INSPECTOR GENERAL

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

November 14, 2014

MEMORANDUM

TO: Carol Waller Pope
Chairman

FROM: Dana Rooney
Inspector General

SUBJECT: Audit of the Federal Labor Relations Authority's Financial Statements for Fiscal Year 2014 (Report No. AR-15-01)

We contracted with the independent firm of Dembo, Jones, Healy, Pennington & Marshall, P.C. (DJHPM) to audit the financial statements of the Federal Labor Relations Authority (FLRA) as of September 30, 2014 and 2013, and for the years then ended. The contract required that the audit be performed in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget Bulletin No. 14-02 as amended, "Audit Requirements for Federal Financial Statements."

In its audit, DJHPM found:

- The financial statements present fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America;

- No material weaknesses in the FLRA's internal control over financial reporting. DJHPM was contracted for and did not provide an opinion on the effectiveness of FLRA's internal controls; and

- No instances of noncompliance with laws and regulations.

Evaluation and Monitoring of Audit Performance

We reviewed DJHPM's report and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with U.S. Generally Accepted Government Auditing Standards, was not intended to enable us to express, an accordingly we do not express, an opinion on FLRA's financial statements, the effectiveness of internal controls, whether FLRA's financial management systems substantially complied with the Federal Financial Management Improvement Act, or compliance with laws and regulations.

However, our monitoring review, as limited to the procedures listed above, disclosed no instances in which DJHPM did not comply, in all material respects with Government Auditing Standards.

We appreciate the courtesies and cooperation extended to DJHPM and the OIG during the audit. If you should have any questions concerning this report, please let me know.

Attachment

cc: Ernest DuBester, Member
Patrick Pizzella, Member
Sarah Whittle Spooner, Executive Director
Kevin Smith, Director Budget and Finance

Office of Inspector General

Financial Statement Audit

FINANCIAL STATEMENT AUDIT OF THE FEDERAL LABOR RELATIONS AUTHORITY

Fiscal Year 2014

Report No. AR-15-01

November 2014

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

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INDEPENDENT AUDITOR’S REPORT

Report of Independent Auditors

To Chairman Pope
Federal Labor Relations Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the **Federal Labor Relations Authority (FLRA)**, which comprise the balance sheet as of **September 30, 2014 and 2013**, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, Audit Requirements for Federal Financial Statements. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Accordingly, we do not express such an opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Opinion on Financial Statements

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Federal Labor Relations Authority** as of **September 30, 2014 and 2013**, and its net costs; changes in net position; and budgetary resources for the years then ended.

Consideration of Internal Control

In planning and performing our audit, we considered the **Federal Labor Relations Authority's** internal control over financial reporting as a basis for designing our auditing procedures and to comply with the Office of Management and Budget (OMB) audit guidance for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on internal control and compliance or on management's assertion on internal control included in MD&A. Accordingly, we do not express an opinion on internal control over financial reporting and compliance or on management's assertion on the effectiveness of the entity's internal control over financial reporting or on management's assertion on internal control included in the MD&A.

Our consideration of internal control over financial reporting 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies, as defined below.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit the attention of those charged with governance.

We noted other non-reportable matters involving internal control and its operation that we will communicate in a separate management letter to **FLRA** management.

Compliance With Laws and Regulations

As part of obtaining reasonable assurance about whether the **Federal Labor Relations Authority** financial statements are free from material misstatement, we also performed tests of its compliance with certain provisions of laws and regulations for fiscal year 2014. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Consistency of Other Information

The information in the Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

The information in the Chairman's Message, Performance Section, and Other Accompanying Information is presented for purposes of additional analysis and is not required as part of the financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

Dembo, Jones, Healy, Pennington & Marshall, P.C.

Rockville, Maryland
November 14, 2014

FINANCIAL SECTION

Federal Labor Relations Authority
BALANCE SHEET
(in dollars)

As of September 30, 2014 and 2013

	2014	**2013**
Assets:		
Intragovernmental:		
Fund balance with the Treasury (Note 2)	$3,626,652	$3,488,106
Accounts receivable (Note 3)	0	0
Advances and prepayments	46,494	27,298
Total intragovernmental	3,673,146	3,515,404
Accounts receivable from the public, net (Note 3)	3,634	16,742
General property and equipment, net (Note 4)	588,076	212,632
Total Assets	**$4,264,856**	**$3,744,778**
Liabilities:		
Intragovernmental:		
Accounts payable	$18,265	$52,987
Unfunded FECA liability (Note 5)	216,609	227,025
Total intragovernmental	234,874	280,012
Accounts payable	153,535	361,828
FECA actuarial liability (Note 5)	1,126,026	1,180,558
Unfunded leave (Note 5)	1,511,241	1,412,090
Accrued payroll and benefits	510,906	1,025,702
Other (Note 6)	0	282
Total Liabilities	**$3,536,582**	**$4,260,472**
Net Position:		
Unexpended appropriations – other funds	$2,991,329	$2,071,393
Cumulative results of operations – other funds	(2,263,055)	(2,587,087)
Total Net Position	**$728,274**	**$(515,694)**
Total Liabilities and Net Position	**$4,264,856**	**$3,744,778**

The accompanying notes are an integral part of these statements.

Federal Labor Relations Authority
STATEMENT OF NET COST
(in dollars)

For the Years Ended September 30, 2014 and 2013

	2014	**2013**
Gross Program Costs:		
Authority:		
Intragovernmental costs	$4,346,447	$3,928,616
Public costs	10,412,911	11,392,530
Total costs	14,759,358	15,321,146
Intragovernmental earned revenue	(1,540)	(24,275)
Public earned revenue	(1,311)	(2,902)
Less: Total earned revenue	(2,851)	(27,177)
Net Program Costs	**$14,756,507**	**$15,293,969**
Office of the General Counsel:		
Intragovernmental costs	$0	$39,215
Public costs	9,942,518	8,699,750
Total costs	9,942,518	8,738,965
Intragovernmental earned revenue	(10,821)	(10,296)
Public earned revenue	(9,218)	(8,903)
Less: Total earned revenue	(20,039)	(19,199)
Net Program Costs	**$9,922,479**	**$8,719,766**
Federal Service Impasses Panel:		
Intragovernmental costs	$0	$0
Public costs	763,268	621,410
Total costs	763,268	621,410
Intragovernmental earned revenue	0	0
Public earned revenue	0	(600)
Less: Total earned revenue	0	(600)
Net Program Costs	**$763,268**	**$620,810**
Net Cost of Operations	**$25,442,254**	**$24,634,545**

The accompanying notes are an integral part of these statements.

Federal Labor Relations Authority STATEMENT OF CHANGES IN NET POSITION (in dollars)		
For the Years Ended September 30, 2014 and 2013		
	2014	**2013**
Cumulative Results of Operations:		
Beginning balance	$(2,587,087)	$(2,583,413)
Budgetary financing sources:		
Appropriations used	24,365,987	23,270,794
Non-exchange revenue	0	(282)
Other financing sources (non-exchange):		
Imputed financing	1,400,299	1,360,359
Total financing sources	25,766,286	24,630,871
Net cost of operations	(25,442,254)	(24,634,545)
Net change	324,032	(3,674)
Cumulative Results of Operations	**$(2,263,055)**	**$(2,587,087)**
Unexpended Appropriations:		
Beginning balance	$2,071,393	$3,117,955
Budgetary financing sources:		
Appropriations received	25,500,000	24,723,000
Other adjustments	(214,077)	(2,498,768)
Appropriations used	(24,365,987)	(23,270,794)
Total budgetary financing sources	919,936	(1,046,562)
Total Unexpended Appropriations	**$2,991,329**	**$2,071,393**
Net Position	**$728,274**	**$(515,694)**

The accompanying notes are an integral part of these statements.

Federal Labor Relations Authority
STATEMENT OF BUDGETARY RESOURCES
(in dollars)

For the Years Ended September 30, 2014 and 2013

	2014	2013
Budgetary Resources:		
Unobligated balance, brought forward, October 1	$903,324	$1,847,474
Recoveries of prior year unpaid obligations	33,362	418,760
Other changes in unobligated balance	(214,077)	(1,205,607)
Unobligated balance from prior year budget authority, net	722,609	1,060,627
Appropriation	25,500,000	23,429,839
Spending authority from offsetting collections	43,086	46,900
Total budgetary resources	**$26,265,695**	**$24,537,366**
Status of Budgetary Resources:		
Obligations incurred (Note 10)	$25,487,316	$23,634,042
Unobligated balance, end of year:		
Apportioned	107,618	67,001
Unapportioned	670,761	836,323
Total obligated balance, end of year	778,379	903,324
Total budgetary resources	**$26,265,695**	**$24,537,366**
Change in Obligated Balance:		
Unpaid obligations:		
Unpaid obligations, brought forward, October 1	$2,587,584	$2,692,558
Obligations incurred	25,487,316	23,634,042
Outlays (gross)	(25,190,604)	(23,320,255)
Recoveries of prior year unpaid obligations	(33,362)	(418,760)
Unpaid obligations, end of year	2,850,934	2,587,585
Uncollected payments:		
Uncollected payments, Federal sources, brought forward, October 1	(3,085)	(14,937)
Change in uncollected payments, Federal sources	424	11,852
Uncollected payments, Federal sources, end of year	(2,661)	(3,085)
Memorandum (non-add) entries:		
Obligated balance, start of year	**$2,584,500**	**$2,677,621**
Obligated balance, end of year	**$2,848,273**	**$2,584,500**
Budget Authority and Outlays, Net:		
Budget authority, gross	$25,543,086	$23,476,739
Actual offsetting collections	(43,510)	(58,752)
Change in uncollected customer payments from Federal sources	424	11,852
Budget authority, net	**$25,500,000**	**$23,429,839**
Outlays, gross	$25,190,604	$23,320,255
Actual offsetting collections	(43,510)	(58,752)
Outlays, net	25,147,094	23,261,503
Agency Outlays, Net	**$25,147,094**	**$23,261,503**

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies

(a) Reporting Entity – The FLRA is an independent, administrative Federal agency created by Title VII of the Civil Service Reform Act of 1978, with a mission to carry out five statutory responsibilities: (1) determining the appropriateness of units for labor organization representation; (2) resolving complaints of unfair labor practices; (3) adjudicating exceptions to arbitrators' awards; (4) adjudicating legal issues relating to duty to bargain; and (5) resolving impasses during negotiations. The agency consists of three components: the Authority, the Office of the General Counsel, and the Federal Service Impasses Panel.

(b) Basis of Accounting and Presentation – The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and budgetary resources of the FLRA in accordance with the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, and the Accountability of Tax Dollars Act of 2002. The statements have been prepared from agency financial records in accordance with U.S. Generally Accepted Accounting Principles (GAAP), in accordance with guidance issued by the Federal Accounting Standards Advisory Board (FASAB) and the Office of Management and Budget (OMB), as prescribed in OMB Circular A-136, *Financial Reporting Requirements*, and pursuant to the requirements of 31 U.S.C. § 3515(b). These financial statements include all funds and accounts under the control of the FLRA.

The accounting structure of Federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned, and expenses are recognized when incurred, without regard to the receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases occur before an accrual-based transaction takes place. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds. The accompanying financial statements are prepared on the accrual basis of accounting.

(c) Budget Authority – The Congress passes appropriations annually that provide the FLRA with authority to obligate funds for necessary salaries and expenses to carry out mandated program activities. These funds are available until expended, subject to OMB apportionment and to Congressional restrictions on the expenditure of funds. Also, the FLRA places internal restrictions on fund expenditures to ensure the efficient and proper use of all funds.

(d) Fund Balance with the Treasury – FLRA receipts and disbursements are processed by the Department of the Treasury. Fund balances with the Treasury consist of appropriated funds that are available to pay current liabilities and to finance authorized purchase commitments. No cash is held in commercial bank accounts.

(e) Accounts Receivable – Accounts receivable consist of amounts due from other Federal entities and from current and former employees and vendors. Amounts due from the public are stated net of an allowance for uncollectible accounts that is based on an analysis of outstanding receivables balances and past collection experience. No allowance is established for intragovernmental receivables, as they are considered fully collectible from other Federal agencies.

(f) General Property and Equipment (P&E) – This category consists of equipment and internal use software. The basis for recording purchased P&E is full cost, including all costs incurred to bring FLRA P&E to and from a location suitable for its intended use. P&E is depreciated using the straight-line method over the estimated useful life of the asset. Statement of Federal Financial Accounting Standards (SFFAS) No. 10, *Accounting for Internal Use Software*, provides accounting standards for internal use software used by each agency. The standards provide for capitalized property to continue to be reported on the Balance Sheet. P&E that are not capitalized because they are under the capitalization threshold are expensed in the year of acquisition.

The FLRA's capitalization threshold for individual purchases is $25,000. Bulk purchases of similar items that individually are worth less than $25,000, but collectively are worth more than $100,000 are also capitalized using the same general P&E categories and useful lives as capital acquisitions. Major building alterations and renovations are capitalized, while maintenance and repair costs are charged to expense as incurred.

General P&E Category	Service Life
Software	3 years
Computer equipment	5 years
Office equipment	7 years
Office furniture	15 years
Leasehold improvements	Life of lease

(g) Liabilities – Liabilities represent the amount of monies or other resources likely to be paid by the FLRA as a result of transactions or events that have already occurred. No liability can be paid, however, absent an appropriation. Liabilities for which an appropriation has not been enacted are, therefore, classified as not covered by budgetary resources, since there is no certainty that the appropriation will be enacted. Also, the Federal government, acting in its sovereign capacity, can abrogate liabilities other than contracts. Liabilities that are covered by budgetary resources consist of intragovernmental and public accounts payable and accrued funded payroll. Liabilities not covered by budgetary resources in FY 2013 and FY 2014 consist of accrued and actuarial Federal Employees Compensation Act (FECA) compensation and unfunded employee leave.

(h) FECA Liabilities – An accrued FECA liability is recorded for actual and estimated future payments to be made for workers' compensation pursuant to the FECA. The actual costs incurred are reflected as a liability because agencies will reimburse the Department of Labor (DOL) two years after the actual payment of expenses. Future revenues will be used for their reimbursement to the DOL. The liability consists of: (1) the unreimbursed cost paid by the

DOL for compensation to recipients under the FECA; and (2) the net present value of estimated future payments calculated by the DOL.

An estimated actuarial liability for future workers' compensation benefits is included. The liability estimate is based on the DOL's FECA actuarial model that takes the amount of benefit payments over the last twelve quarters and calculates the annual average of payments for medical expenses and compensation. This average is then multiplied by the liabilities-to-benefits paid ratios for the whole FECA program. The ratios may vary from year to year as a result of economic assumptions and other factors, but the model calculates a liability approximately twelve times the annual payments.

***(i) Annual, Sick and Other Leave* –** Amounts associated with the payment of annual leave are accrued while leave is being earned by employees, and this accrual is reduced as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent that current or prior-year appropriations are not available to finance annual leave, future financing sources will be used. Sick leave and other types of non-vested leave are expensed as taken.

Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Federal Employees Retirement System (FERS)-covered employees were not entitled to use unused sick leave for additional service credit until October 28, 2009. For retirements effective between October 28, 2009 and December 31, 2013, 50 percent of unused sick leave can be used for additional service credit. For retirements effective after December 31, 2013, 100 percent of unused sick leave can be credited.

***(j) Accounts Payable and Other Accrued Liabilities* –** Accounts payable and accrued liabilities represent a probable future outflow or other sacrifices of resources as a result of past transactions or events. Liabilities are recognized when they are incurred, regardless of whether they are covered by available budgetary resources. FLRA liabilities cannot be liquidated without legislation that provides resources to do so.

***(k) Net Position* –** The components of net position are unexpended appropriations and cumulative results of operations. Unexpended appropriations include undelivered orders and unobligated balances. Undelivered orders reflect the amount of goods and services ordered that have yet to be actively or constructively received. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. The cumulative results of operations represent the net results of operations since inception, the cumulative amount of prior-period adjustments, the remaining book value of capitalized assets, and future funding requirements.

***(l) Retirement Plans* –** The FLRA's employees participate in the CSRS or the FERS. For CSRS employees, hired prior to January 1, 1984, the FLRA withholds seven percent of each employee's salary and contributes seven percent of the employee's basic salary to the CSRS Retirement and Disability Fund. These employees may also contribute, on a tax-deferred basis, to a defined contribution plan – the Thrift Savings Plan (TSP). The regular Internal Revenue Service limit in FY 2013 and FY 2014 was $17,500. The FLRA is not required to and does not contribute any matching amounts for CSRS employees.

The FERS was established by enactment of Public Law 99-335. Pursuant to this law, the FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired before January 1, 1984 elected either to join the FERS and Social Security or to remain in the CSRS. For FERS employees, the FLRA withholds 6.2 percent in old age survivors and disability insurance up to a specified wage ceiling and 0.8 percent of an employee's gross earnings for retirement. In FY 2014, the FLRA matched the retirement withholdings with a contribution equal to 11.9 percent of the employee's taxable salary. Due to enactment of the FERS Revised Annuity Employee and Further Revised Annuity Employee programs, the agency matched with a contribution equal to 9.6 percent for employees hired during and after calendar year 2013.

All employees are eligible to contribute to the TSP. For employees under the FERS, a TSP account is automatically established. The FLRA is required to make a mandatory contribution of one percent of the base salary for each employee under the FERS. The agency is required to match the employee's contribution up to a maximum of five percent of his or her salary. Matching contributions are not made to the TSP accounts established by CSRS employees. The FLRA does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, are the responsibility of the OPM.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. CSRS employees who are 65 or older are eligible for Social Security payments (even if they have not retired). In these instances, the FLRA remits the employer's share of the required contribution.

(m) ***Imputed Financing from Costs Absorbed by Others –*** The FASAB's SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, requires that employer agencies recognize the full cost of pension, health, and life insurance benefits during their employees' active years of service. The OPM, as administrator of the CSRS and FERS plans, the Federal Employees Health Benefits Program, and the Federal Employees Group Life Insurance Program, must provide the "cost factors" that adjust the agency contribution rate to the full cost for the applicable benefit programs. An imputed financing source and corresponding imputed personnel cost is reflected in the Statement of Changes in Net Position.

(n) ***Revenue and Other Financing Sources –*** The FLRA's revenues are derived from reimbursable work agreements and a direct, annual appropriation. The FLRA recognizes reimbursable work when earned, i.e., services have been provided. Each reimbursable work agreement specifies the dollar value of the agreement and is based on estimated resources needed to perform the specified services.

The agency receives an annual Salaries and Expenses appropriation from the Congress. Annual appropriations are used, within statutory limits, for salaries and administrative expenses and for operating and capital expenditures for essential P&E. Appropriations are recognized as non-exchange revenues at the time the related program expenses are incurred. Appropriations expended for capitalized P&E are recognized as expenses when an asset is consumed in operations. The FLRA's annual appropriation for FY 2013 was $24,723,000, which was reduced by $1,293,161 in sequestration and across-the-board rescissions included in Public Law 113-6. The agency's annual appropriation for FY 2014 was $25,500,000.

(o) ***Expired Accounts and Cancelled Authority –*** Unless otherwise specified by law, annual budget authority expires for incurring new obligations at the beginning of the subsequent fiscal year. The account into which the annual authority is placed is called an expired account. For five fiscal years, the expired account is available for expenditure to liquidate valid obligations incurred during the unexpired period. Adjustments are allowed to increase or decrease valid obligations incurred during the unexpired period that were not previously reported. At the end of the fifth expired year, the account is cancelled and any remaining money is returned to the Treasury.

(p) ***Transactions with Related Parties –*** In the course of its operations, the FLRA has relationships and conducts financial transactions with numerous Federal agencies. The most prominent of these relationships are with the Treasury, the DOL, the Department of the Interior, the Department of Transportation, the Department of Homeland Security, and the General Services Administration.

(q) ***Contingencies –*** A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to the agency. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. With the exception of pending, threatened, or potential litigation, a contingent liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is more likely than not, and the related future outflow or sacrifice of resources is measurable. For pending, threatened, or potential litigation, a liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is likely, and the related future outflow or sacrifice of resources is measurable.

(r) ***Use of Estimates –*** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(s) ***Advances and Prepayments –*** Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable work agreements, subscriptions, and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advance payments and recognized as expenses when the related goods and services are received.

Note 2: Fund Balance with the Treasury

U.S. government cash is accounted for on an overall consolidated basis by the Treasury. The amounts shown on the Balance Sheet represent the FLRA's right to draw on the Treasury for valid expenditures. The fund balance as shown on the FLRA records is reconciled monthly with records from the Treasury.

Fund Balance with the Treasury		
As of September 30,	**2014**	**2013**
General funds	$3,625,753	$3,488,106
Other fund types	899	0
Total	**$3,626,652**	**$3,488,106**

Status of Fund Balance with the Treasury		
As of September 30,	**2014**	**2013**
Unobligated balance available	$107,618	$67,001
Unobligated balance unavailable	670,761	836,323
Obligated balance not yet distributed	2,848,273	2,584,500
Non-budgetary fund balance with the Treasury	0	282
Total	**$3,626,652**	**$3,488,106**

Note 3: Accounts Receivable, Net

The reported amount for accounts receivable consists of amounts owed to the FLRA by other Federal agencies (intragovernmental) and the public.

Accounts Receivable, Net		
As of September 30,	**2014**	**2013**
From Federal agencies, net	$0	$0
From the public, net	3,634	16,742
Total	**$3,634**	**$16,742**

Note 4: General Property and Equipment, Net

Category	Service Life	Acquisition Value	Accumulated Depreciation	2014 Net Book Value	2013 Net Book Value
Software	3 years	$258,957	$(258,957)	$0	$0
Computer equipment	5 years	953,502	(467,536)	485,966	49,857
Office equipment	7 years	541,273	(504,782)	36,491	66,909
Office furniture	15 years	526,039	(460,420)	65,619	95,866
Leasehold improvements	Life of lease	428,172	(428,172)	0	0
Total		**$2,707,943**	**$(2,119,867)**	**$588,076**	**$212,632**

Note 5: Liabilities Not Covered By Budgetary Resources

Unfunded FECA liabilities consist of workers' compensation claims payable to the DOL, which will be funded in a future year, and an unfunded estimated liability for future workers' compensation claims based on data provided from the DOL. The actuarial calculation is based on benefit payments made over twelve quarters, and calculates the annual average of payments. For medical expenses and compensation, this average is then multiplied by the liability-to-benefit paid ratio for the whole FECA program.

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. At year-end, the balance in the unfunded leave account is adjusted to reflect the liability at current pay rates and leave balances. Unfunded leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken. All other liabilities are considered to be covered by budgetary resources.

Liabilities Not Covered By Budgetary Resources		
For the Years ended September 30,	**2014**	**2013**
Intragovernmental – Unfunded FECA liabilities	$216,609	$227,025
Federal employee benefits – FECA actuarial liability	1,126,026	1,180,558
Unfunded leave	1,511,241	1,412,090
Total	**$2,853,876**	**$2,819,673**

Note 6: Other Liabilities

Other liabilities in FY 2013 include payment for interest on reimbursable travel expenses and payment for responding to Freedom of Information Act requests. Payment was deposited into the Treasury's General Fund.

Note 7: Leases

The FLRA has operating leases for rental of office space and equipment. As a Federal agency, the FLRA is not liable for any lease terms beyond one year.

Future Minimum Lease Payments			
FY	**Equipment**	**Building**	**Total**
2015	$13,527	$2,290,620	$2,304,147
2016	0	2,204,956	2,204,956
2017	0	2,256,840	2,256,840
2018	0	2,170,942	2,170,942
2019	0	2,193,522	2,193,522
Thereafter	0	4,454,141	4,454,141
Total	**$13,527**	**$15,571,021**	**$15,584,548**

Note 8: Commitments and Contingencies

The FLRA is, at times, a party in various administrative proceedings, legal actions, and claims brought by or against the agency. In the opinion of FLRA management, the ultimate resolution of any proceedings, actions, and claims will not materially affect financial position or results of operations of the FLRA. The agency examined its FY 2009 obligations prior to cancellation, and believes that it does not have any outstanding that will require future resources to liquidate.

Note 9: Intragovernmental Costs and Exchange Revenue

The classification of revenue or cost as “intragovernmental” or “with the public” is determined on a transaction by transaction basis. Preceding transactions in the lifecycle of a product will not have an impact on subsequent transactions. If the FLRA purchases goods or services from another Federal entity, capitalizes them into inventory, and later resells them to the public, the cost of the original purchase of resale assets from the other Federal entity will be classified as “intragovernmental” at the time of the purchase. At ultimate sale to the end user, the resulting cost of goods will be classified as “with the public.” The purpose of this classification is to enable the Federal government to provide consolidated financial statements, and not to match public and intragovernmental revenue with costs that are incurred to produce public and intragovernmental revenue.

Note10: Apportionment Categories of Obligations Incurred: Direct Versus Reimbursable Obligations

Obligations Incurred		
For the Years Ended September 30,	**2014**	**2013**
Direct obligations – Category A	$25,463,310	$23,584,501
Reimbursable obligations – Category A	24,006	49,541
Total	**$25,487,316**	**$23,634,042**

Note 11: Undelivered Orders at the End of the Period

The amount of budgetary resources obligated for undelivered orders at the end of September 30, 2013 and 2014 was $1,147,067 and $2,168,227, respectively.

Note 12: Explanation of Differences between the SBR and the Budget of the U.S. Government

SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting,* calls for explanation of material differences between amounts reported in the Statement of Budgetary Resources and the actual balances published in the Budget of the U.S. Government (the President’s Budget). The FY 2015 President’s Budget, with actual amounts for FY 2013, has been reconciled to the Statement of Budgetary Resources. The FY 2016 President’s Budget, with actual amounts for FY 2014, will not be published until February 2015.

Note 13: Reconciliation of Net Cost of Operations to Budget

Details of the relationship between budgetary resources obligated and the net costs of operations for the fiscal years ended September 30, 2013 and 2014 are shown in the table on the following page.

Reconciliation of Net Cost of Operations to Budget		
For the Years Ended September 30,	**2014**	**2013**
Resources Used to Finance Activities:		
Obligations incurred	$25,487,316	$23,634,042
Spending authority from offsetting collections:		
Collected	(43,510)	(58,752)
Change in unfilled customer orders	777	3,920
Recoveries of prior year unpaid obligations	(33,362)	(418,760)
Transfers in/out without reimbursement	0	(163,967)
Imputed financing sources	1,400,299	1,360,359
Other	0	163,682
Total Resources Used to Finance Activity	**$26,811,520**	**$24,520,524**
Resources Used That Do Not Fund Net Cost of Operations:		
Change in unfilled customer orders	$(777)	$(3,920)
Change in undelivered orders	(1,040,354)	106,333
Current-year capitalized purchases	(455,885)	0
Components of the Net Cost of Operations Which Do Not Generate or Use Resources in the Reporting Period:		
Change in non-Federal receivables	13,107	(3,234)
Other financing sources not in the budget	(1,400,299)	(1,360,359)
Depreciation and amortization	80,441	140,530
Future funded expenses	88,734	(120,990)
Imputed costs	1,400,299	1,360,359
Other expenses not requiring budgetary resources	(54,532)	(4,698)
Net Cost of Operations	**$25,442,254**	**$24,634,545**

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

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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