



INSPECTOR GENERAL

UNITED STATES OF AMERICA
FEDERAL LABOR RELATIONS AUTHORITY
WASHINGTON, D.C. 20424-0001

MEMORANDUM

DATE: September 17, 2018

TO: Colleen Duffy Kiko
Chairman

Ernest DuBester
Member

James Abbott
Member

FROM: Dana Rooney
Inspector General

SUBJECT: Top Management and Performance Challenges Facing the Federal Labor
Relations Authority (MC-19-01)

In accordance with the *Reports Consolidation Act of 2000*,¹ the Office of Inspector General (OIG) is reporting what it has determined to be the most serious management and performance challenges facing the Federal Labor Relations Authority (FLRA). The attached document responds to this requirement and by statute is required to be included in the FLRA's Performance and Accountability Report.

The OIG retained all three management challenges from last year's list. The top management and performance challenges include: (1) Information Technology Security; (2) Records Management; and (3) Closure of Open Recommendations Outstanding for More Than 1 Year.

This memorandum is based on specific OIG reviews and other reports, as well as our general knowledge of the FLRA programs and operations. Our analysis considers the accomplishments the FLRA reported as of August 21, 2018. We provided our draft challenges report to the FLRA and considered all comments received. In closing, we would like to express appreciation to you and the Executive Director for continuing to support our work and your commitment to excellence. We look forward to working with the FLRA to continually improve the FLRA's efforts to address these important challenges.

Attachment

cc: William Tosick, Executive Director

¹ Public Law 106-531



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Information Technology Security

Safeguarding systems and data has been a challenge for all Federal agencies including the Federal Labor Relations Authority (FLRA). The Government Accountability Office has identified the security of cyber assets and the privacy of personally identifiable information on its High-Risk List.¹

The FLRA depends on its systems and data to carry out its mission. These systems are always at risk and the FLRA must remain vigilant in establishing a control environment to continuously monitor potential Information Technology (IT) risks, threats, vulnerabilities, mitigation and implementation plans.

For the last several years, the Office of Inspector General's (OIG) annual Federal Information Security Modernization Act of 2014 (FISMA) review has identified a repeated weakness in IT. The FLRA has improved greatly over the past few years, providing corrective action plans in response to our recommendations. While the FLRA has had two consecutive clean audits and closed all but one open finding, IT security still remains a management challenge. In our Fiscal Year (FY) 2018 FISMA review, we plan to evaluate the IT deficiency and the actions taken to correct the system weakness.

Information Security

Since the passage of the FISMA, the OIG has annually reviewed the FLRA's information security program. The FISMA requires the FLRA OIG to prepare a report summarizing the review findings and submit it to the Office of Management and Budget (OMB). The most recent FISMA evaluation found that management continues to make progress closing four out of the five prior year recommendations.² There were no new recommendations in the FY 2017 review and the remaining open FISMA recommendation was from FY 2015.

Progress in Addressing the Challenge

The FLRA had no new IT security findings for FY 2017, for the second consecutive year. This is a significant accomplishment and a strong indicator of the FLRA's commitment to addressing IT security matters in a timely and comprehensive manner. The FLRA also closed four of its five open findings. The FLRA expects to fully mitigate the remaining open FISMA finding by the end of FY 2019. The impact of this effort will be assessed during the FY 2019 FISMA review.

¹ See http://www.gao.gov/highrisk/ensuring_the_security_federal_government_information_systems/why_did_study

² This is based on the FY 2017 FISMA review; the FY 2018 FISMA review had not been completed at the time this document was drafted.



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What Needs to Be Done

The FLRA should continue to address and resolve the remaining FISMA weakness identified by the OIG in 2015. Although the FLRA has closed four of its five open recommendations, the agency must be diligent in continuing to monitor and assess its information security to ensure proper IT security controls are in place.

Key OIG Resources

- OIG Report, Evaluation of the Federal Labor Relations Authority Compliance with the Federal Information Security Modernization Act of 2014 for Fiscal Year 2017 (MAR-18-01) October 2017
- OIG Report, Evaluation of the Federal Labor Relations Authority Compliance with the Federal Information Security Management Act Fiscal Year 2015 (ER-16-01), November 9, 2015

Records Management (hard copy and electronic)

Managing Federal business records is an important responsibility of Federal agencies, which are required to institute records management programs. Presidential Memorandum, *Managing Government Records*, was signed on November 28, 2011. It announced an Executive Branch-wide effort to reform Government records. The U.S. National Archives and Records Administration (NARA) are authorized to promulgate regulations for Federal records.

On August 24, 2012, OMB and NARA jointly issued Memorandum M-12-18, *Managing Government Records Directive*. The new directive provides goals, requirements, and deadlines for implementing the Presidential Memorandum. The first goal of the Directive has two compliance deadlines:

- By December 2016, Federal agencies will manage both permanent and temporary email records in an accessible electronic format; and
- By December 2019, Federal agencies will manage all permanent records in an electronic format, and must develop plans to do so by December 2013.

In 2014, Congress amended the *Presidential Records Act and the Federal Records Act* regarding the preservation, storage, and management of Federal records. NARA also provided Federal agencies with specific guidance on July 29, 2015, on how to comply with the Federal law regarding the preservation of electronic messages in Bulletin 2015-02, *Guidance on Managing Electronic Records*.



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On March 15, 2017, NARA issued a memo³ to Senior Agency Officials for Records Management. The memo reminds them of their Federal records and information management responsibilities and addresses three high visibility priorities for the coming year:

- electronic messaging and encrypted messages;
- managing web records; and
- ensuring that all staff, especially incoming political appointees, are properly trained on their responsibilities for records management.

FLRA has taken steps to strengthen its records management, such as by continuing its efforts to use technology to enhance operational efficiencies by automating, paper-based manually intensive processes. This includes developing a case management system infrastructure supporting electronic files that will properly handle agency case files and records. This is an excellent step forward using technology to enhance operational efficiencies. However, system automation is only one part of a comprehensive approach to address the challenge of managing permanent records. Industry practices dictate that along with implementing new technology, it is imperative that a complete oversight or governance process be established to include documenting agency policies, procedures and processes that address all hard copy and electronic records proper handling. Although new automated systems offer increased capabilities, they also present new internal (management) control challenges. The FLRA needs to ensure various roles (e.g., system administrator); related authorities and capabilities are properly assigned, documented, managed and monitored. Such written documentation should be maintained as 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. Further, management should periodically verify that such policies are being followed.

Progress in Addressing the Challenge

The FLRA met the first requirement of OMB Directive M-12-18, managing both permanent and temporary email records in an accessible electronic format. The Agency is currently maintaining all email records in an electronic format. The FLRA provided the following management challenge update:

“Over the course of FY 2018, the FLRA has continued its efforts to use technology to enhance operational efficiencies by implementing systems to automate paper-based manually intensive processes. This includes the development of an electronic case-management system infrastructure that supports electronic case files and that will further the Agency’s efforts to properly handle Agency case files and records. The FLRA has

³ *Records Management Priorities for 2017, March 15, 2017*



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made steady progress in accomplishing its multi-year plan to implement fully electronic files – consistent with the OMB requirements – in 2019. Accomplishments include: development of eFiling 3.0 system, including enhancements for supporting electronic case files; the continued development of/refinements to the Agency’s Document Management System, which will provide the storage capability for fully electronic case files; and continued work to transition the case management system, with the first office scheduled to migrate in early FY 2019. All three accomplishments are essential components for implementing fully electronic case files.

The FLRA recognizes that a necessary component of the implementation of electronic case files is the development of policies, processes, and procedures to provide staff with clear guidance for handling records and ensuring compliance with Agency requirements. The Agency continues to make progress to ensure that appropriate oversight and governance processes are established, including reviewing/updating Agency policies, procedures, and processes that address the proper handling and storage of all hard-copy and electronic records. The Agency has reviewed and revised several Agency policies this year, and it will continue to do so, with a goal to review, revise, or reissue as appropriate, all Agency policies by the end of FY 2019. This effort will ensure that system administrators and related authorities and capabilities are properly assigned, documented, managed, and monitored, and that written documentation is kept up-to-date.”

What Needs to Be Done

Since the Directive’s release, there has been a wealth of additional NARA bulletins and OMB memorandums. Although the FLRA has until 2019 to comply with the evolving requirements, FLRA management should continue working its multi-year agenda to integrate its E-filing and other automated systems. The FLRA needs to design its policies to ensure it complies with all records management requirements and effectively manages its records. Good records management will help the FLRA meet its mission responsibilities.

Key OIG Resources

- President Memorandum, *Managing Government Records*, signed on November 28, 2011
- OMB Directive M-12-18, *Managing Government Records Directive*, issued August 24, 2012
- NARA Bulletin 2013-02, *Guidance on a New Approach to Managing Email Records*, issued August 29, 2013
- OMB/NARA Memorandum M-14-16, which included NARA Bulletin 2014-06, *Guidance on Managing Email* issued September 14, 2014



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- NARA Memorandum, Records Management Priorities for 2017, issued March 15, 2017

Closure of Open Recommendations Outstanding for More Than 1 Year

The Inspector General Act of 1978, as amended, requires explanations for all audit reports with recommendations open for more than one year. These outstanding recommendations are also reported to the FLRA and Congress in the OIG's Semiannual Reports to Congress. We first reported the closure of open recommendations outstanding for more than one year as a management challenge in 2016. In 2017, we reported that FLRA had eight open recommendations outstanding for more than 1 year. In our March 31, 2018 OIG Semiannual Report, the FLRA closed seven of the eight open recommendations outstanding for more than 1 year. However, one new recommendation met the 1 year aging period and was reported in our March 31 report.

The table below shows a summary of reports with corrective actions outstanding for more than 1 year and whether report recommendations are open or closed.

Reports with Corrective Actions Outstanding for more than 1 year⁴

Report Title	Report Number	Issue Date	Number of Recommendations	Closed	Open
Evaluation of the Federal Labor Relations Authority Compliance with the Federal Information Security Management Act Fiscal Year 2015	ER-16-01	11/15	5	4	1
Management Letter for Fiscal Year 2016 Audit of the Federal Labor Relations Authority's Financial Statements	AR-17-02	11/16	1	0	1

At this time, FLRA has two recommendations outstanding for more than 1 year. Of the two recommendations, one was reported in the FY 2015 FISMA review and the other in the Management Letter for Fiscal Year 2016 Audit of the Federal Labor Relations Authority's Financial Statements. The FISMA recommendation has been outstanding for almost 3 years.

⁴ Only the recommendations that have been open for 12 months are reflected in the accompanying list of open recommendations and were reported in our March 31, 2018 Semiannual Report to Congress.



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The FLRA obtained an unmodified (clean) opinion on all financial statements in FY 2017, and the independent auditor's FY 2017 Management Letter reported no new recommendations, while closing two of the three prior year recommendations. The remaining recommendation, outstanding for more than 1 year, was included in the FY 2016 Management Letter.

As the OIG continues to issue reports with recommendations, it is critical that the FLRA continue its progress in resolving open findings that are outstanding from prior audits, and design appropriate corrective action plans to implement procedures and address deficiencies, where appropriate. FLRA management should also continuously monitor these plans to ensure timely audit resolution.

Progress in Addressing the Challenge

In response to our FY 2018 management challenges, the FLRA indicated having "made significant progress in closing all but one audit recommendation." FLRA stated it "has clear and comprehensive action plans in place to address all open recommendations." FLRA also noted having a plan in place to close the FISMA weakness by the end of FY 2019.

What Needs to Be Done

We acknowledge that the FLRA continues to initiate actions to address outstanding open recommendations. However, our audit work from the past several years continues to highlight that the FLRA faces challenges in addressing outstanding weaknesses. The impact of FLRA action plans will be assessed during the FY 2018 Financial Statement audit and FY 2019 FISMA review.

Key OIG Resources

- OIG Report, Semiannual Report to Congress for the period October 1, 2017 to March 31, 2018
- OIG Report, Top Management and Performance Challenges Facing the Federal Labor Relations Authority (MC-18-01), October 4, 2017
- OIG Report, Management Letter for Fiscal Year 2016 Audit of the Federal Labor Relations Authority Financial Statements (AR-17-02), November 16, 2016
- OIG Report, Evaluation of the Federal Labor Relations Authority Compliance with the Federal Information Security Management Act Fiscal Year 2015 (ER-16-01), November 9, 2015