



**Federal Labor Relations Authority
OFFICE OF INSPECTOR GENERAL**



50th Semiannual Report to Congress

April 1, 2013 – September 30, 2013

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

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Executive Summary

This Semiannual Report, submitted pursuant to Section 5 of the Inspector General Act of 1978, as amended, summarizes the major activities and accomplishments of the Federal Labor Relations Authority (FLRA) Office of Inspector General (OIG) for the period April 1, 2013 to September 30, 2013. The most significant activities of the OIG during the second half of Fiscal Year (FY) 2013 are noted below. Additional details pertaining to each activity can be found in subsequent sections of this report.

During this reporting period, the OIG initiated the annual audit of the FLRA's FY 2013 Financial Statements (AR-14-01); and an evaluation of the FLRA's Compliance with the Federal Information Security Management Act for Fiscal Year 2013 (ER-14-01). The OIG contracted with Dembo, Jones, Healy, Pennington & Marshall, P.C. (DJHPM) to conduct both reviews.

The OIG procured services to conduct an audit of FLRA's Purchase Card Program (AR-14-02). On September 26, 2013, the contract was awarded to DJHPM.

In FY 2013, the OIG received 107 hotline inquiries and 4 Freedom of Information Act requests. Of the 107 inquiries received, 27 of the hotline inquiries were referred or redirected to other FLRA offices, 20 were referred or redirected to another OIG. No further action was taken against the remaining 59 hotline inquiries. In addition, one investigation (IR-13-01) was opened during this semiannual reporting period and remains open.

Finally, in August 2013, Samson T.A. and Associates, PLLC completed a Quality Assurance Review of the FLRA OIG. The primary objective of the review was to ensure that the FLRA OIG quality control system is suitably designed and consistently complied with to the extent necessary to reasonably ensure compliance with professional audit standards and policies. The review resulted in a rating of pass.

Federal Labor Relations Authority Overview

Mission

The mission of the Federal Labor Relations Authority (FLRA) is to carry out the five primary statutory responsibilities as efficiently as possible and in a manner that gives full effect to the rights afforded employees and agencies under the *Federal Service Labor-Management Relations Statute* (the Statute). Under the Statute, the primary responsibilities (type of cases) of the FLRA include:

- (1) Determining the appropriateness of units for labor organization representation (REP);
- (2) Adjudicating exceptions to arbitrator's awards (ARB);
- (3) Resolving complaints of unfair labor practices (ULP);
- (4) Resolving bargaining impasses; and
- (5) Resolving issues relating to the duty to bargain (NEG).

Organization

The FLRA conducts its case processing activities through:

The Office of the General Counsel (OGC) of the Authority – led by the General Counsel, who is appointed by the President and confirmed by the Senate – which, through regional offices, is the entry point for ULP charges filed with the FLRA. The OGC also processes REP petitions filed with the FLRA and decides appeals of Regional Directors' decisions dismissing ULP charges.

The Office of Administrative Law Judges is the office in which judges appointed by the Authority conduct administrative hearings and issue recommended decisions in cases involving alleged ULPs and issue decisions involving applications for attorney fees under the *Back Pay Act* or the *Equal Access to Justice Act*.

The Authority is a quasi-judicial body (with three full-time Members --one of which serves as the FLRA Chairman-- appointed by the President and confirmed by the Senate), that resolves appeals in ULP and REP cases and adjudicates exceptions to ARB awards and NEG appeals.

The Federal Service Impasses Panel, which consists of up to seven part-time members appointed by the President (without Senate confirmation), resolves impasses between Federal agencies and unions representing Federal employees under the Statute and the Federal Employees Flexible and Compressed Work Schedules Act.

The FLRA also provides full staff support to two other entities: the Foreign Service Impasse Disputes Panel and the Foreign Service Labor Relations Board (FSLRB).

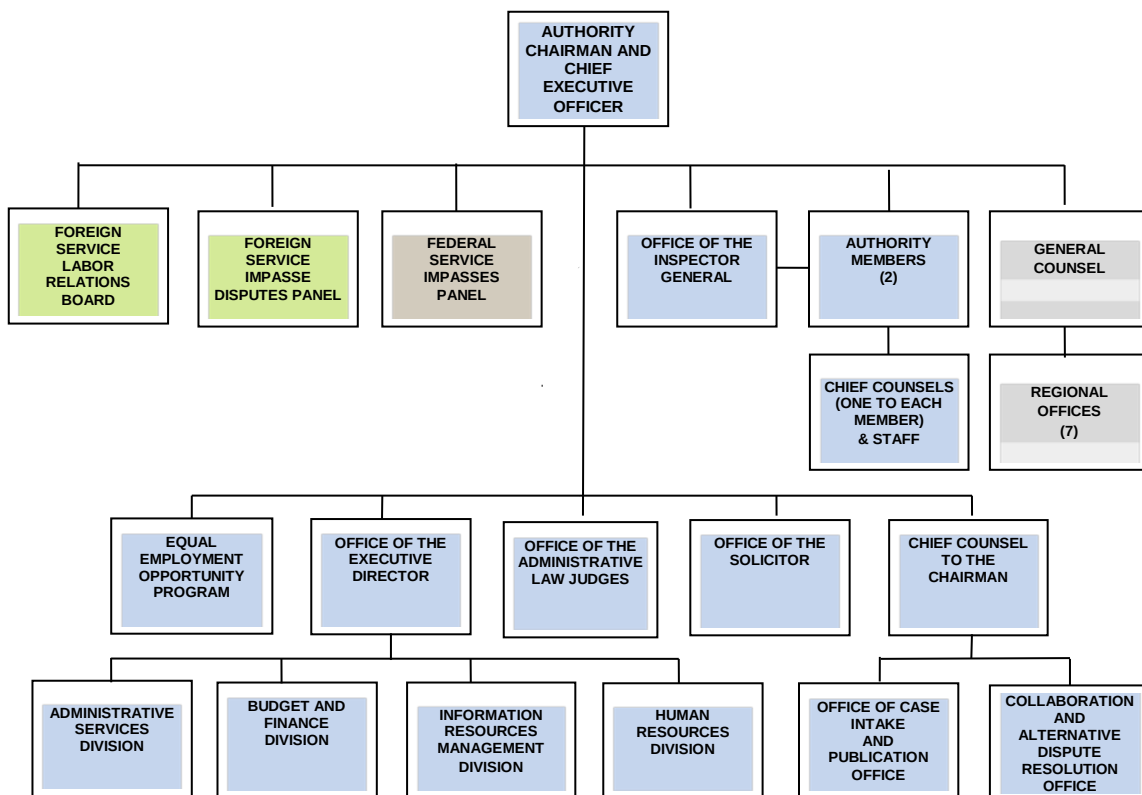
The Chairman is the head of the Agency and also serves as FLRA's Chief Executive and Administrative Officer, overseeing all agency-wide administrative functions.

In carrying out statutory responsibilities, the Chairman oversees the following offices:

The *Office of the Executive Director*, which provides agency-wide operational support through the following divisions: Budget and Finance, Administrative Services, Human Resources, and Information Resources Management.

The *Office of the Solicitor*, which represents the agency in court proceedings before all United States Courts and provides the Chairman legal advice on various legal issues.

FLRA ORGANIZATION CHART



Office of Inspector General

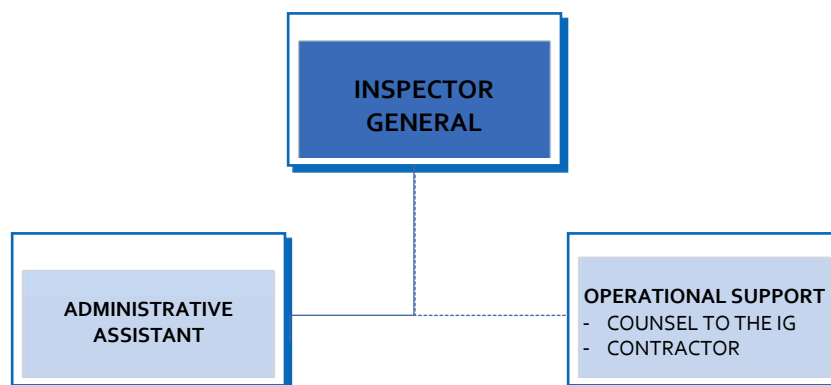
The Inspector General Act of 1978, as amended (hereafter referred to as the IG Act), requires the FLRA and other small agencies to establish an OIG. FLRA is a designated Federal entity under the IG Act of 1978, as amended. The Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203) altered the relationship of the designated Federal entity Offices of Inspectors General with the agency head by establishing that the term “head of the designated Federal entity” for FLRA “means the members of the Authority.” In accordance with the Dodd-Frank Act, we submit this report to the Chairman and Authority Members.

The FLRA OIG is responsible for:

- (1) conducting and supervising audits and investigations relating to FLRA programs and operations;
- (2) detecting and preventing fraud, waste, and abuse of agency programs and operations while providing leadership and coordination;
- (3) recommending policies designed to promote economy, efficiency, and effectiveness of the establishment; and
- (4) keeping the Chairman, Authority Members, and Congress fully and currently informed about problems and deficiencies in FLRA agency programs and operations, and the need for corrective action.

To aid the OIG in accomplishing its mission, the OIG was provided an administrative assistant.

OIG ORGANIZATION CHART



Office of Inspector General Activities

Audits and Evaluations

In accordance with the IG Act, the FLRA OIG conducts, supervises and coordinates audits and evaluations relating to the programs and operations of the FLRA.

Completed Audits and Evaluations

QUALITY ASSURANCE REVIEW OF THE FLRA OIG AUDIT OPERATIONS (ER-14-02)

Every year, the FLRA OIG is required to undergo a review of its audit function's system of quality control. The purpose of the review is to assess whether FLRA OIG carries out its work in accordance with:

- established policies and procedures, including Generally Accepted Government Auditing Standards (GAGAS);
- applicable Office of Management and Budget and Government Accountability Office guidance; and
- statutory provisions applicable to OIG audits.

We contracted with the independent accounting firm of Samson T.A. and Associates, PLLC to conduct a review of FLRA OIGs quality assurance program. The scope of the review was April 1, 2012 through March 31, 2013. FLRA OIGs can receive a rating of pass, pass with deficiency(ies) or fail. FLRA OIG received a review rating of pass.

Ongoing Audits and Evaluations

AUDIT OF THE FLRA'S FISCAL YEAR 2013 FINANCIAL STATEMENTS (AR-14-01)

The OIG exercised another option year with Dembo, Jones, Healy, Pennington & Marshall, P.C. (DJHPM) an independent certified public accounting firm, to conduct the FLRA's annual financial statement audit and the related statements of net cost and changes in net position, and the statements of budgetary resources.

EVALUATION OF THE FEDERAL LABOR RELATIONS AUTHORITY COMPLIANCE WITH THE FEDERAL INFORMATION SECURITY MANAGEMENT ACT FISCAL YEAR 2013 (ER-14-01)

The E-Government Act of 2002 (P.L. 107-347), commonly referred to as FISMA, requires Federal agencies to develop, document, and implement an agency-wide information security program that provides security for the information and information systems that support the operations and assets of the agency. FISMA assigns specific responsibilities to agency heads and IGs.

FISMA requires agencies to have an annual independent evaluation performed on their information security programs and practices and to report the evaluation results to OMB. FISMA states that the independent evaluation is to be performed by the agency IG or an independent external auditor as determined by the IG.

DJHPM, on behalf of the OIG, will conduct an independent evaluation of FLRA's compliance with FISMA for FY 2013 using guidelines established by FISMA, OMB, and the National Institute of Standards and Technology.

AUDIT OF FLRA'S FY 2013 CHARGE CARD PROGRAM (AR-14-02)

On October 5, 2012, the President signed into law the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), Public Law 112-194, which reinforced Administration efforts to prevent waste, fraud, and abuse of Government-wide charge card programs.

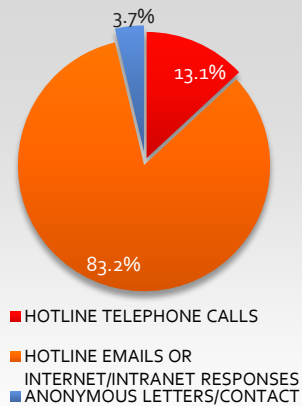
The Charge Card Act requires all executive branch agencies to establish and maintain safeguards and internal controls for purchase cards, travel cards, integrated cards, and centrally billed accounts consistent with existing OMB guidance. On September 26, 2013, the OIG procured contract services with DJHPM to conduct an audit of FLRA's FY 2013 Charge Card Program in accordance with the Government Charge Card Act and OMB guidance.

OIG Hotline Information

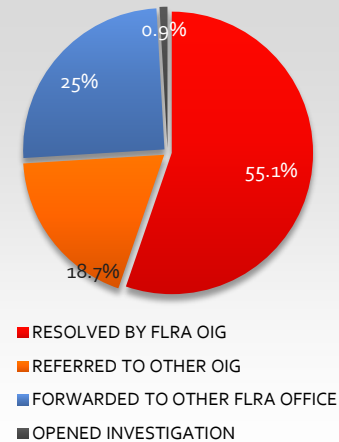
The OIG hotline exists to enable FLRA employees, FLRA contractors, and the public to have direct and confidential contact with the OIG. All allegations or referrals of fraud, waste, abuse, mismanagement, and misconduct involving FLRA employees, contractors, programs, operations, property, or funds received through any means are termed "hotline complaints". Once a hotline complaint has been received, a preliminary inquiry is conducted to determine whether the hotline complaint will be closed with no further action taken, referred to management or another agency, or an investigation will be initiated.

During FY 2013, the OIG received 107 hotline inquiries. These hotline inquiries were received via the following methods: 14 telephone calls, 89 email or internet/intranet responses, and 4 anonymous letters/contact. Of the 107 inquiries received, 27 of the hotline inquiries were referred or redirected to other FLRA offices, 20 were referred or redirected to another OIG. No further action was taken against the remaining 59 hotline inquiries. One investigation was opened during this semiannual reporting period.

COMPLAINT METHOD



HOTLINE DISPOSITION



OIG Investigations

The OIG considers many factors when evaluating whether to open an investigation based on a hotline complaint, and acknowledges that every hotline complaint received by the OIG cannot be investigated and in many cases do not merit investigation. The FLRA OIG investigations can give rise to administrative, civil and criminal penalties. Based on investigations conducted, the FLRA OIG issues a report that sets forth the allegations and an objective description of the facts to FLRA management regarding administrative and civil matters. Investigations which uncover potential criminal activity are referred to the Department of Justice. One investigation was opened during this semiannual reporting period and remains open.

Other Activities

Peer Review

Offices of Inspectors General performing audits are required to perform (and undergo) reviews of other OIG offices on a 3-year cycle. Peer reviews are conducted of an OIG audit organization's system of quality control in accordance with the Council of Inspectors General on Integrity and Efficiency (CIGIE) Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General, based on requirements in the Government Auditing Standards (Yellow Book). Federal audit organizations can receive a rating of pass, pass with deficiencies, or fail.

Section 989C of the Dodd-Frank Wall Street and Consumer Protection Act of 2010 contains additional semiannual reporting requirements pertaining to peer review reports. Federal Inspectors General are required to engage in peer review processes related to audit operations. In keeping with Section 989C, our office is reporting the following information related to its peer review activities. These activities cover our role as both the reviewed, and the reviewing OIG.

Peer Review Planned on FLRA OIG Audit Operations

The FLRA OIG is not currently scheduled for a peer review. The next peer review to be conducted on the FLRA's OIG system of quality control is projected for FY 2014. The most recent peer review was completed on June 9, 2011 with a rating of a pass.

Peer Review to be Conducted by FLRA OIG on Other Audit Operations

The FLRA OIG is not currently scheduled to perform a peer review on other audit operations. The next peer review to be conducted on other audit operations system of quality control is projected for FY 2014.

Memorandum of Understanding

In accordance with Section 6 of the Inspector General Reform Act of 2008, each Inspector General shall have his or her own (not reporting to agency management) legal counsel, or obtain the services of a counsel appointed by and directly reporting to another Inspector General or CIGIE on a reimbursable basis. The OIG signed a Memorandum of Understanding (MOU) with the Department of Treasury OIG to provide legal services on a fiscal-year basis.

The FLRA OIG signed a MOU with the Federal Maritime Commission (FMC) OIG to serve as Interim IG which ended August 2013. During the interim period, the FLRA IG performed the duties of both the FLRA IG as well as the FMC Interim IG.

The FLRA OIG signed a MOU with the General Services Administration OIG to obtain investigative assistance to support an opened investigation.

Regulatory Review

Section 4(a)(2) of the Inspector General Act of 1978, as amended, requires the OIG to review existing and proposed legislation and regulations relating to FLRA programs and operations of FLRA. During this reporting period the OIG did not review any legislation and regulations relating to FLRA.

Liaison Activities

The IG is a member of the CIGIE, which was established on October 14, 2008, pursuant to the Inspector General Reform Act of 2008. Additionally, the FLRA IG is a member of the Professional Development Committee and Inspection and Evaluation Committee.

Reporting Requirements of the Inspector General Act of 1978, as Amended

The reporting requirements of the Inspector General Act of 1978, as amended, are listed in the following table along with the location of the required information. The word “None” appears where there is no data to report under a particular requirement.

REFERENCE	REPORTING REQUIREMENT	PAGE
Section 4(a)(2)	Review of legislation and regulations	p.8
Section 5(a)(1)	Significant problems, abuses, and deficiencies relating to the administration of programs and operations	None
Section 5(a)(2)	Recommendations with respect to significant problems, abuses or deficiencies	None
Section 5(a)(3)	Recommendations included in previous semiannual reports on which corrective action has not been completed (TABLE I)	p.11
Section 5(a)(4)	Matters referred to prosecutive authorities	None
Section 5(a)(5)	Summary of reports	None
Section 5(a)(6)	Listing by subject of audit reports issued (TABLE II)	p.12
Section 5(a)(7)	Summary of significant reports	None
Section 5(a)(8)	Statistical table – Reports with questioned costs (TABLE III)	p.13
Section 5(a)(9)	Statistical table – Recommendations that funds be put to better use (TABLE IV)	p.14
Section 5(a)(10)	Summary of each audit report, inspection report, and evaluation report without management decisions	None
Section 5(a)(11)	Description and explanation of revised management decision	None
Section 5(a)(12)	Management decision with which the IG is in disagreement	None
Section 5(a)(13)	Information under section 5(b) of the Federal Financial Management Improvement Act (FFMIA) of 1996 ¹	None
Section 5(a)(14)	Peer Review Activity	p.7

¹FLRA is not subject to the requirements of the FFMIA.

FY 2013 Freedom of Information Act Requests

FOIA ACTIVITY	TOTAL
Number of Freedom of Information Act (FOIA) Requests Received	4
Number of FOIA Requests Processed	
Number Granted	
Number Partially Granted	2
Number Not Granted	
Reasons for Denial	
No Records Available	2
Referred to Other Agencies	
Requests Denied in Full Exemption 3	
Requests Denied in Full Exemption 5	
Requests Denied in Full Exemption 7(A)	
Requests Denied in Full Exemption 7(C)	
Request Withdrawn	
Not a Proper FOIA Request	
Not an Agency Record	
Duplicate Request	
Other	
Requests for OIG Reports from Congress and Other Government Agencies	
Received	
Processed	
Number of OIG Reports/Documents Released in Response to Requests	

TABLE I – Summary of Audit Reports with Corrective Actions Outstanding for More Than 1 Year

REPORT TITLE	REPORT NUMBER	ISSUE DATE	RECOMMENDATION		
			NUMBER	CLOSE	OPEN
Report on Evaluation of FLRA's FISMA Compliance	FY09FISMA	07/09	16	12	4
Evaluation of the FLRA Compliance with the FISMA	ER-12-01	11/11	7	4	3
Management Letter for Fiscal Year 2011 Audit of the FLRA Financial Statements	AR-12-02	12/11	3	1	2

TABLE II – Listing of Audit Reports Issued

REPORT NUMBER	ISSUE DATE	REPORT TITLE	QUESTIONED COST	UNSUPPORTED COST	FUNDS PUT TO BETTER USE
ER-14-02	8/29/2013	Quality Assurance Review of the FLRA OIG Audit Operations	\$0	\$0	\$0

TABLE III – Reports with Questioned Costs

	NUMBER OF REPORTS	QUESTIONED COST	UNSUPPORTED COST
A. For which no management decision has been made by the commencement of the reporting period.	0	\$0	\$0
B. Which were issued during the reporting period.	0	\$0	\$0
Subtotals (A + B)	0	\$0	\$0
C. For which a management decision was made during the reporting period.	0	\$0	\$0
i. Dollar value of disallowed costs; and	0	\$0	\$0
ii. Dollar value of costs not disallowed.	0	\$0	\$0
D. For which no management decision has been made by the end of the reporting period.	0	\$0	\$0
E. Reports for which no management decision was made within 6 months of issuance.	0	\$0	\$0

TABLE IV – Recommendations that Funds Be Put to Better Use

	NUMBER OF REPORTS	UNSUPPORTED COST
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.	0	\$0
Subtotals (A + B)	0	\$0
C. For which a management decision was made during the reporting period.	0	\$0
i. Dollar value of recommendations that were agreed to by management; and	0	\$0
ii. Dollar value of recommendations that were not agreed to by management.	0	\$0
D. For which no management decision has been made by the end of the reporting period.	0	\$0
E. Reports for which no management decision was made within 6 months of issuance.	0	\$0

APPENDIX A - Acronyms and Abbreviations

ACCRONYM ABBREVIATION	DEFINITION
ARB	Arbitration (type of FLRA case)
CIGIE	Council of Inspectors General on Integrity and Efficiency
DJHPM	Dembo, Jones, Healy, Pennington & Marshall, P.C.
FFMIA	Federal Financial Management Improvement Act
FISMA	Federal Information Security Management Act of 2002
FLRA	Federal Labor Relations Authority
FOIA	Freedom of Information Act
FSLRB	Foreign Service Labor Relations Board
FY	Fiscal Year
GSA	General Services Administration
IG	Inspector General
NEG	Negotiability (Type of FLRA case)
OGC	Office of the General Counsel
OIG	Office of Inspector General
OMB	Office of Management and Budget
P.L.	Public Law
REP	Representation (Type of FLRA Case)
STATUTE	Federal Service Labor-Management Relations Statute
ULP	Unfair Labor Practice (Type of FLRA case)

APPENDIX B - Definitions of Terms Used

TERM	DEFINITION
Disallowed Cost	A questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Government.
Final Action	The completion of all actions that management has concluded, in its management decision, are necessary with respect to the findings and recommendations. If management concluded that no actions were necessary, final action occurs when management decision is issued.
Management Decision	An evaluation by management of the findings and recommendations included in an audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions concluded to be necessary.
Questioned Cost	A cost questioned because of: (a) an alleged violation of a law, regulation, contract, or other agreement or document governing the expenditures of funds; (b) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (c) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.
Recommendation That Funds Be Put To Better Use	A recommendation that funds could be used more efficiently if management took actions to complete the recommendation, including: (a) reduction in outlays; (b) deobligation of funds; (c) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor; (d) avoidance of unnecessary expenditures noted in preaward reviews of contract; or (e) any other savings which are specifically identified.
Unsupported Cost	A cost questioned because, at the time of the audit, such cost is not supported by adequate documentation.



Federal Labor Relations Authority OFFICE OF INSPECTOR GENERAL

Contacting the Office of the Inspector General

If you believe an activity is wasteful, fraudulent, or abusive of Federal funds, contact us via:

Hotline @ (800)331-3572

Online Hotline @ FLRA.gov/oig-hotline

Email @ oigmail@flra.gov

Fax @ (202)343-1072

or Write @ 1400 K Street N.W., Suite 250,
Washington, DC 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://flra.gov/oig>