

Mr. Patrick Pizzella, Acting Chairman
Federal Labor Relations Authority

In planning and performing our audit of the financial statements of the Federal Labor Relations Authority (the Authority) as of and for the year ended September 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control 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.

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 Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be significant deficiencies. However, during our audit, we noted certain matters involving the internal control and other operating matters that are presented for your consideration. This letter does not affect our report dated November 15, 2017 on the financial statements. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendation. Our comments are summarized as follows:

Follow-up on Prior Year Findings

I. Timely Finalization of Contract Award Documents

While conducting our audit procedures we noted that in certain instances, signed obligating documents were not in place prior to the date that the service period began. In accordance with Federal Acquisition Regulation (FAR) 1.602-3, such agreements could potentially be classified as unauthorized commitments. We recommend that procedures be put in place to ensure that obligating documents are signed prior to the beginning of the service period specified in the agreement or contract.

Fiscal Year 2017 Follow-up:

During the 2017 audit, we found no instances where the period of performance preceded the date the obligating documents were signed. This recommendation is closed.

II. Administrative Controls of Funds

The Authority Administrative Controls of Funds Instructions are in draft form and appear to have been drafted in 2001. We recommended that the Instructions be updated and approved in final form.

Fiscal Year 2017 Follow-up:

In reviewing the internal control documents provided, FLRA has developed a new Budget and Finance Division Manual that covers all agency controls. This recommendation is closed.

III. Employee Payroll Transactions

When auditing employee payroll transactions, we noted 3 of 32 instances where the proper forms could not be provided to justify the amount stated on the employee's "Labor Cost Details" payroll report and/or the "Earnings and Leave Statement" in the pay period selected for testing. We recommended FLRA improve internal controls on their files to ensure all documents are maintained to document the amounts being recorded.

Fiscal Year 2017 Follow-up:

In 4 of the 32 instances tested, we were unable to receive the proper forms needed to justify the amounts stated on the employee's "Labor Cost Details" payroll report and/or the "Earnings and Leave Statement" in the pay period selected for testing. This matter remains open and we will continue to test these internal controls in future audits.

New finding:

None noted for current year.

We sincerely appreciate the opportunity to provide services to the Federal Labor Relations Authority and hope you find the information included in this correspondence useful and informative. If you have any questions or wish to discuss these matters further, please let us know.



*Rockville, Maryland
November 15, 2017*