



FEDERAL LABOR RELATIONS AUTHORITY

OFFICE
OF
INSPECTOR
GENERAL

SEMIANNUAL REPORT TO THE CONGRESS

Covering the Period
April 1, 1992 - September 30, 1992

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EXECUTIVE SUMMARY

This report on the activities of the Office of the Inspector General (OIG) at the Federal Labor Relations Authority (FLRA) is submitted pursuant to Section 5 of the Inspector General Act of 1978 (Pub. L. 95-452), as amended by the Inspector General Act Amendments of 1988 (Pub. L. 100-504). It summarizes the major activities and accomplishments of this Office for the six month period from April 1, 1992 through September 30, 1992. This is the sixth semiannual report issued by this Office.

During this reporting period, the OIG issued two (2) final audit reports and two (2) management letters. Another audit report was issued in draft. Two (2) new audits were begun including one to evaluate FLRA implementation of the requirements of the Federal Manager's Financial Integrity Act. Nothing was developed in the course of these audits which indicated fraud, waste or abuse in the evaluated agency programs and operations.

Two (2) investigations were completed while two (2) others are continuing. No referrals were made to either the Department of Justice or the Office of Government Ethics regarding these investigations.

An automated audit recommendation tracking system for this Office was developed and implemented. A copy of this system was provided to management for possible adoption as their required audit follow-up systems.

Finally, a legal counsel/investigator position was added to the staff of the OIG. With this addition, the OIG is able to expand its proactive investigative activities.

INTRODUCTION AND BACKGROUND

FEDERAL LABOR RELATIONS AUTHORITY

The Federal Labor Relations Authority (FLRA) was created in 1978 under Title VII of the Civil Service Reform Act, the Federal Service Labor-Management Relations Statute. The Statute gives Federal employees the right to form, join or assist any labor organization, and to engage in collective bargaining with Federal agencies.

The FLRA is an independent agency responsible for administering the labor-management relations program in the Federal sector. The agency is composed of the Authority, the Office of the General Counsel, and the Federal Service Impasses Panel. In addition, the Foreign Service Labor Relations Board and the Federal Service Impasse Disputes were established within the FLRA by the Foreign Service Act of 1980.

The Authority is composed of three full-time members appointed for 5-year terms 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 provides leadership in establishing policies and guidance with regard to the labor-management relations program in the Federal sector. The Authority ensures compliance with the statutory rights and obligations of Federal employees, labor organizations which represent Federal employees, and Federal agencies.

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 issues a decision declining 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 role of the Federal Service Impasses Panel (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 Statute provides that the 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 Foreign Service Act of 1980 created a statutory labor-management relations program covering Foreign Service employees in the U.S. Information Act 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.

For fiscal year 1993, the Federal Labor Relations Authority has been authorized a 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 Publ. 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. Approximately \$11,000 is available for the OIG to aug-

ment its own audit endeavors by contracting with private independent CPA firms. Such contracting, when undertaken, is governed by the same stringent standards and guidelines which apply to IG performed audits.

AUDIT ACTIVITY

During this reporting period, the OIG issued two (2) final audit reports, two (2) management letters, and another audit report in draft. The draft audit report ("Headquarters Imprest Fund Operations") was done in response to a \$143 imprest fund shortage reported to the OIG by management on June 29, 1992.

AUDITS COMPLETED

The following is a description of the reports and management letters issued during the period:

Financial Audit of the Federal Labor Relations
Authority - Fiscal Year 1990 Financial Statements,
Report No. 92-02, September 1992

The OIG, through the FLRA Administrative Services Division, contracted with an independent Certified Public Accounting (CPA) firm to serve as the principal auditor in an audit of the FLRA's fiscal year 1990 financial statements. The CPA firm qualified its opinion of the fairness of the financial statements subject to the effects of certain deficiencies in the accounting for property and equipment. The firm reported these deficiencies in its report on the internal control structure. The firm found no evidence of FLRA non-compliance with those federal laws and regulations that materially affect financial reporting.

The OIG expanded upon the internal control issues identified by the CPA firm and performed certain additional OIG audit tests to arrive at 12 recommendations to improve financial internal controls. Five of the recommendations pertained to needed improvements in the property and equipment accounting and control. Two (2) other recommendations classified as "significant" (see Appendix 4 definition), pertained to the control over appropriation funds ("Fund Balance with the U.S. Treasury" account). One recommendation requested that the Financial Management Division prepare formal monthly reconciliations of this account with the records

provided by the U.S. Treasury for the Division Director's review and approval. The second recommendation requested that the Director review and approve all payment request vouchers exceeding \$1,000 and 10 percent of the remaining vouchers.

Management agreed with all 12 recommendations and is in the process of implementing them since the issuance of the CPA firm's and OIG's initial draft reports.

**Review of Federal Employees' Compensation Act
Claims, Report No. 92-03, September 1992**

This audit was conducted in response to Senator Jim Sasser's requests to the agency Inspectors General for claim program review at their agencies. Our audit found no serious internal control problems, nor fraudulent or erroneous claims. However, the OIG made five recommendations to improve program controls involving primarily continuation of pay claims. The OIG questioned \$900 of the \$17,645 in claims reviewed. The questioned costs consisted of an ineligible portion of a continuation of pay claim. To prevent future ineligible claims, the OIG recommended that copies of the injured employees' time sheets be submitted to the FLRA official responsible for claim oversight. Management agreed with the report's recommendations.

**Security Testing of the Pilot PC Network System,
Management Letter, Dated, May 1, 1992**

This review was performed as an expansion of the significant recommendation, discussed in Appendix 3. The OIG review found that the Authority had not restricted the "write to" access to one of its two network program files on the pilot project. As a result, any network user could alter or delete any or all of the network's software application programs (such as Word Perfect's word processing program, LOTUS spread-sheet programs, etc.) either accidentally or intentionally.

The OIG made four recommendations including the recommendation to eliminate the "write to" access capability. The other recommendations included: eliminating individual network program file viewing capabilities, conducting and documenting security access tests by the computer staff, and consulting with other agencies with similar networks regarding security matters. The computer staff has since eliminated the "write to" access capabilities, consulted with other agencies regarding security matters and begun security access testing. Management has disagreed with the recommendation involving file viewing capabilities.

Investigative Management Letter, Dated
September 4, 1992

The management letter was issued by the OIG investigative staff in relation to an on-going investigation. Several internal control weakness were disclosed during the course of the investigation. These weaknesses were in the area of leave and time and attendance administration. Three recommendations were made.

OTHER AUDIT ACTIVITY

During this period the OIG developed an automated audit recommendation tracking system. The system maintains the implementation status and other data on all OIG audit reports and management letter recommendations. The tracking system can be used to printout the necessary supporting data for all external reporting obligations of the OIG and management under the Inspector General Act. A copy of the tracking system has been provided to management for possible adoption as their required audit follow-up system. The OIG anticipates management will adopt this system with possible minor expansion for additional internal management tracking.

OTHER AUDIT 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

There is one significant recommendation from a prior report requiring implementation (See Appendix 3). During this reporting period, the OIG revised its definition of "significant recommendations" (See Appendix 4). This revision had the effect of reducing the number of significant recommendations. The OIG has classified as "significant recommendations" 4 out of 28 OIG audit report recommendations made as of September 30, 1992.

SIGNIFICANT REVISED MANAGEMENT DECISIONS

No management decision was revised during the reporting period.

OIG DISAGREEMENT WITH SIGNIFICANT MANAGEMENT DECISIONS

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

INVESTIGATIVE ACTIVITY

During this period, three (3) new investigations were opened. Two (2) were completed and closed. One investigation continues open from the previous reporting period.

One of the closed investigations dealt with an apparent theft from the Headquarters Imprest Fund. This matter was worked concurrently with criminal investigators from the Federal Protective Service. No viable suspects were identified.

The second matter dealt with an allegation that the name of a former employee had been improperly removed from an FLRA case citation. Based on the information provided to this Office by a confidential source, this allegation was determined to be unfounded.

Nothing was developed in the course of these investigations which warranted referral to prosecutive authorities.

OTHER OIG ACTIVITY

REGULATORY AND LEGISLATIVE REVIEW

As required by the Inspector General Act of 1978 as amended, the OIG reviews proposed legislation and regulations which may impact on the economy and efficiency of programs and operations of the FLRA. During this period nothing was reviewed which would have an adverse impact on the programs and operations of the FLRA.

REVIEW OF DRAFT AGENCY SEXUAL HARASSMENT POLICY

The OIG legal counsel conducted a review of a draft agency sexual harassment policy statement. The OIG counsel provided input focused upon reinforcing a positive work environment as well as, early intervention by management in potential policy violations.

PARTICIPATION IN THE EXECUTIVE COUNCIL ON INTEGRITY AND EFFICIENCY

The Executive Council on Integrity and Efficiency (ECIE) was established in 1992. The ECIE was created by elevating the former Coordinating Conference of the President's Council on Integrity and Efficiency (PCIE) to council status. The ECIE, as the PCIE, is intended to coordinate and implement Government-wide activities to combat fraud and abuse in Federal operations and programs.

The FLRA's Inspector General is an active member of the ECIE and participates as a member of several ECIE and PCIE committees.

TABLE I
INSPECTOR GENERAL ISSUED REPORTS
WITH QUESTIONED COSTS

	<u>NUMBER OF REPORTS</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>1</u>	<u>\$900</u>	
Subtotal (A plus B)	<u>1</u>	<u>\$900</u>	
C. For which a management decision was made during the reporting period.	<u>1</u>	<u>\$900</u>	
(i) dollar value of disallowed costs.	<u>1</u>	<u>\$900</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	
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E. Reports for which no management decision was made within six months of issuance.	0	0	

TABLE II
INSPECTOR GENERAL ISSUED 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, 1992 to September 30, 1992, 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 recommendations that were agreed to by management.		
(ii) dollar value of recommendations were not agreed to by management.		
D. For which no management decision has been made by the end of the reporting period.		
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E. Reports for which no management decision was made within six months of issuance.		

**UNIMPLEMENTED
SIGNIFICANT RECOMMENDATIONS
FROM PRIOR REPORTS**

"Review of the Authority's ADP Procurement Plans," Report No. 92-01, March 1992.

Problem: The Authority is in the process of converting from a main-frame/terminal computer system to a PC network system without an adequate security plan for the new system.

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: On June 1, 1992, the Authority provided the OIG with a document titled "Security Countermeasures Description" as a limited security plan. This document, however, is primarily limited to providing security term definitions in the form of broadly defined security goals. The document lacks definite security policies or procedures in how to obtain these goals. Authority management realizes this initial document is only the first step in producing an adequate security plan. Management is in the process of implementing several of these goals and plans on delineating the procedures in an operations manual after full conversion to the network system.

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

A letter, containing deficiencies found in FLRA operations and recommendations for their correction, issued to management by the OIG. Management letters, generally, report on minor deficiencies found in conjunction with an on-going or completed audit or as an expansion of previously issued audit report recommendations. A Management Letter can also be issued as a result of operational deficiencies found during an on-going or completed investigation by the OIG or other agency investigative staff. Recommendations made in Management Letters are excluded from the OIG Semiannual Report's Statistical Tables I and II, and the "Other Audit Reporting Requirements" section. Management Letter recommendations, however, are included on the OIG's Audit Recommendation Tracking System.

