirements effective after December 31, 2013, 100 percent of unused sick leave can be credited.

- (j) ***Accounts Payable and Other Accrued Liabilities*** – Accounts payable and accrued liabilities represent a probable future outflow or other sacrifices of resources as a result of past transactions or events. Liabilities are recognized when they are incurred, regardless of whether they are covered by available budgetary resources. FLRA liabilities cannot be liquidated without legislation that provides resources to do so.

- (k) ***Net Position*** – The components of net position are unexpended appropriations and cumulative results of operations. Unexpended appropriations include undelivered orders and unobligated balances. Undelivered orders reflect the amount of goods and services ordered that have yet to be actively or constructively received. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. The cumulative results of operations represent the net results of operations since inception, the cumulative amount of prior-period adjustments, the remaining book value of capitalized assets, and future funding requirements.

- (l) ***Retirement Plans*** – The FLRA's employees participate in the CSRS or the FERS. For CSRS employees, hired prior to January 1, 1984, the FLRA withholds seven percent of each employee's salary and contributes seven percent of the employee's basic salary to the CSRS Retirement and Disability Fund. These employees may also contribute, on a tax-deferred

basis, to a defined contribution plan – the Thrift Savings Plan (TSP). The regular Internal Revenue Service limit in FY 2013 and FY 2014 was \$17,500. The FLRA is not required to and does not contribute any matching amounts for CSRS employees.

The FERS was established by enactment of Public Law 99-335. Pursuant to this law, the FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired before January 1, 1984 elected either to join the FERS and Social Security or to remain in the CSRS. For FERS employees, the FLRA withholds 6.2 percent in old age survivors and disability insurance up to a specified wage ceiling and 0.8 percent of an employee's gross earnings for retirement. In FY 2014, the FLRA matched the retirement withholdings with a contribution equal to 11.9 percent of the employee's taxable salary. Due to enactment of the FERS Revised Annuity Employee and Further Revised Annuity Employee programs, the agency matched with a contribution equal to 9.6 percent for employees hired during and after calendar year 2013.

All employees are eligible to contribute to the TSP. For employees under the FERS, a TSP account is automatically established. The FLRA is required to make a mandatory contribution of one percent of the base salary for each employee under the FERS. The agency is required to match the employee's contribution up to a maximum of five percent of his or her salary. Matching contributions are not made to the TSP accounts established by CSRS employees. The FLRA 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, are the responsibility of the OPM.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. CSRS employees who are 65 or older are eligible for Social Security payments (even if they have not retired). In these instances, the FLRA remits the employer's share of the required contribution.

- (m) *Imputed Financing from Costs Absorbed by Others*** – The FASAB's SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, requires that employer agencies recognize the full cost of pension, health, and life insurance benefits during their employees' active years of service. The OPM, as administrator of the CSRS and FERS plans, the Federal Employees Health Benefits Program, and the Federal Employees Group Life Insurance Program, must provide the "cost factors" that adjust the agency contribution rate to the full cost for the applicable benefit programs. An imputed financing source and corresponding imputed personnel cost is reflected in the Statement of Changes in Net Position.
- (n) *Revenue and Other Financing Sources*** – The FLRA's revenues are derived from reimbursable work agreements and a direct, annual appropriation. The FLRA recognizes reimbursable work when earned, i.e., services have been provided. Each reimbursable work agreement specifies the dollar value of the agreement and is based on estimated resources needed to perform the specified services.

The agency receives an annual Salaries and Expenses appropriation from the Congress. Annual appropriations are used, within statutory limits, for salaries and administrative expenses and for operating and capital expenditures for essential P&E. Appropriations are recognized as non-exchange revenues at the time the related program expenses are incurred. Appropriations expended for capitalized P&E are recognized as expenses when an asset is consumed in operations. The FLRA's annual appropriation for FY 2013 was \$24,723,000, which was reduced by \$1,293,161 in sequestration and across-the-board rescissions included in Public Law 113-6. The agency's annual appropriation for FY 2014 was \$25,500,000.

- (o) ***Expired Accounts and Cancelled Authority*** – Unless otherwise specified by law, annual budget authority expires for incurring new obligations at the beginning of the subsequent fiscal year. The account into which the annual authority is placed is called an expired account. For five fiscal years, the expired account is available for expenditure to liquidate valid obligations incurred during the unexpired period. Adjustments are allowed to increase or decrease valid obligations incurred during the unexpired period that were not previously reported. At the end of the fifth expired year, the account is cancelled and any remaining money is returned to the Treasury.
- (p) ***Transactions with Related Parties*** – In the course of its operations, the FLRA has relationships and conducts financial transactions with numerous Federal agencies. The most prominent of these relationships are with the Treasury, the DOL, the Department of the Interior, the Department of Transportation, the Department of Homeland Security, and the General Services Administration.
- (q) ***Contingencies*** – A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to the agency. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. With the exception of pending, threatened, or potential litigation, a contingent liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is more likely than not, and the related future outflow or sacrifice of resources is measurable. For pending, threatened, or potential litigation, a liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is likely, and the related future outflow or sacrifice of resources is measurable.
- (r) ***Use of Estimates*** – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- (s) ***Advances and Prepayments*** – Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable work agreements, subscriptions, and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advance payments and recognized as expenses when the related goods and services are received.

## Note 2: Fund Balance with the Treasury

U.S. government cash is accounted for on an overall consolidated basis by the Treasury. The amounts shown on the Balance Sheet represent the FLRA's right to draw on the Treasury for valid expenditures. The fund balance as shown on the FLRA records is reconciled monthly with records from the Treasury.

Fund Balance with the Treasury		
As of September 30,	2014	2013
General funds	\$3,625,753	\$3,488,106
Other fund types	899	0
<b>Total</b>	<b>\$3,626,652</b>	<b>\$3,488,106</b>

Status of Fund Balance with the Treasury		
As of September 30,	2014	2013
Unobligated balance available	\$107,618	\$67,001
Unobligated balance unavailable	670,761	836,323
Obligated balance not yet distributed	2,848,273	2,584,500
Non-budgetary fund balance with the Treasury	0	282
<b>Total</b>	<b>\$3,626,652</b>	<b>\$3,488,106</b>

## Note 3: Accounts Receivable, Net

The reported amount for accounts receivable consists of amounts owed to the FLRA by other Federal agencies (intragovernmental) and the public.

Accounts Receivable, Net		
As of September 30,	2014	2013
From Federal agencies, net	\$0	\$0
From the public, net	3,634	16,742
<b>Total</b>	<b>\$3,634</b>	<b>\$16,742</b>

**Note 4: General Property and Equipment, Net**

Category	Service Life	Acquisition Value	Accumulated Depreciation	2014 Net Book Value	2013 Net Book Value
Software	3 years	\$258,957	\$(258,957)	\$0	\$0
Computer equipment	5 years	953,502	(467,536)	485,966	49,857
Office equipment	7 years	541,273	(504,782)	36,491	66,909
Office furniture	15 years	526,039	(460,420)	65,619	95,866
Leasehold improvements	Life of lease	428,172	(428,172)	0	0
<b>Total</b>		<b>\$2,707,943</b>	<b>\$(2,119,867)</b>	<b>\$588,076</b>	<b>\$212,632</b>

**Note 5: Liabilities Not Covered By Budgetary Resources**

Unfunded FECA liabilities consist of workers’ compensation claims payable to the DOL, which will be funded in a future year, and an unfunded estimated liability for future workers’ compensation claims based on data provided from the DOL. The actuarial calculation is based on benefit payments made over twelve quarters, and calculates the annual average of payments. For medical expenses and compensation, this average is then multiplied by the liability-to-benefit paid ratio for the whole FECA program.

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. At year-end, the balance in the unfunded leave account is adjusted to reflect the liability at current pay rates and leave balances. Unfunded 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. All other liabilities are considered to be covered by budgetary resources.

Liabilities Not Covered By Budgetary Resources		
For the Years ended September 30,	2014	2013
Intragovernmental – Unfunded FECA liabilities	\$216,609	\$227,025
Federal employee benefits – FECA actuarial liability	1,126,026	1,180,558
Unfunded leave	1,511,241	1,412,090
<b>Total</b>	<b>\$2,853,876</b>	<b>\$2,819,673</b>

**Note 6: Other Liabilities**

Other liabilities in FY 2013 include payment for interest on reimbursable travel expenses and payment for responding to Freedom of Information Act requests. Payment was deposited into the Treasury’s General Fund.

## Note 7: Leases

The FLRA has operating leases for rental of office space and equipment. As a Federal agency, the FLRA is not liable for any lease terms beyond one year.

Future Minimum Lease Payments			
FY	Equipment	Building	Total
2015	\$13,527	\$2,290,620	\$2,304,147
2016	0	2,204,956	2,204,956
2017	0	2,256,840	2,256,840
2018	0	2,170,942	2,170,942
2019	0	2,193,522	2,193,522
Thereafter	0	4,454,141	4,454,141
<b>Total</b>	<b>\$13,527</b>	<b>\$15,571,021</b>	<b>\$15,584,548</b>

## Note 8: Commitments and Contingencies

The FLRA is, at times, a party in various administrative proceedings, legal actions, and claims brought by or against the agency. In the opinion of FLRA management, the ultimate resolution of any proceedings, actions, and claims will not materially affect financial position or results of operations of the FLRA. The agency examined its FY 2009 obligations prior to cancellation, and believes that it does not have any outstanding that will require future resources to liquidate.

## Note 9: Intragovernmental Costs and Exchange Revenue

The classification of revenue or cost as “intragovernmental” or “with the public” is determined on a transaction by transaction basis. Preceding transactions in the lifecycle of a product will not have an impact on subsequent transactions. If the FLRA purchases goods or services from another Federal entity, capitalizes them into inventory, and later resells them to the public, the cost of the original purchase of resale assets from the other Federal entity will be classified as “intragovernmental” at the time of the purchase. At ultimate sale to the end user, the resulting cost of goods will be classified as “with the public.” The purpose of this classification is to enable the Federal government to provide consolidated financial statements, and not to match public and intragovernmental revenue with costs that are incurred to produce public and intragovernmental revenue.

**Note 10: Apportionment Categories of Obligations Incurred: Direct Versus Reimbursable Obligations**

<b>Obligations Incurred</b>		
<b>For the Years Ended September 30,</b>	<b>2014</b>	<b>2013</b>
Direct obligations – Category A	\$25,463,310	\$23,584,501
Reimbursable obligations – Category A	24,006	49,541
<b>Total</b>	<b>\$25,487,316</b>	<b>\$23,634,042</b>

**Note 11: Undelivered Orders at the End of the Period**

The amount of budgetary resources obligated for undelivered orders at the end of September 30, 2013 and 2014 was \$1,147,067 and \$2,168,227, respectively.

**Note 12: Explanation of Differences between the SBR and the Budget of the U.S. Government**

SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, calls for explanation of material differences between amounts reported in the Statement of Budgetary Resources and the actual balances published in the Budget of the U.S. Government (the President’s Budget). The FY 2015 President’s Budget, with actual amounts for FY 2013, has been reconciled to the Statement of Budgetary Resources. The FY 2016 President’s Budget, with actual amounts for FY 2014, will not be published until February 2015.

**Note 13: Reconciliation of Net Cost of Operations to Budget**

Details of the relationship between budgetary resources obligated and the net costs of operations for the fiscal years ended September 30, 2013 and 2014 are shown in the table on the following page.

<b>Reconciliation of Net Cost of Operations to Budget</b>		
<b>For the Years Ended September 30,</b>	<b>2014</b>	<b>2013</b>
<b>Resources Used to Finance Activities:</b>		
Obligations incurred	\$25,487,316	\$23,634,042
Spending authority from offsetting collections:		
Collected	(43,510)	(58,752)
Change in unfilled customer orders	777	3,920
Recoveries of prior year unpaid obligations	(33,362)	(418,760)
Transfers in/out without reimbursement	0	(163,967)
Imputed financing sources	1,400,299	1,360,359
Other	<u>0</u>	<u>163,682</u>
<b>Total Resources Used to Finance Activity</b>	<b><u>\$26,811,520</u></b>	<b><u>\$24,520,524</u></b>
<b>Resources Used That Do Not Fund Net Cost of Operations:</b>		
Change in unfilled customer orders	\$(777)	\$(3,920)
Change in undelivered orders	(1,040,354)	106,333
Current-year capitalized purchases	(455,885)	0
<b>Components of the Net Cost of Operations Which Do Not Generate or Use Resources in the Reporting Period:</b>		
Change in non-Federal receivables	13,107	(3,234)
Other financing sources not in the budget	(1,400,299)	(1,360,359)
Depreciation and amortization	80,441	140,530
Future funded expenses	88,734	(120,990)
Imputed costs	1,400,299	1,360,359
Other expenses not requiring budgetary resources	<u>(54,532)</u>	<u>(4,698)</u>
<b>Net Cost of Operations</b>	<b><u>\$25,442,254</u></b>	<b><u>\$24,634,545</u></b>

# DEMBO JONES

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

## **Report of Independent Auditors**

To Chairman Pope  
**Federal Labor Relations Authority**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the **Federal Labor Relations Authority (FLRA)**, which comprise the balance sheet as of **September 30, 2014 and 2013**, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, Audit Requirements for Federal Financial Statements. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

## **Opinion on Financial Statements**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Federal Labor Relations Authority** as of **September 30, 2014 and 2013**, and its net costs; changes in net position; and budgetary resources for the years then ended.

## **Consideration of Internal Control**

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

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

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

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

We noted other non-reportable matters involving internal control and its operation that we will communicate in a separate management letter to **FLRA** management.

## **Compliance With Laws and Regulations**

As part of obtaining reasonable assurance about whether the **Federal Labor Relations Authority** financial statements are free from material misstatement, we also performed tests of its compliance with certain provisions of laws and regulations for fiscal year 2014. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed

no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**Consistency of Other Information**

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

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

*Dembo, Jones, Healy, Pennington & Marshall, P.C.*

*Rockville, Maryland  
November 14, 2014*

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# OTHER ACCOMPANYING INFORMATION

## SUMMARY OF FINANCIAL STATEMENT AUDIT

<b>Audit Opinion:</b>	Unqualified				
<b>Restatement:</b>	No				
	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Ending Balance</b>
Material weaknesses	0	0	0	0	0

## SUMMARY OF MANAGEMENT ASSURANCES

<b>Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)</b>						
<b>Statement of Assurance:</b>	Unqualified					
	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
Material weaknesses	0	0	0	0	0	0
<b>Effectiveness of Internal Control over Operations (FMFIA § 2)</b>						
<b>Statement of Assurance:</b>	Unqualified					
	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
Material weaknesses	0	0	0	0	0	0
<b>Conformance with Financial Management System Requirements (FMFIA § 4)</b>						
<b>Statement of Assurance:</b>	Systems conform					
	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
Non-conformances	0	0	0	0	0	0



INSPECTOR GENERAL

UNITED STATES OF AMERICA  
FEDERAL LABOR RELATIONS AUTHORITY

WASHINGTON, D.C. 20424-0001

**MEMORANDUM**

DATE: October 23, 2014

TO: Carol Waller Pope  
Chairman

Ernest DuBester  
Member

Patrick Pizzella  
Chairman

FROM: Dana Rooney-Fisher *DRF*  
Inspector General

SUBJECT: Inspector General Identified Management Challenges

This memorandum transmits the key management and performance challenges facing the Federal Labor Relations Authority (FLRA) as identified by the Inspector General (IG).

The FLRA is required to prepare an annual performance report as well as prepare and submit audited financial statements to the President, the Office of Management and Budget, and to appropriate committees and subcommittees of Congress. The Reports Consolidation Act of 2000, Public Law 106-531, requires the IG to provide the agency head with a statement that summarizes the most serious management and performance challenges facing the agency and briefly assess the agency's progress in addressing those challenges. This statement should accompany the agency's annual performance report.

Accordingly, the attached document describes the most serious management and performance challenges facing the FLRA along with a brief assessment of management's progress in addressing them. The ongoing challenges include: information technology security and proper handling of records.

I also noted the above ongoing challenges in my prior year report dated October 23, 2013. The agency has made substantial progress in addressing these challenges as further described in the attachment. Further management has taken sufficient action to effectively mitigate the Human Resources IG identified challenge that was reported in the Fiscal Year (FY) 2013 PAR, which the Office of Inspector General (OIG) no longer considers to be a serious challenge. I appreciate management's strong commitment in tackling these challenges and look forward to working collaboratively in addressing them.

**Challenge: Security as well as information technology security**

While technological advances enable increases in efficiency, they also can pose additional vulnerabilities and threats to agency operations. The agency must remain vigilant in establishing a control environment that incorporates monitoring potential Information Technology (IT) risks, threats and vulnerabilities and in mitigating them. The agency has undertaken annual reviews of the agency's information security program as required by the Federal Information Security Management Act (FISMA). The FISMA requires the FLRA to prepare a report which summarizes the findings of such reviews and submit it to the Office of Management and Budget. The report is considered non-public. The November 2013 FISMA report contained five vulnerabilities which present risks and challenges that confront management and require additional action to be fully resolved. Three of the challenges were identified in the FY 2009 FISMA Report and the remaining two were identified in the FY 2012 FISMA Report. Management's progress to address these issues was hampered by the absence of a Chief Information Officer (CIO) for much of the fiscal year.

**Progress made:**

Management has made significant progress in addressing certain information technology challenges identified in prior years. Such progress demonstrates that the FLRA management is serious about ensuring the agency maintains a robust information security program. However, as of the date of this report, five vulnerabilities remain unresolved. Management hired a CIO in March 2014 and has a plan to correct the remaining vulnerabilities by May 2015.

**Challenge: Proper handling of records (hard copy and electronic)**

Management has made progress in addressing this challenge which was mentioned in my report dated October 23, 2013. For example, The FLRA has made steady progress towards its multi-year system implementation plan goals with the completion of its E-filing case system, a very noteworthy accomplishment. This is an excellent step forward in using technology to enhance operational efficiencies by implementing systems to automate paper-based manually intensive processes. However, system automation is one part of a comprehensive approach to address the challenge of records management. Industry practices dictate that along with implementing new technology, it is imperative that a complete oversight or governance process be established which includes documenting agency policies, procedures and processes that address the proper handling of all hard copy and electronic records. Although new automated systems offer increased capabilities, they also present new internal (management) control challenges. The agency needs to ensure various roles (e.g., system administrator) and related authorities and capabilities are properly assigned, documented, managed and monitored. Such written documentation should be kept up-to-date, and this need becomes increasingly critical as additional functionality and enhancements are added to the system. Further, although, certain types of records do not have legal retention requirements, the policies, processes and procedures should clearly and specifically instruct staff on the proper handling and management should periodically verify that such policies are being followed.

**Progress made:**

The FLRA has made steady progress in accomplishing its multi-year plan that spans through FY 2016. A very note worth accomplishment, throughout FY 2014, FLRA continued developing its case management systems (CMS) – which is integrated with the FLRA eFiling system – applications are now merged, creating bridges between the two systems, to support end-to-end case processing capability. FLRA recognizes the need to develop policies and procedures to provide staff with clear guidance for handling records and ensuring compliance with agency policies. Management should continue working its multi-year agenda to integrate its E-filing and other automated systems.

## **MANAGEMENT'S RESPONSE**

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Since FY 2009, the FLRA has engaged in a thorough review of agency programs and performance. Efforts have been focused on budget-related matters and the development of management initiatives to improve the FLRA's performance of its statutory mission. In addition to program performance, the review has included information technology (IT) investments, human resources (HR), case processing, and financial management. As a result, in recent years, the FLRA has made substantial progress in addressing and resolving deficiencies and challenges identified by the Inspector General. The remaining challenges identified by the Inspector General include IT security and proper handling of records.

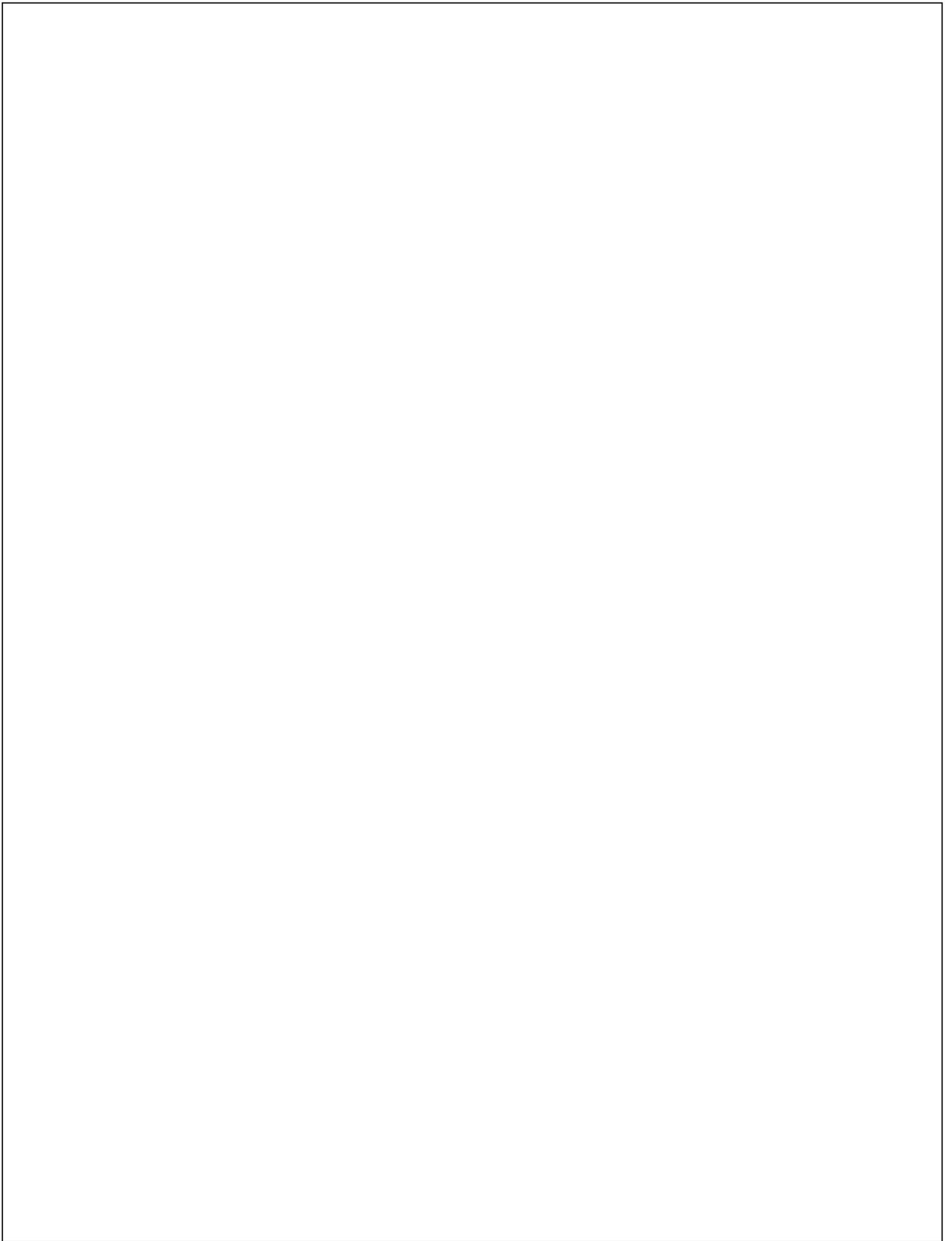
With respect to these ongoing challenges, management has made, and continues to make, progress towards their resolution with the input of agency leadership, management, and employees and their representative union. As for IT security, the agency remains vigilant in maintaining a control environment that monitors and mitigates risks, threats, and vulnerabilities, and is committed to establishing and maintaining a program that is fully Federal Information Security Management Act compliant. There are specific agency plans of action in place to ensure such compliance. And to date, the FLRA was successful in correcting one of the five identified vulnerabilities by adhering to those plans. And to date, the FLRA was successful in correcting two of the five identified 2013 vulnerabilities by adhering to those plans.

Finally, the FLRA continues its efforts to ensure proper handling of records, noting in particular that the ongoing development of a case management infrastructure that supports electronic case filing and files will further advance this effort. The FLRA has made steady progress in accomplishing its multi-year plan, and full implementation will span fiscal years 2014, 2015, and 2016. The FLRA recognizes that a necessary component of the implementation of electronic case files is the development of policies, processes and procedures that provide staff with clear guidance for handling records and ensure compliance with agency policies.

## **IMPROPER PAYMENTS ELIMINATION AND RECOVERY**

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The Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), requires agencies to annually report information on improper payments. The FLRA has reviewed all of its programs and determined that none are susceptible to significant improper payment. The IPERA also requires agencies to conduct payment recapture audits for each program that expends \$1 million or more annually, if conducting such audits would be cost-effective. Based on the criteria set forth in Appendix C of Office of Management and Budget Circular A-123, the agency has also determined that it would not be cost-effective to establish a recovery audit program for its programs that expend more than \$1 million. Recoveries are not expected to be greater than the costs incurred to identify any overpayments.



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