



Office of Inspector General

Audit of FLRA's Property
and Equipment

AUDIT OF FLRA'S
PROPERTY AND
EQUIPMENT

Report No. AR-18-05

March 2018

Federal Labor Relations Authority
1400 K Street, N.W. Suite 250, Washington, D.C. 20424

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Abbreviations

BFD	Budget and Finance Division
FLRA	Federal Labor Relations Authority
OIG	Office of Inspector General
ASD	Administrative Services Division
FY	Fiscal Year
OMB	Office of Management and Budget

Audit of FLRA's Property and Equipment

March 14, 2018

The Honorable Colleen Duffy Kiko, Chairman

This report presents the results of our audit of the Federal Labor Relations Authority (FLRA) property and equipment. We contracted with the FLRA Office of Inspector General (OIG) to conduct an independent audit of FLRA's property and equipment records, policies, processes and controls.

We reviewed, FLRA's policy guidance related to property management, interviewed personnel and tested property records. Appendix 1 contains a detailed description of our objective, scope, and methodology.

Results in Brief

Our audit identified three weaknesses related to FLRA's property management system. The first weakness relates to the age of the documented regulations in place for FLRA's property and equipment management program. The regulations "FLRA Nonexpendable Personal Property Management Program" was released in June 1988 and has not been updated to reflect FLRA's current property and equipment policies and control procedures.

The second weakness relates to noncompliance with the policy. Section 7 of the regulations requires the Chief, Budget and Administration provide guidance and ensure each office designates a property custodian. Each property custodian is to conduct a complete and accurate physical inventory of property within his/her jurisdiction annually. FLRA had not conducted an inventory since 2014 and finally initiated an inventory 4 years later in Fiscal Year (FY) 2018.

The third weakness relates to timely notification of the Budget and Finance Division (BFD) of adjustments needed to amounts recorded on the financial statements of the FLRA as property and equipment. At September 30, 2017 there was approximately \$1.1 million of furniture and equipment listed as assets on the financial statements, including approximately \$450 thousand of laptops and technology equipment purchased in FY 2014. Procedures are not in place to review those specific property listings and notify the BFD of needed adjustments to their records.

In a written response, FLRA management acknowledged our findings and intends to take the corrective actions. Overall, we found that management's response meets the intent of our recommendations.

We conducted our fieldwork in December 2017 to February 2018. Appendix 1 contains a detailed description of our objective, scope, and methodology. Appendix 2 provides management's response to the OIG recommendations.

Background

The FLRA is an independent Federal agency with a staff of about 119 and a \$26,200,000 budget in FY 2017. FLRA's headquarters is in Washington, DC and has 7 regional offices including one in Washington, DC.

As of September 30, 2017, the FLRA's financial statements listed \$1,111,811 of property, equipment and software. In addition, the FLRA owns equipment that is integral to the operations of the FLRA, but the items did not meet the capitalization thresholds for capitalization on the financial statements. The property management systems have not been audited by the FLRA Inspector General previously.

Prior to the current Director of Administrative Services Division (ASD) arriving in 2014, the FLRA did not have a formal system in place to track property and equipment, particularly assets that were not capitalized on the balance sheet. The new Director underwent an effort to inventory all property and equipment, regardless of cost, that the FLRA owned. This was accomplished by tagging every item with a unique barcode sticker and logging the item and barcode number into a spreadsheet.

After completing the 2014 inventory, the Director instituted a system whereby the ASD tagged items received through the standard procurement process before delivering the property or equipment to its final user. Due to the fact that ASD receives all shipments in the Washington, DC office, this allows items shipped to be tagged in an effective manner.

In instances of other FLRA regional offices ordering items that are delivered directly to the regional office and not to the Washington, DC office, the Director will send a property tag to the appropriate office to tag the item.

The current method, though effective at tagging new property and equipment, does not allow for the timely removal of assets that have been disposed of or transferred to other offices. The system relies on those responsible for the property and equipment to report disposals to ASD.

In December 2017, the Director of ASD initiated an inventory of all FLRA property and equipment. By January 2018, the work performed resulted in an update to the FLRA property records with the most recent information but also

indicated the FLRA would benefit from periodically testing the fixed asset listing or developing more formal processes to identify disposals and transfers.

Evaluation Results

In FY 2018, the FLRA management initiated an agency wide inventory of all property and equipment. This inventory was completed in January 2018. As a result of the FLRA's inventory, regional offices identified two hundred twenty-four items present on the property records as needing to be removed from the office's listing.

We selected ten pieces of property from the Washington, DC inventory list to ensure existence. All property items tested were found during testing and located in the Washington, DC office. Furthermore, while performing the test for the existence of listed property, five additional assets were selected and the FLRA property bar codes were traced to the property records. All assets selected were found on the property list for the office in which the asset was physically observed.

As part of the property audit, it was revealed that the primary sources for regulations governing the FLRA's property management program were written in June 1988. This document is not relevant since the FLRA is using more informal methods to adequately track property and equipment.

Our evaluation determined the FLRA's property management systems, policies, and processes need to be strengthened. This year's audit resulted in three recommendations.

Criteria

The Budget and Accounting Procedures Act of 1950 states that agencies must establish and maintain systems of accounting and reporting that provide for effective control over property and other assets. Title 2 of the General Accounting Office's (GAO) Policy and Procedures Manual for Guidance of Federal Agencies (GAO Title 2), Accounting requires, among other things, that agency property records must:

- Enable period independent verification of accounting records accuracy through periodic physical counts.
- Identify property, plant, and equipment that was capitalized and reported in financial statements and property, plant and equipment that was not, but was charged as an expense in prior periods and included in the records for control purposes.
- Be integrated with or reconciled with the accounting system.

- Reflect the removal of non-depreciated property, plant, and equipment from the property account when retired and remove an equal amount from the invested capital account.

Recommendations

We recommend the Director of ASD:

1. Update the property management policy to reflect current operations and procedures over the control of property and equipment. The policy should include a time table for testing inventory records and contain specific procedures to notify the ASD of assets that are transferred, junked or no longer functional.
2. Conduct periodic inventory control reviews to ensure that its established policy and procedures are adequately executed.
3. Review the details of property and equipment that met financial statement capitalization policies and are shown as assets on the financial statements. The Director of ASD should trace these purchases to the updated assets lists and ensure they still exist and are in service. The BFD should be notified of any adjustments needed to future financial statements.

Management's Response

FLRA management acknowledged all three findings and intends to take the corrective actions.

OIG Comment

Management's response meets the intent of our recommendations.



Dembo Jones, P.C.

Rockville, Maryland
March 14, 2018

Appendix 1: Objective, Scope, and Methodology

Our objective was to perform a property and equipment audit. We conducted our audit at FLRA in Washington, DC between December 2017 and February 2018. The audit focused on the property management system in place as of December 2017, and included tests of property records as of January 2018.

We met with the Director of ASD and representatives from this office regarding:

- Documented a summary of the FLRA's property management systems, policies, processes and controls over property;
- Documented the policies and procedures used to order, track and dispose of property and equipment;
- Reviewed written materials related to the policies, process, and controls;
- Obtained property spreadsheets prepared as part of his FY 2018 property inventory updating;
- Obtained property inventory completion certifications for each division or regional office;
- Sampled records for the Washington, DC office by examining the property and equipment to determine it was still in place;
- Reviewed the list of property and equipment recorded on FLRA's financial statements;
- Observed property and equipment in the Washington, DC office and ensured it was properly barcoded and recorded on the property listing; and
- Provided recommendations for improvements to the property management system.

We gathered data for our review using interviews; physical inspection of property items; and sample tests and analyses of property inventory records, and other documents and reports identified as relevant to the property management system.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix 2

Management Response




UNITED STATES OF AMERICA
FEDERAL LABOR RELATIONS AUTHORITY

March 8, 2018

MEMORANDUM

TO: Dana Rooney
Inspector General

FROM: William Tosick 
Executive Director

SUBJECT: Response to the Inspector General's Management Letter Regarding the Fiscal Year 2018 Audit of the FLRA's Property and Equipment Management Program

The purpose of this memorandum is to address the audit findings raised in the management letter pertaining to FLRA's Property and Equipment Management Program. The findings are addressed separately below. As always, I look forward to working with your office as we continue to improve our operations and take steps to fully address the three open findings set forth below.

Finding: Update the FLRA's Property and Equipment Management Program

The FLRA's Nonexpendable Personnel Property and Management program was implemented in June 1988 and has not been updated to reflect the current property and equipment policies and control procedures. Since FY 1988, the FLRA has operated under the existing Nonexpendable Personnel Property and Management program. That property program has not kept pace with the current FLRA and Federal Government property standards.

Management Response: FLRA Management acknowledges the finding and intends to take the corrective actions set forth below.

Corrective Action: FLRA will update their existing Nonexpendable Personnel Property and Management program. The new Nonexpendable Personnel Property and Management program will be completed within twelve months (12) from the date of a finalized management letter.

Finding: The FLRA had not conducted an inventory since FY 2014

Prior to FY 2014's wall-to-wall property inventory, the FLRA had not conducted a property inventory for several years. After the FY 2014 inventory was completed and certified, the FLRA did not revisit an annual inventory based on past practices, and an outdated Nonexpendable Personnel Property and Management program.

Management Response: FLRA Management acknowledges the finding and intends to take the corrective actions set forth below.

Corrective Action: The FLRA is developing a plan to update the Nonexpendable Personnel Property and Management program, and as part of that plan, an annual inventory strategy will be

outlined.

Finding: Timely notification of the Budget and Finance Division (BFD) to amount recorded on the FLRA Financial statements

The current Nonexpendable Personnel Property and Management Program does not provide procedures on the Financial Statements and sharing that information with BFD within a certain time period.

Management Response: FLRA Management acknowledges the finding and intends to take the corrective actions set forth below.

Corrective Action: The FLRA is developing a plan to update the Nonexpendable Personnel Property and Management program, and as part of that plan, procedures will be developed to ensure BFD is informed of any adjustments needed to amounts recorded on the FLRA Financial Statements in a timelier manner.

Should you have any questions or concerns, then please do not hesitate to contact me.

Appendix 3

Report Distribution

Federal Labor Relations Authority

Ernest DuBester, Member

James Abbott, Member

William Tosick, Executive Director

Xavier Storr, Director, Administrative Services Division

CONTACTING THE OFFICE OF INSPECTOR GENERAL

IF YOU BELIEVE AN ACTIVITY IS WASTEFUL,
FRAUDULENT, OR ABUSIVE OF FEDERAL FUNDS,
CONTACT THE:

HOTLINE (800)331-3572
[HTTP://WWW.FLRA.GOV/OIG-HOTLINE](http://www.flra.gov/oig-hotline)

EMAIL: OIGMAIL@FLRA.GOV
CALL: (202)218-7970 FAX: (202)343-1072
WRITE TO: 1400 K Street, N.W. Suite 250, Washington,
D.C. 20424

The complainant may remain confidential; allow their name to be used; or anonymous. If the complainant chooses to remain anonymous, FLRA OIG cannot obtain additional information on the allegation, and also cannot inform the complainant as to what action FLRA OIG has taken on the complaint. Confidential status allows further communication between FLRA OIG and the complainant after the original complaint is received. The identity of complainants is protected under the provisions of the Whistleblower Protection Act of 1989 and the Inspector General Act of 1978. To learn more about the FLRA OIG, visit our Website at <http://www.flra.gov/oig>



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