

Office of the Inspector General

SEMIANNUAL

REPORT

TO THE

CONGRESS



April 1, 1993 through September 30, 1993

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EXECUTIVE SUMMARY

This is the eighth semiannual report issued by the Office of the Inspector General (OIG) at the Federal Labor Relations Authority (FLRA). This report, submitted pursuant to Section 5 of the Inspector General Act of 1978 (Pub. L. 95-452), as amended by the Inspector General Act Amendment of 1988 (Pub. L. 100-504), summarizes the major activities and accomplishments of the Office during the period April 1, 1993 through September 30, 1993.

As defined in the above statutes, the mission of the OIG is to prevent and detect fraud, waste and abuse in agency programs and operations. At the same time, the OIG is charged with promoting economy, efficiency, and effectiveness in the same areas. The activities of the Office are planned to meet those objectives.

During this report period, one (1) audit report and one (1) management letter were issued. Four (4) cases were opened and investigated to closure. One (1) major investigation remains open. One (1) administrative case was developed and turned over to the General Counsel.

INTRODUCTION AND BACKGROUND

The Federal Labor Relations Authority (FLRA), an independent entity within the Executive Branch, was created to oversee the labor-management relations program of the Federal Service and provides leadership in establishing policies and guidance regarding labor-management relations in the Federal Service. It administers Title VII of the Civil Service Reform Act of 1978, the Federal Service Labor-Management Relations Statute (5 U.S.C. §§ 7101-7135) (the Statute). The Statute protects the rights of employees of the Federal Government to bargain collectively and to participate through labor organizations of their own choosing in decisions affecting many conditions of their employment. The FLRA ensures compliance with the statutory rights and obligations of Federal agencies, Federal employees, and the labor organizations that represent Federal employees in their dealings with Federal agencies. The agency is composed of the Authority, the Office of the General Counsel, and the Federal Service Impasses Panel.

The Authority is composed of three full-time members appointed for a 5-year term by the President with the advice and consent of the Senate. One Member is designated by the President to serve as Chairman of the Authority and is the chief executive and administrative officer of the agency. The Chairman and members adjudicate cases brought before them pursuant to the provisions of the Federal Service Labor-Management Relations Statute. The Authority is empowered by the Statute to determine the appropriateness of units for labor organization representation and to supervise and conduct elections to determine whether a labor organization has been selected as an exclusive representative by a majority of the employees in an appropriate unit. The Authority also prescribes criteria relating to the granting of consultation rights, and resolves disputes based on unfair labor practices, negotiability issues and arbitration awards.

The General Counsel of the Federal Labor Relations Authority is appointed by the President, with the advice and consent of the U.S. Senate, for a term of five years.

The General Counsel has independent authority to investigate all unfair labor practice charges pursuant to the Federal Service Labor-Management Relations Statute, the Panama Canal Act, and the Foreign Service Act. Working through Regional Directors in seven regional offices, the General Counsel issues and prosecutes complaints after conducting investigations and obtaining evidence on the charges. Parties are subsequently eligible to appeal to the General Counsel when a Regional Director declines not to issue a complaint. The Regional Directors also have delegated authority from the Authority Members to investigate representation petitions, supervise representation elections, and certify to the parties the results of such elections.

The Statute provides that the Federal Service Impasses Panel shall be composed of a Chairman and at least six other members who are appointed by the President from among individuals who are familiar with Government operations and knowledgeable in labor-management relations. The role of the Panel is to resolve impasses between Federal agencies and unions representing Federal employees arising from negotiations over conditions of employment. If bargaining between the parties and mediation assistance, usually from the Federal Mediation and Conciliation Service (FMCS), proves unsuccessful, the Panel, as an entity within the FLRA, has the authority under section 7119 of the Statute to recommend procedures or provide direct assistance to the parties using appropriate methods for resolution of the impasse. If these efforts do not lead to a settlement, the Panel may take whatever action it deems necessary to resolve the impasses. The Panel also has jurisdiction to resolve disputes under the Federal Employees Flexible and Compressed Work Schedules Act of 1982, 5 U.S.C. Section 6120, et seq. (Compressed Work Schedules Act) where an agency refuses to establish a flexible or compressed work schedule or decides to terminate one.

The Foreign Service Act of 1980 created a statutory labor-management relations program covering Foreign Service employees in the U.S. Information Agency, the Agency for International Development, and the Departments of State, Agriculture and Commerce. The Act is similar in many respects to the Federal Service Labor-Management Relations Statute. The Act established the Foreign Service Labor Relations Board within the FLRA. The Board administers the Act and is composed of three Members.

The Board has no separate staff; the staff of the Authority provides support for the Board. The General Counsel of the FLRA investigates alleged unfair labor practices and prosecutes unfair labor practice complaints.

In fiscal year 1993, the Federal Labor Relations Authority has an authorized total of 251 full-time equivalent positions and a total appropriation of \$21,647,000. The majority of the Authority's personnel are located in Washington, D.C. The General Counsel maintains Regional Offices in Boston, Washington, Atlanta, Dallas, Denver, Chicago and San Francisco. Sub-Regional Offices are located in New York, Philadelphia, Cleveland and Los Angeles.

OFFICE OF THE INSPECTOR GENERAL.

The Office of the Inspector General at the Federal Labor Relations Authority was established pursuant to Pub. L. 100-504, the Inspector General Act Amendments of 1988, which amended Pub. L. 95-452, the Inspector General Act of 1978. The Office was formally established on March 24, 1989, and the first Inspector General was appointed on September 25, 1989. The Inspector General reports directly to the Chairman.

As set forth in the creating legislation, under the authorizing legislation, the Office of the Inspector General is to:

- Conduct and supervise audits and investigations relating to the programs and operations of the FLRA.
- Provide leadership and coordination, and recommend policies which (1) promote economy, efficiency and effectiveness in agency programs and operations; and (2) prevent and detect fraud and abuse in those same areas.
- Keep the Chairman and the Congress fully informed regarding problems and deficiencies, as well as the necessity for and the progress of corrective action.

The Office of the Inspector General at the FLRA is presently staffed at four (4) positions; the Inspector General, a Senior Auditor, an Attorney/Criminal Investigator, and an Inspection Assistant. For Fiscal year 1993, the total Office budget is \$277,000. This budget includes \$10,000 for the OIG to augment its own audit endeavors by contracting with private independent CPA firms. Such contracted audits are governed by the same stringent standards and guidelines which apply to IG performed audits.

AUDIT ACTIVITY

The Office of Inspector General issued one audit report and one management letter during this period. Another audit report on the agency's implementation of the Federal Managers' Financial Integrity Act has been issued in draft. Two other audits are in progress.

Both the report and letter dealt with the security of the agency's completed installation of its personal computer local area network (LAN). Although the LAN's installation and operation have been relatively smooth and without major problems, we are concerned that security over the system has not kept pace.

The Authority has taken action on three of the four significant recommendations made in prior audit reports.

Completed Reports/Letters.

The following is a description of the documents issued during this period.

"LIMITED REVIEW OF THE SECURITY OF THE LOCAL AREA NETWORK COMPUTER SYSTEM", REPORT NO. 93-03, JULY 29, 1993

As a followup to a previous audit report (Report No. 92-01) and management letter (May 1, 1992), the OIG conducted limited security access tests to the agency's recently installed PC local area network (LAN) system. The OIG found it could access the system as its administrator and expanded its tests of the system's internal controls. The OIG found weak internal controls in five areas: (1) certain network operating programs and files were not secure from user access, (2) the administrator's password security settings were too loose, (3) monitoring reports of user log-on activity were not adequately analyzed, (4) reviews for unauthorized user installed software and personal files were not conducted, and (5) the storing of sensitive files were not reviewed.

The audit report offered 20 recommendations to improve LAN security. Two of these recommendations help correct internal control weaknesses in areas (1) and (2) discussed in the preceding paragraph and have been designated as "significant recommendations." Management agreed with the report's findings. It has also agreed with most of the report's recommendations and has taken or is seeking alternate actions on the remaining.

Since issuance of the draft audit report in late May, management has taken certain implementation actions. Some of these actions included changing the administrator's current password as well as other user passwords which had not previously been changed. In addition, management issued a memorandum to all employees informing them to remove all unauthorized software and personal files stored on the LAN. Management recently issued a LAN operating and security guide to all employees.

*"STATUS OF RECOMMENDATION 1 OF AUDIT REPORT 92-02,"
MANAGEMENT LETTER, DATED AUGUST 25, 1993*

This review was made to identify specific elements missing in the Authority's June 1992 security plan. Based primarily on guidance contained in OMB Circular 90-08, the OIG identified 15 areas where the Authority's security plan can be expanded to better cover security issues.

Prior Report Significant Recommendations.

Three of the four significant recommendations made in prior audit reports have been or in the process of being implemented. The following is the status of each recommendation:

*"REVIEW OF THE AUTHORITY'S ADP PROCUREMENT PLANS,"
REPORT NO. 92-01, MARCH 30, 1992*

Recommendation:

Enlarge upon the recently established 5-year Strategic IRM Plan to include a summary of the security plan for the proposed computer system, and a descriptive listing of individual projects projected for the next 5-years.

Status:

This recommendation has not been fully implemented. The authority issued its version of a security plan on June 2, 1992. The OIG had previously informed management that this plan was not adequate. On August 25, 1993, the OIG issued a management letter detailing specific requirements that the current plan lacks (see prior discussion of that letter).

"FINANCIAL AUDIT OF FEDERAL LABOR RELATIONS AUTHORITY FISCAL YEAR 1990 FINANCIAL STATEMENTS," REPORT NO. 92-02, SEPTEMBER 30, 1992:

Recommendation:

Require the Director of the Financial Management Division to personally review all payment voucher requests exceeding \$1,000 and, at least 10 percent of the payment requests less than \$1,000.

Status:

This recommendation has now been implemented.

Recommendation:

Require preparation of a formal monthly reconciliation of the "Fund Balance with Treasury" ("cash") account between FLRA and Treasury records for the Director's review and signature.

Status:

Implemented. One of the accountants is preparing two formal monthly reconciliations which adequately cover the reconciliation process. Both the accountant and the Director of Finance initial the reconciliations. During the current audit of the Fiscal Year 1992 financial statements, we have determined that the Division was able to reconcile the account for that year.

**"REVIEW OF FEDERAL EMPLOYEES' COMPENSATION ACT CLAIMS,"
REPORT NO. 92-03, SEPTEMBER 30, 1992**

Recommendation:

Revise the Authority's directive on the Federal Employees Compensation Act program to require submittal of injured employee time sheets to the headquarters oversight official.

Status:

The Authority has issued in draft a new directive which includes provisions which implement all four audit report recommendations involving directive revisions including this significant recommendation.

OTHER REPORTING REQUIREMENTS

Serious or flagrant problems requiring reporting within 7 days

No problems requiring such reporting were found during the reporting period.

Access to information

The OIG was not denied any information requested during the reporting period.

Significant recommendations of prior semiannual reports not implemented

Three of the four significant recommendations from prior semiannual reports were implemented or are in the process of being implemented during this period. See pages 7-9 for details.

Significant revised management decisions

From a total of 61 audit report recommendations made by the OIG since its establishment, management has disagreed with only two recommendations. During this reporting period, management has revised its decision on one of these disagreements and has implemented the recommendation. The recommendation (from Audit Report No. 91-01) involved selection of contract auditors based upon various evaluation factors as well as price.

OIG disagreement with significant management decisions

The OIG agrees with the management decisions made on the report issued during the period.

INVESTIGATIVE ACTIVITY

Four (4) new cases were opened and investigated to closure during this reporting period. One (1) case remains open and under active investigation. One (1) administrative investigation has been developed and forwarded to agency management.

The first case was of a forced break-in of the Washington Regional office of the General Counsel. Investigation disclosed that the break-in was apparently coincidental to several other breaks in the building, and not related to internal integrity matters.

The second case opened as a result of an anonymous citizen calling on the hotline to complain about a major private business being conducted by a government employee utilizing government resources. As the citizen did not wish to be identified, and the complaint was outside OIG-FLRA jurisdiction, a report was forwarded to the Department of Defense Inspector General, a contact person at that office identified to the citizen, and the case turned over to DODIG.

The third case involved apparently fraudulent billing to the Office of Administration and several Regional offices of the General Counsel for "yellow pages" advertising. Consultation with the Council of Better Business Bureaus, the Boston Better Business Bureau, and other IG offices indicated that this was a government-wide scheme with a Boston, MA base. The case was referred to the Postal Inspection Service. Other Inspectors General were also alerted.

The final case opened during the period involved the theft of personal property from a staff member in the Office of the Chairman. While investigation provided potential suspects, the evidence was insufficient to justify a criminal disposition. An on-going review of security is being conducted by FLRA management upon the recommendation of this office.

A major fraud case previously referred to the Department of Justice remains under active investigation by this office and the Public Integrity Section of the Criminal Division.

As a result of an investigation into allegations involving non-criminal fraud, misconduct, and other ethical infractions by an employee, a referral was made to the General Counsel for administrative remedy.

During the course of the period, both the Inspector General and Legal Counsel/Director of Investigations were approved as Certified Fraud Examiners.

OTHER OIG ACTIVITY

Participation In Mandated Agency Ethics Training

The Office of the Inspector General reviewed mandated ethics training developed by the FLRA Designated Agency Ethics Official (DAEO) and created additional material which was presented in concurrent sessions in Washington and the regional offices (via video tape).

The Office of Government Ethics designated the Legal Counsel to the Inspector General of the FLRA to serve on the Planning Committee for the National Ethics Conference.

A panel chaired by the Legal Counsel, OIG-FLRA, "Common Ground in a Community of Interest" was presented at the conference and composed of: (1) A representative from the President's Council on Integrity and Efficiency (Inspector General, Department of State); (2) The Executive Council on Integrity and Efficiency (Inspector General, Interstate Commerce Commission); (3) A Designated Agency Ethics Official (Department of State); (4) The Council of Counsels to the Inspectors General (Deputy Legal Counsel, OIG, Federal Deposit Insurance Corporation); (5) Representatives of the Public Integrity Section, Criminal Division, Department of Justice; and (6) The Office of Government Ethics.

The session, dealing with issues common to all involved agencies, drew enthusiastic participation and high praise from the Office of Government Ethics.

PARTICIPATION IN THE EXECUTIVE COUNCIL ON INTEGRITY AND EFFICIENCY

The Executive Council on Integrity and Efficiency (ECIE), established by Executive Order in 1992 (by elevating the former Coordinating Conference of the President's Council on Integrity and Efficiency to Council status), is intended to coordinate and implement Government-wide activities to combat fraud, waste and abuse in Federal programs and operations. The FLRA's Inspector General is a member of the ECIE and participates on a number of committees established by that organization.

***OFFICE RELOCATION, ESTABLISHMENT OF
800 HOTLINE AND OTHER MATTERS***

In March 1993, the FLRA national headquarters, including the OIG, moved to new quarters at 607 Fourteenth Street, NW., Washington, D.C. 20424-0001. The new telephone number for the OIG is (202) 482-6570.

Upon completion of the move, the OIG initiated new nationwide HOTLINE service at telephone number 800-331-FLRA (800-331-3572). In addition, a private off-site Post Office Box accessible only to employees of the OIG to receive mail was put into service to receive information regarding fraud, waste and abuse from those who did not wish to telephone.

Finally, the OIG initiated a fax telephone line for both normal business, as well as, to receive information regarding fraud, waste and abuse. This service can be utilized on both the 800 HOTLINE, as well as, normal phone service. It is located within the secure OIG offices and is accessible only to OIG personnel to receive messages.

Table I
**AUDIT REPORTS
 WITH QUESTIONED COSTS**

	<u>NUMBER OF REPORT</u>	<u>QUESTIONED COSTS</u>	<u>UNSUPPORTED COSTS</u>
A. For which no management decision has been made by the commencement of the reporting period.	0	0	
B. Which were issued during the reporting period.	<u>0</u>	<u>0</u>	
Subtotal (A plus B)	<u>0</u>	<u>0</u>	
C. For which a management decision was made during the reporting period.			
(i) dollar value of disallowed costs.	<u>0</u>	<u>0</u>	
(ii) dollar value of costs not disallowed.			
D. For which no management decision has been made by the end of the reporting period.	0	0	
<hr/>			
E. Reports for which no management decision was made within six months of issuance.	0	0	

Table II

**AUDIT REPORTS
WITH RECOMMENDATIONS THAT
FUNDS BE PUT TO BETTER USE**

	<u>NUMBER OF REPORTS</u>	<u>DOLLAR VALUE</u>
A. For which no management decision has been made by the commencement of the reporting period.		
B. Which were issued during the reporting period.		
Subtotal (A plus B)		
C. For which a management decision was made during the reporting period.		During the period April 1, 1993 to September 30, 1993 the Office of the Inspector General did not issue any audit reports which recommended that funds be put to better use.
(i) dollar value of disallowed costs.		
(ii) dollar value of costs not disallowed.		
D. For which no management decision has been made by the end of the reporting period.		
<hr/>		
E. Reports for which no management decision was made within six months of issuance.		

GLOSSARY

Management Decision

A final decision made by management in response to audit report recommendations that may include actions concluded to be necessary or a determination that no action is necessary.

Questioned Costs

Expenditures questioned by the OIG due to:

- UNSUPPORTED COSTS* which involve inadequate documentation.
- DISALLOWED COSTS* which involve an alleged violation (concurrent with by Management Decision) of a law, regulation, grant, contract, or other agreement.
- Unnecessary or unreasonable costs.

Funds Be Put To Better Use

The amount of savings estimated by the OIG that could be obtained by implementing report recommendations relating to more efficient management operations.

Final Action

Completion by management of either all actions necessary to implement report recommendations or a management decision that determines no action is necessary.

GLOSSARY

Significant Recommendations

According to Section 5(a)3 of the Inspector General Act, the OIG is required to followup and report on the implementation status of all open "significant recommendations" from prior Semiannual reports. The OIG has defined "significant recommendations as those that pertain to deficiencies that could result in FLRA failure to accomplish mission functions or could result in additional costs or lost funds exceeding \$5,000.

Management Letter

This document brings to the attention of management any of a broad range of issues and subjects which should be addressed by management but do not require formal audit or investigation. Management letters are generally unplanned and are issued to report on situations found in conjunction with an on-going or completed audit or investigation. They may also be used to expand on previously issued audit report recommendations.

REPORT: FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

TO:

**FLRA's
Office of the Inspector General**

**HOTLINE
800-331-FLRA
(800-331-3572)
Toll Free 24 Hour Answering Service**

or write

**FLRA
Office of the Inspector General
P.O. Box 27488
Washington, D.C. 20038-7488**

**INFORMATION IS CONFIDENTIAL
CALLER CAN BE ANONYMOUS**

However, each caller is encouraged to assist the Inspector General by supplying information as to how they may be contacted for additional information.

