

FEDERAL LABOR RELATIONS AUTHORITY

PERFORMANCE AND ACCOUNTABILITY REPORT FY 2004



Foreword

On November 7, 2002, enactment of *The Accountability of Tax Dollars Act*¹ subjected the Federal Labor Relations Authority (FLRA) to a statutory requirement to file an annual audited financial statement with the President of the United States and Congress. During December 2002, the Director of the Office of Management and Budget (OMB) issued guidance that directed agencies to combine their annual audited financial statement with their annual Government Performance and Results Act (GPRA) report. The combined report is termed the *Performance and Accountability Report* (PAR). The OMB requires agencies to file a PAR for Fiscal Year 2004 and subsequent years.

This document, the FLRA PAR, includes both the FY 2004 GPRA performance report data, as well as the FY 2004 financial report. The financial report section also includes the annual report on internal controls, required under the *Federal Managers' Financial Integrity Act* (FMFIA). To avoid unnecessary duplication of this information, the FLRA PAR replaces the FLRA Annual Report, which will no longer be published as a separate document. Upon review by OMB and transmission to the President and Congress, the FLRA PAR will be posted in electronic form on the FLRA website (www.flra.gov).

¹ Public Law 107-289.

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Federal Labor Relations Authority FY2004

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

The Federal Labor Relations Authority (FLRA) is an independent administrative federal agency created by Title VII of the Civil Service Reform Act of 1978 (also known as the *Federal Service Labor-Management Relations Statute*) (the Statute).² The Statute allows certain non-postal federal employees to organize, bargain collectively, and to participate through labor organizations of their choice in decisions affecting their working lives.³

Congress modeled the Statute after the *National Labor Relations Act* (NLRA), applicable to the private sector. The Statute, however, differs from the NLRA in several ways, as delineated below:

Some General Differences Between the Statute and the NLRA

Federal Sector (the Statute)

bargaining is generally limited to the way that personnel policies, practices, and procedures are implemented

strikes and lockouts are prohibited

Federal sector employees generally are entitled to select a union to represent them, but cannot be compelled to join or to pay a fee for the representation that the union is required to provide.

Private Sector (NLRA)

bargaining generally includes wages, fringe benefits, and issues related to hiring/firing, and promotion/retention.

strikes and lockouts may occur

The Statute defines and lists the rights of employees, labor organizations, and agencies so as to reflect the public interest demand for the highest standards of employee performance and the efficient accomplishment of the operations of the Government.⁴ Specifically, the Statute requires that its provisions “should be interpreted in a manner consistent with the requirement of an effective and efficient Government.”⁵

The FLRA does not initiate cases. All proceedings before the FLRA originate from filings arising through the affirmative actions of Federal employees, Federal agencies, or Federal labor organizations.

² Public Law 95-454, 5 U.S.C. § 7101 *et seq.*

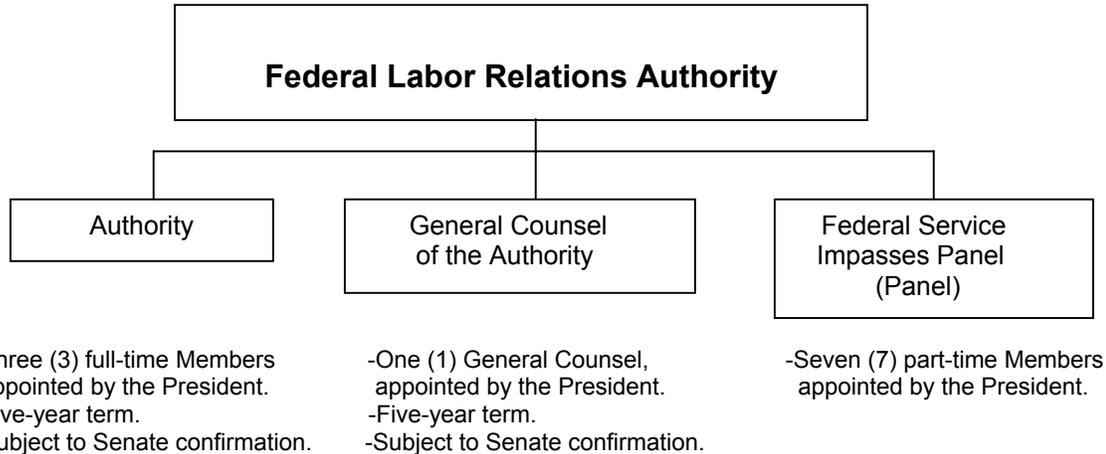
³ The Postal Reorganization Act (Public Law 91-375, Aug. 12, 1970) governs labor-management relations in the Postal Service.

⁴ See generally, 5 U.S.C. § 7101(a)(2).

⁵ 5 U.S.C. § 7101(b).

Mission, Administration, and Structure

The Statute establishes three distinct components within the FLRA, including the *Authority*, the *General Counsel of the Authority*, and the *Federal Service Impasses Panel*.



The business of the FLRA, and thus the FLRA mission, is to carry out five (5) primary statutory responsibilities as efficiently as possible and in a manner that gives full effect to the rights afforded employees and agencies under the Statute. Those five primary statutory responsibilities are:

1. Determining the appropriateness of units for Labor organization representation;
2. Resolving complaints of unfair labor practices;
3. Adjudicating exceptions to arbitrator's awards;
4. Adjudicating legal issues relating to duty to bargain; and
5. Resolving impasses during negotiations.

The three FLRA components exercise statutorily independent prosecutorial and adjudicative responsibilities. Although the three components have different and separate roles with respect to various legal proceedings, the Statute requires the President to designate one of the Authority Members to serve also as the FLRA Chairman, the agency head. As the FLRA's chief executive and administrative officer, the FLRA Chairman is responsible for decisions regarding agency-wide administrative functions such as purchasing, human resources, budgeting, finance, information technology, leasing of office space, and agency performance management.

The FLRA Chairman is responsible for agency-wide budget and administrative activities. The Office of the Chairman oversees the following divisions:

Office of the Solicitor represents the FLRA in court proceedings before all United States Courts, including the U.S. Supreme Court, U.S. Courts of Appeals, and Federal District Courts. The FLRA has no separate in-house counsel. The Solicitor serves the Chairman as the agency's in-house counsel on various legal issues, particularly those with potential

agency-wide impact. The Solicitor also serves as the FLRA's *Designated Ethics Officer*. **Office of the Executive Director** provides agency-wide operational support. The Executive Director oversees the divisions of Budget and Finance; Administrative Services and Procurement; and Information Resources Management systems implementation and maintenance. At the Chairman's direction, the Office of the Executive Director jointly develops and implements agency-wide initiatives with the Office of Policy & Performance Management.

Office of Policy & Performance Management was established during calendar year 2003 to provide agency-wide strategic policy and planning, including oversight with respect to the FLRA performance management initiatives. The office drafts, reviews, and approves all agency-wide instructions and policies; oversees the Chairman's and the Administration's initiatives; and, at the Chairman's direction, jointly develops and implements agency-wide initiatives with the Office of the Executive Director. The Director of Policy & Performance Management oversees the agency's Human Resources division and general schedule employees' and senior executives' staffing, development, and performance activities. In a chief-of-staff capacity, the director also represents the Chairman's policies and positions to the Solicitor, Executive Director, EEO Director, and Inspector General and externally, to the GAO, congressional staff, OMB, and others.

Office of the Clerk of the Authority (Case Control Office) serves as the central intake point for Authority cases. This office also oversees the FLRA Headquarters Library services and is responsible for publication of agency decisions and reports and related correspondence.

The immediate staffs of Authority Members, the General Counsel of the Authority, and the Federal Service Impasses Panel are under the general, day-to-day, supervision of their respective members or component heads. In addition, the 3-Member Authority appoints Administrative Law Judges (ALJs) to hear and prepare decisions in cases involving alleged unfair labor practices, as well as decisions involving applications for attorney fees filed pursuant to the *Back Pay Act* or the *Equal Access to Justice Act*. The FLRA also provides full staff support to two other organizations - - the *Foreign Service Impasse Disputes Panel* and the *Foreign Service Labor Relations Board*.⁶

The Authority, General Counsel, and Panel maintain their respective headquarters offices at a common site in Washington, D.C. The FLRA Office of the General Counsel also maintains a network of regional and satellite offices in the following locations:

Regional Offices

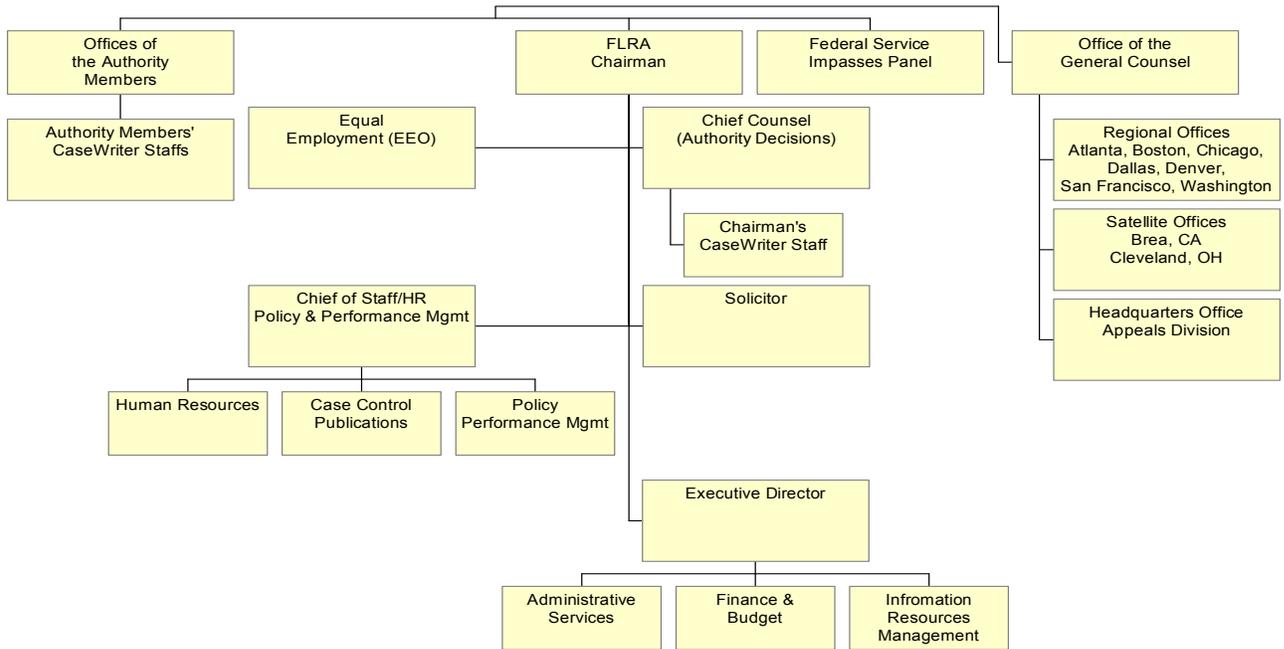
Atlanta, GA Boston, MA Chicago, IL
Dallas, TX Denver, CO San Francisco, CA
Washington, D.C.

Satellite Offices

Brea, CA
Cleveland, OH

⁶ Created by the Foreign Service Act of 1980, the FSIDP is a five-member board, chaired by the FLRA Chairman, that resolves bargaining impasses between Federal agencies and Foreign Service personnel in the U.S. Information Agency, the Agency for International Development, and the Departments of State, Agriculture, and Commerce, over conditions of employment. Also under the same Act, the three-member FSLRB administers the labor-management relations program for Foreign Service employees in the U.S. Information Agency, the Agency for International Development, and the Departments of State, Agriculture, and Commerce.

Federal Labor Relations Authority



Performance Goals and Results

The FLRA's *FY 2004 Annual Performance Plan* consisted of 28 performance goals under the four (4) strategic goals of the agency's FY 2000-2005 Strategic Plan. The FLRA met or demonstrated substantial progress in meeting 23 of these goals -- for a success rate of 83 percent.

***Strategic Plan Goal 1* Provide high quality services that timely resolve disputes in the Federal labor-management relations community.**

The FLRA met four of the nine performance goals. The Office of General Counsel exceeded both of its goals relating to initial action on processing unfair labor practice charges and representation cases. The Authority exceeded its goal relating to issuance of final merits decisions and missed its goal, by just one case, to not have any active cases over one year old from the date the parties satisfied all filing requirements. The Federal Service Impasses Panel (FSIP) focused on giving parties time to resolve their disputes voluntarily and this had an impact on meeting some goals. The Office of Administrative Law Judges did not meet its case-processing goals. This strategic plan goal and the various performance goals for each component within this strategic plan goal were revised for fiscal year 2005 and beyond.

***Strategic Plan Goal 2* Use and promote alternative methods of resolving and avoiding disputes and provide services to enhance labor-management relationships.**

The FLRA met or demonstrated substantial progress in meeting each of the six performance goals under this Strategic Plan goal by providing training, facilitation, and alternative dispute resolution services as part of case-processing activities or through individual outreach or requests for training. This strategic plan goal and

the various performance goals for each component within this strategic plan goal were either discontinued, revised, or renumbered for FY2005 by integration within the agency-wide case-processing strategic goal.

Strategic Plan Goal 3 **Develop, maintain, and deploy the FLRA’s internal systems and processes to meet program needs.**

The FLRA met or demonstrated substantial progress in meeting each of the nine performance goals under this Strategic Plan goal. Among achievements in this goal were improvements in the structure of the database used to store and process agency-wide case information; maintenance and upgrade activities; design of application architecture to support web infrastructure; development of an account/activity budget and performance structure or model as the initial step for integrating budget and performance data; and centralizing certain life-cycle planning. This strategic plan goal and the various performance goals for each component within this strategic plan goal were revised for fiscal year 2005 and beyond.

Strategic Plan Goal 4 **Develop, manage and utilize the FLRA’s human resources to meet program needs.**

The FLRA met or demonstrated substantial progress in meeting all of the four performance goals under this Strategic Plan goal. During FY2004, the FLRA initiated several specific projects to provide objective, baseline data necessary to guide and support subsequent Human Capital planning and policy strategies to produce meaningful performance-related links to the FLRA mission, goals and objectives:

- Information Technology staff skills-gap analysis
- Agency-wide classification audit
- Cost-benefit analysis/boundary study of Regional Offices
- Development of a non pass-fail general schedule performance appraisal system

The agency initiated a number of internal reviews of its Human Resources strategies as they relate to the agency’s mission, goals, and objectives. This strategic plan goal and the various performance goals within this strategic plan goal were revised for fiscal year 2005 and beyond.

Financial Statements

The FLRA’s FY 2004 financial statements report the Agency’s financial position and results of operations on an accrual basis – where transactions are recorded when they occur, regardless of when cash is received or disbursed. This method of accounting allows an accurate evaluation of operations during a given fiscal period, and takes into account future operations.

The annual financial statements consist of a Balance Sheet; Statement of Net Cost; Statement of Changes in Net Position; Statement of Budgetary Resources; Statement of Financing; related Notes that provide a clear description of the agency and its mission, as well as the significant accounting policies used to develop the statements, and Required Supplementary Information.

Systems, Controls, and Legal Compliance

In accordance with the Federal Managers’ Financial Integrity Act (FMFIA), the FLRA has an internal management control system, which helps provide assurance that funds are being used in accordance with the

agency's mission and that they are achieving their intended results. The system also assures that resources are protected from waste, fraud, and mismanagement, and that laws and regulations are followed.

The FLRA's financial management system is in compliance with general government-wide requirements, except as noted in the auditor's report. During FY 2004, the FLRA obtained automated financial management support, including automated accounting system and payroll processing services, from the Department of the Interior.

The FLRA's system of internal accounting and administrative control provides reasonable assurance that:

1. Obligations and costs are in compliance with applicable laws;
2. Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation;
3. Revenues and expenditures applicable to FLRA operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports, and to maintain accountability over the assets; and
4. Programs are efficiently and effectively carried out in accordance with applicable law and management policy.

This reasonable assurance recognizes that (1) the cost of management controls should not exceed the projected derived benefits; and (2) the benefits consist of reductions in the risks of failing to achieve the stated objectives. The expected benefits and related costs of control procedures should be addressed using estimates and managerial judgment. Moreover, errors and irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, restrictions, and other factors. Finally, projection of any evaluation of the system to future periods is subject to risk that procedures may be inadequate because of changes in conditions or that the degree of compliance with the procedures may change.

Certification of Completeness and Reliability of Financial Data

An assessment indicates that the financial and performance data in this report are reliable and complete, and that there are no material inadequacies that affect this assessment with the exception of that noted in the auditor's report. Subject to the foregoing, the FLRA's management controls provide reasonable assurance that the objectives of the FMFIA have been achieved for periods pertinent to this report.

Dale Cabaniss, Chairman

FY 2004 - PERFORMANCE REPORT

Strategic Plan Goal 1

Provide high quality services that timely resolve disputes in the Federal labor-management relations community.

<p>Performance Goal: Office of the General Counsel Ensure that no more than 15% of the ULP cases pending are over 90 days old without the issuance of a complaint, or without the dismissal, withdrawal, or settlement of the charge.</p>	<p>FY 2004 Actual 5% of pending ULP charges were over 90 days old without the issuance of a complaint, or without the dismissal, withdrawal, or settlement of the charge.</p> <p>FY 2003 Actual 10% of charges pending over 90 days old without the issuance of a complaint, or without the dismissal, withdrawal, or settlement of the charge.</p> <p>FY 2002 Actual 9% of charges pending over 90 days old without the issuance of a complaint, or without the dismissal, withdrawal, or settlement of the charge.</p> <p>FY 2001 Actual 6% of charges pending over 90 days old the issuance of a complaint, or without the dismissal, withdrawal, or settlement of the charge.</p>
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This goal was met. Actual performance throughout the individual Regional Offices is depicted below:

	10/31/03	11/30/03	12/31/03	1/31/04	2/29/04	3/31/04	4/30/04	5/31/04	6/30/04	7/31/04	8/31/04	9/30/04
Regional Offices												
Atlanta	21%	22%	13%	13%	16%	3%	2%	0%	2%	0%	2%	3%
Boston	11%	11%	7%	8%	8%	4%	4%	2%	1%	3%	7%	0%
Chicago	16%	8%	7%	6%	7%	3%	3%	7%	9%	9%	10%	2%
Dallas	29%	29%	35%	9%	0%	4%	1%	2%	4%	1%	3%	0%
Denver	32%	39%	43%	42%	24%	15%	6%	10%	6%	3%	7%	6%
San Francisco	9%	14%	12%	18%	16%	13%	5%	2%	8%	12%	5%	1%
Washington	19%	34%	43%	52%	51%	19%	7%	9%	17%	19%	12%	18%
OGC-wide	20% 1134 pending /228 overage	24% 1204 pending /288 overage	23% 1115 pending /258 overage	22% 939 pending /209 overage	17% 867 pending /145 overage	9% 968 pending/ 83 overage	4% 887 pending /34 overage	5% 949 pending /45 overage	7% 799 pending /57 overage	7% 844 pending /59 overage	7% 873 pending /65 overage	5% 909 pending /47 overage

The OGC addressed the higher percentages during the first and second quarters in the Washington Office through staffing actions and position management in response to an earlier transfer of senior staff from the Regional Office to the Headquarters Office.

<p>Performance Goal: <i>Office of the General Counsel</i> Ensure that no more than 15 percent of the Representation cases pending are over 90 days old without notice of hearing issued.</p>	<p>FY 2004 Actual 0 percent of petitions pending over 90 days old without notice of hearing issued.</p>
	<p>FY 2003 Actual 3 percent of petitions pending over 90 days old without notice of hearing issued.</p>
	<p>FY 2002 Actual 13 percent of petitions pending over 90 days old without notice of hearing issued.</p>
	<p>FY 2001 Actual 0 percent of petitions pending over 90 days old without notice of hearing issued.</p>

This goal was met. Actual performance throughout the individual Regional Offices is depicted below:

	10/31/03	11/30/03	12/31/03	1/31/04	2/29/04	3/31/04	4/30/04	5/31/04	6/30/04	7/31/04	8/31/04	9/30/04
<u>Regional Offices</u>												
Atlanta	14%	0%	8%	15%	50%	0%	0%	0%	11%	10%	13%	0%
Boston	25%	9%	0%	9%	0%	0%	6%	0%	0%	0%	0%	0%
Chicago	0%	0%	0%	14%	0%	0%	0%	0%	15%	20%	0%	0%
Dallas	0%	0%	50%	50%	0%	25%	0%	0%	0%	0%	0%	0%
Denver	25%	33%	20%	0%	25%	0%	0%	0%	0%	0%	0%	0%
San Francisco	0%	21%	0%	8%	0%	0%	0%	0%	0%	0%	0%	0%
Washington	12%	21%	14%	43%	28%	0%	10%	8%	14%	24%	23%	0%
						29%						
OGC-wide	10% 50 pending/ 5 Overage	12% 73 pending/ 9 overage	7% 72 pending/ 5 overage	17% 76 pending/ 13 overage	15% 65 pending/ 10 overage	10% 63 pending/ 6 overage	5% 58 pending/ 3 overage	3% 63 pending/ 2 overage	9% 66 pending/ 6 overage	12% 60 pending/ 7 overage	9% 44 pending/ 4 overage	0% 50 pending/ 0 overage

Actual performance reports verified that most of the Regional Offices substantially and consistently exceeded the goal throughout the year, with all Offices exceeding the goal by the end-of-the-fiscal-year. The higher percentages reflected within the Washington Regional Office earlier in the year was due to the redeployment of senior staff from the Regional Office to the Headquarters Office. The OGC addressed this matter through other staffing actions and position management as the year progressed.

<p>Performance Goal: Office of Administrative Law Judges (OALJ) Ensure median age of no more than 70 days from date unfair labor practice complaint issued to hearing; no more than 10% of cases pending decision will reach hearing in more than 110 days.</p>	<p>FY 2004 Actual Median age of 99 days of cases pending from date complaint issued to hearing; 49% of cases pending decision reached hearing in more than 110 days</p> <p>FY 2003 Actual Median age of 91 days of cases pending from date complaint issued to hearing; 58% of cases pending decision reached hearing in more than 120 days.</p> <p>FY 2002 Actual Median age of 122 days of cases pending from date of complaint issued to hearing; 19% of cases pending reached hearing in more than 115 days.</p> <p>FY 2001 Actual Median age of 103 days of cases pending from date of complaint issued to hearing; 49 percent of cases pending reached hearing in more than 115 days. (FY 2001 Goal)</p>
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This goal was not met. According to the OALJ, among the reasons this goal was not met, included: postponements requested by the parties, while they attempted to settle a matter or for other valid reasons; attrition in the professional staff; and scheduling issues between the Regional Offices and the OALJ.

<p>Performance Goal Office of Administrative Law Judges (OALJ) Ensure median age of no more 90 days from close of hearing to decision; no more than 10% of cases pending OALJ decision will exceed 160 days.</p>	<p>FY 2004 Actual Median age of 302 days from close of hearing to decision; 53% pending decision exceeded 160 days from close of hearing.</p> <p>FY 2003 Actual Median age of 126 days from close of hearing to decision; 71% pending decision exceeded 160 days.</p> <p>FY 2002 Actual Median age of 188 days from close of hearing to decision; 56% pending decision exceeded 160 days.</p> <p>FY 2001 Actual Median age of 148 days from close of hearing to decision; 49% of cases pending decision exceeded 160 days from close of hearing. (FY 2001 Goal)</p>
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This goal was not met. Among the reasons reported for this goal not being met were: staffing; the availability of the parties and the ALJ's to participate in and to coordinate hearings; and the extent of settlement negotiations.

<p>Performance Goal : <i>Authority</i> Ensure median age of 180 days from the date the parties have satisfied all filing requirements with the Authority to the issuance of a final merits decision; and as of the end of the fiscal year, that no active cases pending decision are over one year old from the date the parties satisfied all filing requirements.</p>	<p>FY 2004 Actual In all cases, median age of cases issued was 135 days from the date all filing requirements were satisfied. 1 case pending decision was over 1 year old from the date all filing requirements were satisfied.</p> <p>FY 2003 Actual Median age of cases issued was 187 days from the date all filing requirements were satisfied</p> <p>FY 2002 Actual 13% (15 cases) of case inventory pending merits decision was over 180 days old.</p> <p>FY 2001 Actual 9% (7 cases) of case inventory pending over 180 days old.</p>
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This goal was met in part and not met in part. The *Authority* exceeded the median 180-day goal, with an actual performance of a median 135 days from the date parties satisfied all filing requirements to the issuance of a final merits decision. The Authority did not meet the goal of having no active cases pending decision that were over one year old, as there was one case at the end of the fiscal year that was more than one year old, from the date the parties satisfied all filing requirements.

<p>Performance Goal <i>Federal Service Impasses Panel</i></p> <p>Ensure median age of no more than 100 days for cases where jurisdictional issues are raised and where jurisdiction is declined by the Federal Service Impasses Panel.</p>	<p>FY 2004 Actual Median age of 112 days for cases where jurisdictional issues were raised and jurisdiction was declined.</p> <p>FY 2003 Actual Median age of 112 days for cases where jurisdictional issues were raised and jurisdiction was declined.</p> <p>FY 2002 Actual Median age of 98 days for cases where jurisdictional issues were raised and jurisdiction was declined.</p> <p>FY 2001 Actual Median age of 64 days for cases where jurisdictional issues were raised and jurisdiction was declined.</p>
<p>Performance Goal <i>Federal Service Impasses Panel</i></p> <p>Ensure median age of no more than 180 days for cases that <i>settle voluntarily</i> after procedural determination by the Federal Service Impasses Panel.</p>	<p>FY 2004 Actual Median age of 133 days for cases that settled voluntarily after procedural determination.</p> <p>FY 2003 Actual Median age of 190 days for cases that settled voluntarily after procedural determination.</p> <p>FY 2002 Actual Median age of 106 days for cases that settled voluntarily after procedural determination.</p> <p>FY 2001 Actual Median age of 79 days for cases that settled voluntarily after procedural determination.</p>
<p>Performance Goal <i>Federal Service Impasses Panel</i></p> <p>Ensure median age of no more than 180 days for cases that close through Federal Service Impasses Panel Decisions and Orders.</p>	<p>FY 2004 Actual Median age of 220 days for cases that closed through Decisions and Orders.</p> <p>FY 2003 Actual: Median age of 204 days for cases that closed through Decisions and Orders.</p> <p>FY 2002 Actual: Median age of 119 days for cases that closed through Decisions and Orders.</p> <p>FY 2001 Actual: Median age of 123 days for cases that closed through Decisions and Orders.</p>

These goals were met in part and not met in part. The Panel exceeded its goal in the Voluntary Settlement category by 47 days. The Panel's fundamental objective is to assist and encourage parties to reach voluntary settlement. Exceeding the Voluntary Settlements goal is due primarily to the speedy scheduling of informal conferences with the parties once the Panel asserts jurisdiction, and the efforts of Panel Members who are adept at the successful mediation of Federal sector disputes.

In the categories of Jurisdiction Declined and Decision & Order, the goal timelines were not met by 12 days and 40 days respectively. Several processing considerations which directly affected the timeline goals included, (1) number of disputed issues between the filing parties; (2) coordinating schedules between two independent disputing parties; and (3) the willingness of the Panel to extend deadlines requested by union leaders or management in order to benefit a voluntary settlement effort. More timely initial investigations have positive effects on overall case processing times in all three categories.

Though the primary objective is to obtain a voluntary settlement, an eleventh-hour breakdown in the parties' negotiations or a change in a party's strategy may steer a case in an entirely new direction. This can be particularly true for cases that are ultimately resolved through the issuance of Decisions and Orders. The *Panel* meets regularly, but not monthly. Since all cases are scheduled for deliberation by the entire panel, some time-frames for case decision and output have been extended because of the Panel's meeting schedule. Panel Members are part time federal employees with full time work in their private lives. We have promoted increased teleconference meetings to foster additional case resolution more quickly. We expect continued teleconference meetings, as well as implementation of video-conferencing capabilities for future.

<p>Performance Goal: <i>OGC, FSIP, Authority</i> Consistently comply with established quality standards; ongoing evaluation of the effectiveness of quality performance measures.</p>	<p>FY 2004 Actual: Quality standards established and incorporated into employee performance plans; quality evaluated through peer reviews, supervisory reviews, compliance with agency policies, and reviews of written work products.</p> <p>FY 2003 Actual: Same as above.</p> <p>FY 2002 Actual: Same as above.</p> <p>FY 2001 Actual: Same as above.</p>
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This goal was met. The FLRA's three components responsible for resolving disputes developed and implemented this goal.

In 1996, the *Authority* established and incorporated quality standards into employee performance plans. For FY 2000, the Authority developed a comprehensive action plan for FY2000 to conduct an evaluation of and creation of measures to assess the quality of its decisions. The Authority established an internal task force to conduct the evaluation. The task force used a variety of techniques to review the quality of decisions and potential measures, including conducting a focus group with Authority customers and bench marking other similar Federal and state agencies. The evaluation resulted in a better understanding of the quality of Authority decisions as well as methods for measuring and improving that quality.

Quality standards for the *OGC* are set out in the Case Handling Manuals issued by the OGC, and in a quality review protocol. During FY2004, the General Counsel initiated a program of conducting random checks of regional office files in at least 25 closed ULP cases, to assess Regional Office adherence to these quality standards. During FY2004, the OGC reviewed six of the seven regions. The OGC reported that the results showed a high degree of compliance with these quality standards. The OGC reported further that those few areas determined to warrant improvement in regional office performance were addressed with the appropriate Regional Directors.

Also during FY2004, the OGC directed the implementation of a system for recording in the Oracle data base quality checks of the various substantive documents issued by the regional offices in both ULP and REP cases. The OGC reported that these checks reflected a high degree of adherence to OGC quality standards.

Finally, the Appeals Program for dismissals of charges in ULP cases also provides a source of feedback for the regions in terms of the quality of work performed.

The FLRA remains committed to the use of quality standards for agency management purposes. However, reflecting the FLRA’s increased focus to transition to measurable performance goals that may be linked directly to SES performance and to fiscal resources, we have discontinued this goal, as written. During FY2005 data may continue to be collected and assessed internally, but we have established new and revised Strategic Goal performance goals to measure quality of case-processing activities.

FLRA Strategic Plan Goal 2: Use and promote alternative methods of resolving and avoiding disputes and provide services to enhance labor-management relationships.

<p>Performance Goal: OGC, FSIP, Authority Provide training, facilitation, and intervention services to resolve pending disputes and to provide parties with tools to constructively manage workplace disputes.</p>	<p>FY 2004 Actual 206 training, facilitation and relationship-building sessions provided to 8,846 participants; conducted 1,370 case-related interventions.</p> <p>FY 2003 Actual 169 training, facilitation and relationship-building sessions provided to approximately 3,109 participants; conducted 1,642 case-related interventions.</p> <p>FY 2002 Actual 184 training, facilitation and relationship-building sessions provided to approximately 6,230 participants; conducted 1,943 case-related interventions.</p> <p>FY 2001 Actual 256 training, facilitation and relationship-building sessions provided to approximately 10,000 participants; conducted 2,238 case-related interventions.</p>
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This goal was met. All FLRA components contributed to meeting this goal, as part of the agency *Collaboration and Alternative Dispute Resolution (CADR) Program*.

This performance goal served a two-fold purpose in providing CADR services: (1) to resolve pending disputes; and (2) to provide parties with tools to constructively manage their workplace disputes. Throughout FY2004, staff within all FLRA components provided a variety of services, including: training on statutory issues; interest-based bargaining; alternative dispute resolution; and relationship-building.

Staff within all FLRA components also provided assistance to resolve pending ULP, representation, and negotiability disputes; and also various bargaining impasses. During FY2004, the FLRA conducted 206 training, facilitation, and relationship building sessions for approximately 8,846 participants, and 1,370 case-related interventions.

<p>Performance Goal Offer and encourage parties to use collaboration and alternative dispute resolution services in all negotiability cases pending before the Authority that are not dismissed as procedurally deficient.</p>	<p>FY 2004 Actual ADR services offered in all pending negotiability appeals that were not dismissed as procedurally deficient. Parties utilized ADR services in 15 cases. Of these, 10 or 67 percent were fully resolved; 4 were partially resolved; and 1 had no resolution.</p> <p>FY 2003 Actual ADR services offered in all pending negotiability appeals that were not dismissed as procedurally deficient. Parties utilized ADR services in 23 cases. Of these, 70% (6 cases) were fully resolved; 2 were partially resolved; and 5 had no resolution.</p> <p>FY 2002 Actual ADR services provided in all pending negotiability cases. Parties utilized ADR services in 22 cases. Of these, 15 cases or 68% were fully resolved. Two additional cases were partially resolved.</p> <p>FY 2001 Actual ADR services were offered in all pending negotiability cases. Parties utilized ADR services in 9 cases, as well as in one arbitration appeal and one ULP that were related to pending negotiability appeals. Of these, 66 % (6 cases) were fully resolved. Two additional cases were partially resolved.</p>
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This goal was met.

<p>Performance Goal: <i>Office of Administrative Law Judges (OALJ)</i> Offer and encourage parties to use collaboration and alternative dispute resolution services in all ULP cases pending before the OALJ.</p>	<p>FY 2004 Actual ADR services were offered in all of the 310 cases received. Of those, 75 % (233 cases) used the services; 89% of those successfully settled.</p> <p>FY 2003 Actual ADR services were offered in all of the 321 cases received. Of those, 74% (231 cases) used the services; 66% of those successfully settled.</p> <p>FY 2002 Actual ADR services were offered in all cases; in 77% cases the parties used the services; 66% of those successfully settled.</p> <p>FY 2001 Actual ADR services were offered in all cases; in 58% of these cases the parties used the services; 61%of those were successfully settled.</p>
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This goal was met.

During FY 1998, new ULP regulations for litigation (post-complaint activities) were implemented which formalized the *Settlement Judge Program*, initially established in FY 1996, and established the Pre-hearing Conference Program. Both activities have assisted parties in narrowing and focusing issues. As a result,

parties reach agreement on differences concerning witnesses, exhibits and facts, and more often than not achieve full settlement. Our experience shows that resolving cases earlier saves significant time and money for all parties involved.

<p>Performance Goal: <i>Office of the General Counsel</i> Provide alternative dispute resolution (ADR) services in ULP cases, consistent with the regulations.</p>	<p>FY 2004 Actual Section 2423.1(a) services in 6 cases; Section 2423.1(b) services in 753 cases; Section 2423.7 services in 31 cases; Section 2423.12/2423.25(a) services in 389 cases.</p> <p>FY 2003 Actual Section 2423.1(a) services in 2 cases; Section 2423.1(b) services in 1,021 cases; Section 2423.7 services in 9 cases; Section 2423.12/2423.25(a) services in 485 cases.</p> <p>FY 2002 Actual Section 2423.1(a) services in 3 cases; section 2423.1(b) services in 1,073 cases; section 2423.7 services in 9 cases; section 2423.12, 2423.25(a) services in 414 cases.</p> <p>FY 2001 Actual Section 2423.1(a) services in 3 cases; section 2423.1(b) services in 1,377 cases; section 2423.7 services in 76 cases.</p>
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This goal was met.

<p>Performance Goal: <i>Office of the General Counsel</i> Provide alternative dispute resolution (ADR) services in representation cases, consistent with the regulations.</p>	<p>FY 2004 Actual Section 2422.13(a), 18 cases. Section 2422.16(a), 74 cases. Section 2422.13(b), 44 cases.</p> <p>FY 2003 Actual Section 2422.13(a), 6 cases. Section 2422.16(a), 89 cases. Section 2422.13(b), 15 cases</p> <p>FY 2002 Actual Section 2422.13(a), 2 cases; Section 2422.16(a), 115 cases. Section 2422.13(b), 60 cases.</p> <p>FY 2001 Actual Section 2422.13(a) in 1 case. Section 2422.13(b), 50 cases.</p>
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This goal was met.

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<p>Performance Goal</p> <p>Continue training initiative to increase the parties' understanding of the Statute and Authority regulations and procedures, with an emphasis on arbitration and negotiability case law, with a goal of 30 sessions and providing electronic access to informational material.</p>	<p>FY 2004 Actual</p> <p>The Authority decisional component (including work by CADRO and the Solicitor) handled 35 training events involving 2,688 individuals trained.</p> <p>FY 2003 Actual</p> <p>The Authority decisional component (including work by CADRO and the Solicitor) handled 54 training events involving 1,482 individuals trained.</p> <p>FY 2002 Actual</p> <p>Authority staff conducted 32 training sessions with a total of 1,341 participants.</p> <p>FY 2001 Actual</p> <p>Authority staff conducted 54 training sessions with a total of 3,700 participants.</p>
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This goal was met. The *Authority* provided training on parties' rights and obligations under the Statute; Authority procedures and regulations; the use of alternative dispute resolution techniques; and the Authority post-petition procedures in pending negotiability appeals. Training sessions ranged from programs for local labor organizations and agency field offices to presentations at national conferences.

Training of parties relating to Statutory matters remains an important FLRA activity, as does providing ADR services, facilitation, interest-based bargaining training, etc.

FLRA Strategic Plan Goal 3: *Develop, manage, and utilize the FLRA’s internal systems and processes to meet program needs.*

Internal Processes – Information Technology

<p>Performance Goal <i>Office of the Executive Director</i> Streamline the agency-wide electronic case management system to improve Government-to-citizen and to Government electronic communications, to provide performance metrics and to eliminate redundancies and paper-based processing systems, consistent with the FY 2004 phase of the agency’s E-Government and GPEA Plan.</p>	<p>FY 2004 Actual Streamlined the FLRA’s case information database, reduced redundancy, and improved the quality and performance of agency-wide application systems.</p> <p>FY 2003 Actual Same as FY 2002.</p> <p>FY 2002 Actual All systems are sharing a single set of standardized, integrated party, representative, and individuals data. All systems reside within one ORACLE environment for first time. Internal E-Citator research tool developed and implemented with quick real-time reporting that contains program data from several offices.</p> <p>FY 2001 Actual Party data within the Authority, OALJ, and FSIP case tracking systems have been standardized and moved to storage within a central repository to eliminate redundancy, to improve system performance, and to improve the quality and accuracy of data retrieved for reports. The OGC case tracking system’s party data is being standardized and then will be integrated into the agency’s central repository. Began review of commercially available systems for Acquisition of Goods and Services and Recruitment of Job Applicants systems.</p>
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This goal was met. The FLRA streamlined and improved the structure of 425 tables within the FLRA’s database that is used to store and process agency-wide case information. The FLRA also reduced redundancy by developing agency-wide common look-up tables (e.g., party, professionals, representatives, and state). Common look-up tables were standardized and combined into single tables that were shared among all component offices. These common look-up tables improved report production, data management, and reduced programming maintenance because data is being updated in one table, rather than multiple disparate tables.

In addition, the FLRA improved the quality and performance of agency-wide application systems by ensuring that tables related to each other properly and that agency-wide application systems shared common tables to eliminate redundancy. This greatly improved the quality of data retrieved for reports.

<p>Performance Goal: Expand the agency's Electronic Government capabilities by enhancing web-based information dissemination and research systems for external and internal use.</p>	<p>FY 2004 Actual: Designed an application architecture to support web infrastructure; implemented various modifications to agency systems to improve communications with customers/citizens and with other governmental entities.</p> <p>FY 2003 Actual: FLRA decisions are posted on the FLRA web-site. Evaluation of extent feasible for expanding the agency's electronic capabilities underway.</p> <p>FY 2002 Actual: All FLRA decisions (January 1979 to present) are on the FLRA web site. Of these, 12 bound volumes of decisions require conversion from WordPerfect to HTML format. All others are in HTML format.</p> <p>FY 2001 Actual: <u>Improved web-based systems:</u> Nearly all FLRA decisions from January 1979 to April 1991 were added to the web site; OGC Litigation and ULP manuals placed on web site. <u>Faster Public Dissemination of Decisions:</u> Decisions in Bound Volumes 45 through 54 converted from WordPerfect format to HTML format; Volumes 53 and 54 placed on web site.</p>
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This goal was met.

<p>Performance Goal Design, develop and build an Enterprise Architecture / agency-wide road map for optimal performance of core processes within an efficient IT environment.</p>	<p>FY 2004 Actual (new goal) Work is in progress to develop and build an Enterprise Architecture consistent with OMB's Federal Enterprise Architecture Reference Model.</p>
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This goal was partially met. Architectural views (data, application, technical architectures) have been developed that help communicate the complexity and interoperability requirements of the application and network environments needed to support the Agency's strategic goals and objectives. The FLRA is working to preserve the integrity, reliability, availability, and confidentiality of agency's information and systems by incorporating security into the data, application and network layers of the Enterprise Architecture.

<p>Performance Goal: Develop a management evaluation and analysis capability for centrally managed activities to ensure that FLRA maintains high quality, cost-effective administrative and management systems.</p>	<p>FY 2004 Actual (new goal): Developed a centralized planning and execution process to ensure the maintenance of high quality, cost effective administrative and management systems.</p>
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This goal was substantially met. The agency has designed and implemented centralized administrative procedures for activities such as information resources management and administrative services. In addition, the agency has implemented centralized life-cycle planning for information technology equipment and other types of agency property.

<p>Performance Goal: Develop and implement an agency-wide security program to adequately secure FLRA's information and system assets.</p>	<p>FY 2004 Actual (new goal): A draft framework for a security program has been completed and will be finalized after a risk assessment has been completed.</p>
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This goal was partially met. The FLRA is procuring contractual services to conduct a risk assessment to ensure effective agency implementation of both agency computer security and critical information infrastructure protection.

<p>Performance Goal <i>Office of the Executive Director</i> Maintain and upgrade the agency-wide FLRA Enterprise Architecture consistent with the FLRA upgrade sequence plan for FY 2004 and OMB's Government-wide Business Reference Model.</p>	<p>FY 2004 Actual Maintenance and upgrade activities accomplished. Windows NT 4.0 is agency network operating system. Microsoft Enterprise Agreement for software licensing purchased and in use. Hardware and software life cycle planning documents are being used to determine hardware and software purchases necessary to support the Enterprise Architecture and are consistent with the FLRA upgrade sequence plan for FY 2004 and OMB's Government-wide Business Reference Model.</p> <p>FY 2003 Actual Same as FY 2002.</p> <p>FY 2002 Actual Windows NT 4.0 is agency network operating system. Microsoft Enterprise Agreement for software licensing purchased and in use. Most workstations are outfitted with Windows 2000. Workstation life cycle is ahead of schedule - additional workstations have been purchased so that office suite software can be upgraded according to an agency-wide plan.</p> <p>FY 2001 Actual Windows NT 4.0 is agency network operating system. Purchased server to test upgrade of network to Windows 2000. Purchased additional network storage space. Word processing software is Corel WordPerfect 8.0. Workstation life cycle: on schedule.</p>
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This goal was met. Throughout FY 2004, through the *Office of Policy & Performance Management*, we coordinated and accomplished "Windows 2000" and "WordPerfect to Word" training for all Headquarters and Washington Regional Office employees. We also developed a Statement of Work and initiated the procurement of a contractor through GSA-Federal Technology Service. The contract will begin during FY 2005, under the responsibility of the Office of the Executive Director (which oversees the Information Technology Division).

Internal Processes – Budget & Finance / Administrative Services

<p>Performance Goal: Executive Director/ BFD Design an agency account/activity budget and performance structure or model that integrates budget and performance data.</p>	<p>FY 2004 Actual (new goal) Developed data correlating FY 2004 performance by organizational component and assigned resource levels.</p>
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This goal was met. In FY 2004, the FLRA Budget & Finance Division developed a simple data model correlating 2004 performance by organizational component and assigned resource levels.

<p>Performance Goal: Office of Executive Director / BFD Improve financial performance through accelerated Treasury financial reporting and automated travel voucher processing.</p>	<p>FY 2004 Actual (new goal) The FLRA has accelerated Treasury financial reporting and automated travel voucher processing.</p>
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This goal was substantially met. In FY 2004, first, second and third quarter financial statements were completed and provided to OMB within 21 days after the end of each quarter. We accelerated end-of-year reporting in order to comply with the *Accountability of Tax Dollars Act of 2002* (requiring preparation of and submission of an audited financial statement) and *OMB Bulletin 01-09*(requiring completion of *Performance and Accountability Reports for FY 2004* by November 15, 2004).

The usefulness of financial reporting has been improved. For the first time, information is provided to management on the agency’s assets including fund balance with Treasury; funded and un-funded liabilities that require future budgetary resources; net position signifying financial condition; and exchange revenue earned from activities. The FLRA’s first financial statement audit provides a blueprint for improvements in financial management and a baseline against which to measure progress. The FLRA purchases travel services from the Department of the Interior’s National Business Center. These services include the processing of FLRA travel vouchers.

<p>Performance Goal: Office of Executive Director Improve and expand competition by identifying commercial activities for outsourcing, expanding reliance upon electronic commerce and adopting commercial best-practices.</p>	<p>FY 2004 Actual (new goal) The FLRA prepared and submitted its FAIR Act Report for FY 2004 pursuant to OMB guidelines.</p>
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This goal was partially met. The FLRA conducted the analysis of its positions as required by the FAIR Act, and identified positions that would be potentially suitable for outsourcing.

FLRA Strategic Plan Goal 4: Develop, manage and utilize the FLRA's human resources to meet program needs.

The FLRA had four performance goals under this strategic plan goal:

1. Improve individual and organizational performance by maintaining an effective performance management program.

This goal was partially met. The agency's current GS- performance plan is certified by OPM and the agency continued to maintain the program during FY2004. Consistent with the trend of moving away from a "pass-fail" system, however, the agency undertook procurement action during FY2004 to contract for an agency-wide evaluation of the existing performance management system and a restructuring of the system to either a three-tier or five-tier system.

2. Identify and establish measures to achieve desired competencies in mission critical operations.

This goal was partially met. The agency undertook procurement action during FY2004 to contract for a skills-gap analysis within the Information Technology division and for an agency-wide classification audit of all positions.

3. Recruit, develop and retain high performance leaders.

This goal was partially met. During FY2004, the FLRA initiated actions to expand the scope of recruitment and the recruitment process and to provide targeted employee-developmental opportunities. Under the direction of a newly-established *Office of Policy & Performance Management* (and a first-ever Chief Human Capital Officer), for the first time, all vacancy announcements were specifically drafted to reduce barriers to otherwise qualified applicants to be competitive if they possessed transferable legal skills or related professional experience, by broadening the previous technical requirement for specific FLRA-related experience.

4. Identify and document link between Human Resources strategies and the agency mission, goals, and objectives.

This goal was partially met. The FLRA *Office of Policy & Performance Management* initiated actions to target employee developmental activities, including taking steps to restructure the agency-wide training function to enable the agency to leverage existing resources and provide future training opportunities on a broader scale, resulting in a shared developmental experience among employees across components and improved efficiency of resource expenditure for results obtained.

PART III. FY 2004 FINANCIAL REPORT

Overview of Financial Performance

The FLRA's Chairman is responsible for overseeing all financial management activities relating to the components and operation of the agency, and is accountable for ensuring that financial management legislation such as the Accountability of Tax Dollars Act of 2002, the Federal Managers Financial Integrity Act (FMFIA) of 1992, and the Government Management and Reform Act (GMRA) of 1994, are implemented.

The Division of Budget and Finance (BFD), a component within the Office of the Executive Director, takes the lead in providing services and guidance in all aspects of Agency financial management, including budget formulation and execution, funds control, invoice processing and payments, intra-governmental payments, Treasury reporting, quarterly and end of year financial statements, and liaison with the Department of Interior's National Business Center (NBC) for the Federal Financial System (FFS). FLRA purchases the following services from NBC:

- System administration, operations, security, reports development, and computer processing for FFS.
- Accounting operations for travel related services including travel voucher processing; auditing, scheduling, and certifying vouchers for payments; and establishing obligations, payables and disbursements for travel payments.
- Payroll services using the Federal Payroll and Personnel System (FPPS).

Budgetary Resources

FLRA receives its funding through an annual discretionary appropriation that includes Federal funds and miscellaneous reimbursements. The reimbursements, which are considered exchange revenue, come from Federal agencies for training that FLRA has provided on federal labor relations. The reimbursements are usually in the form of expenditure transfers (payments made from one account to another). In FY 2004, FLRA reimbursements totaled \$35,702.

Analysis of Financial Statements

FLRA's FY 2004 financial statements report the Agency's financial position and result of operations on an accrual basis – where transactions are recorded when they occur, regardless of when cash is received or disbursed. This method of accounting allows an accurate evaluation of operations during a given fiscal period, and takes into account future operations.

The annual financial statements consist of a Balance Sheet; Statement of Net Cost; Statement of Changes in Net Position; Statement of Budgetary Resources; Statement of Financing and related Notes that provide a clear description of the Agency and its mission, as well as the significant accounting policies used to develop the statements.

Balance Sheet

The Balance Sheet presents amounts of future economic benefits owned or managed by the reporting entity exclusive of items subject to stewardship reporting (assets), amounts owed by the entity (liabilities), and amounts that comprise the difference (net position).

Assets

Assets represent Agency resources that have future economic benefits. FLRA's assets totaled \$10,337,504 in FY 2004. The fund balances with the U.S. Department of Treasury – mostly undisbursed cash balances from appropriated funds – comprised 91 percent of the total assets. Fund balances represent dollars maintained at the U.S. Department of Treasury Department to pay current liabilities, accounts payable, and undelivered orders. FLRA does not maintain any cash balances outside of the U.S. Treasury and does not have any revolving or trust funds. Less than one-half of one percent of FLRA's assets were made up of accounts receivable, which reflects funds owed to FLRA by other Federal agencies under reimbursable agreements or funds owed to FLRA by the public.

Liabilities

Liabilities represent funded and unfunded activities that require future budgetary resources. Relative to assets, FLRA has few liabilities. In FY 2004, the Agency's liabilities totaled \$3,978,191. Accounts payable reflect funds owed primarily for contracts and other services. Accrued leave liabilities reflect both unfunded liabilities for estimated annual leave earned but not as yet paid as well as worker's compensation benefits.

Net Position

FLRA's net position, which reflects the difference between assets and liabilities and signifies the Agency's financial condition, totaled \$6,359,313. Net position is broken into two categories: unexpended appropriations – the amount of authority granted by Congress that had been obligated but not expended (\$8,021,481) – and cumulative results of operations – the net results of operations since inception plus the cumulative amount of prior period adjustments (\$1,662,168).

Statement of Net Cost

The Statement of Net Cost represents the gross cost incurred less any exchange revenue earned from activities. Net costs recognize costs when incurred, regardless of the year the funds were appropriated. The line item on this statement reflects salaries and expenses as appropriated. FLRA's net cost of operations was \$27,108,630 in FY 2004.

Statement of Changes in Net Position

The Statement of Changes in Net Position reports how the Agency financed its operations as well as the amount of costs covered by imputed financing – costs paid for by others. FLRA ended FY 2004 with a consolidated net position of \$(1,662,168).

Statement of Budgetary Resources

The Statement of Budgetary Resources focuses on: budgetary resources available to FLRA (appropriated and reimbursable); the status of those resources (obligated or unobligated); and the relationship between the

budgetary resources and outlays (collections and disbursements). FLRA's FY 2004 budgetary resources totaled \$34,777,854 with almost all of these resources coming from spending authority. This statement shows that about 83 percent (\$28,886,327) of the resources available in FY 2004 were obligated. FLRA's net outlays totaled \$26,251,645: \$26,275,837 in disbursements less \$24,192 in collections.

Statement of Financing

The Statement of Financing links proprietary and budgetary accounting information and reconciles obligations incurred with the net cost of operations. While the budgetary accounting system tracks resources and the status of those resources, the financial accounting system facilitates the translation of budgetary resources into the financial statements on an accrual basis. For FY 2004, the resources used to finance FLRA totaled \$27,108,242 which represents obligations incurred and any other resources used to finance activities.

Limitations to Financial Statements

The financial statements have been prepared to report the financial position and results of the entity, pursuant to the requirements of Office of Management and Budget Bulletin 01-09 and the Accountability of Tax Dollars Act of 2002.

Although these statements have been prepared from the books and records of the entity in accordance with the formats prescribed by the Office of Management and Budget, these statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

These statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One key implication of this fact is that liabilities cannot be liquidated without legislation that provides the resources to do so.

**Federal Labor Relations Authority
Balance Sheet
September 30, 2004**

ASSETS

Intragovernmental	
Fund Balance with Treasury - Note 2	\$ 9,416,190
Accounts Receivable – Note 3	41,983
Total Intragovernmental Assets	<u>9,458,173</u>
Property, Plant, and Equipment, Net – Note 4	<u>879,331</u>
Total Assets	\$ 10,337,504

LIABILITIES

Liabilities Covered by Budgetary Resources:	
Intragovernmental	
Accounts Payable	218,867
Total Intragovernmental Liabilities	<u>218,867</u>
Other Payables and Liabilities	
Accounts Payable Public	188,224
Accrued Payroll	1,048,445
Total Other Payables and Liabilities	<u>1,236,669</u>
Total Liabilities Covered by Budgetary Resources	1,455,536
Liabilities Not Covered by Budgetary Resources: Note 5	
Unfunded Federal Employees Compensation Act (FECA) Liability	\$ 177,400
Unfunded Actuarial FECA Liability	875,634
Unfunded Leave	<u>1,469,621</u>
Total Liabilities Not Covered by Budgetary Resources	2,522,655
Total Liabilities	\$ 3,978,191

NET POSITION

Unexpended Appropriations	\$ 8,021,481
Cumulative Results of Operations	<u>(1,662,168)</u>
Total Net Position	6,359,313
Total Liabilities and Net Position	\$ 10,337,504

**Federal Labor Relations Authority
Statement of Net Cost
September 30, 2004**

Program Costs:

Intragovernmental gross costs	\$ 11,575,323
Less: Intragovernmental earned revenue	<u>(15,620)</u>
Intragovernmental net costs	11,559,703
Public costs	<u>15,548,927</u>

Net Cost of Operations \$ 27,108,630

**Federal Labor Relations Authority
Statement of Changes in Net Position
September 30, 2004**

	<u>Cumulative Results of Operations</u>	<u>Unexpended Appropriations</u>
Beginning Balances	\$ (1,651,696)	\$ 5,067,735
Prior period adjustments – Note 6	(756,139)	-
Beginning balances, as adjusted	(2,407,835)	5,067,735
Budgetary Financing Sources:		
Appropriations received		29,611,000
Other adjustments - Rescission		(174,705)
Other adjustments – Closed Accounts		(225,370)
Appropriations used	26,257,179	(26,257,179)
Other Financing Sources:		
Imputed financing from costs absorbed by others	1,597,118	-
Total Financing Sources	27,854,297	2,953,746
Less: Net Cost of Operations	27,108,630	
Ending Balances	\$ (1,662,168)	\$ 8,021,481

**Federal Labor Relations Authority
Statement of Budgetary Resources
September 30, 2004**

Budgetary Resources:

Budget Authority		
Appropriations Received	\$	29,611,000
Unobligated Balance:		
Beginning of Period		2,191,726
Spending Authority from Offsetting Collections:		
Collected		24,192
Receivable from Federal Sources		(8,572)
Subtotal		31,818,346
Recoveries of Prior Year Obligations		3,359,583
Permanently not available		(400,075)
Total Budgetary Resources	\$	34,777,854

Status of Budgetary Resources:

Obligations Incurred:		
Direct	\$	28,850,625
Reimbursable		35,702
Subtotal		28,886,327
Unobligated Balance:		
Apportioned		3,130,730
Unobligated Balance not Available		2,760,797
Total Status of Budgetary Resources	\$	34,777,854

Relationship of Obligations to Outlays:

Obligated Balance, net, Beginning of Period	\$	4,265,184
Obligated Balance, net, End of Period:		
Accounts Receivable		(59,213)
Undelivered Orders		2,129,954
Accounts Payable		1,453,922
Total Obligated Balance, End of Period	\$	7,789,847

Outlays:

Disbursements		26,275,837
Collections		(24,192)
Net Outlays	\$	26,251,645

**Federal Labor Relations Authority
Statement of Financing
September 30, 2004**

Resources Used to Finance Activities:

Budgetary Resources Obligated		
Obligations incurred	\$	28,886,327
Less: Spending authority from offsetting collections and recoveries		(3,375,203)
Obligations net of offsetting collections and recoveries		25,511,124
Other Resources		
Imputed financing from costs absorbed by others		1,597,118
Total resources used to finance activities		27,108,242

Resources Used to Finance Items Not Part of Net Cost of Operations:

Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided		746,055
Resources that fund expenses recognized in prior periods		(223,783)
Resources that finance the acquisition of assets		(787,899)
Total resources used to finance items not part of the net cost of operations		(265,627)
Total resources used to finance the net cost of operations		26,842,615

Components of Net Cost of Operations Not Requiring or Generating Resources in the Current Period

Components Requiring or Generating Resources in Future Periods:		
Increase in exchange revenue receivable from the public		(2,895)
Components Not Requiring or Generating Resources:		
Depreciation and Amortization		177,379
Revaluation of assets or liabilities		61,795
Other		29,736
Total Components Not Requiring or Generating Resources		268,910
Total Components of Net Cost of Operations Not Requiring or Generating Resources in the Current Period		266,015
Net Cost of Operations	\$	27,108,630

Federal Labor Relations Authority
Notes To Financial Statements
September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Federal Labor Relations Authority (FLRA) is an independent agency, created by Congress as part of the Civil Service Reform Act of 1978, to administer and enforce the Federal Service Labor-Management Relations Statute (the Statute). The jurisdiction of the FLRA extends worldwide, to nearly 1.9 million non-postal Federal employees.

Structurally, FLRA is comprised of the Authority, the Office of the General Counsel, and the Federal Service Impasses Panel. It also supports two other components, both of which were established within the FLRA by the Foreign Service Act of 1980: the Foreign Service Impasse Disputes Panel and the Foreign Service Labor Relations Board.

The Authority

The Authority is a quasi-judicial body with three full-time Members who are appointed for five-year terms by the President with the advice and consent of the Senate. One Member is appointed by the President to serve as Chairman of the Authority and as the Chief Executive and Administrative Officer of the FLRA. The Chairman also chairs the Foreign Service Labor Relations Board.

The Office of the General Counsel

The Office of the General Counsel (OGC) is the prosecutorial component. The General Counsel, who is appointed by the President with the advice and consent of the Senate for a five-year term, is initially responsible, through the seven Regional Offices, for processing [unfair labor practice](#) (ULP) allegations and [representation](#) matters filed with the FLRA. As to ULP matters, the Regional Offices investigate, settle, and determine whether to dismiss or prosecute ULP charges. The General Counsel also decides [appeals](#) of a Regional Director's decision not to issue a ULP complaint. The Regional Offices also ensure compliance with all ULP orders issued by the Authority.

The Federal Service Impasses Panel

The Federal Service Impasses Panel (the Panel) has seven Presidential appointees who serve on a part-time basis, one of whom serves as Chairman. The Panel resolves impasses between Federal agencies and unions representing Federal employees arising from negotiations over conditions of employment under the Federal Service Labor-Management Relations Statute, the Federal Employees Flexible and Compressed Work Schedules Act, and the Panama Canal Act of 1979.

The Foreign Service Labor Relations Board

The Foreign Service Labor Relations Board (the Board), composed of three Members appointed by the Chairman of the Authority, was created by the Foreign Service Act of 1980 to administer the labor-management relations program for Foreign Service employees in the U.S. Information Agency, the Agency for International Development, and the Departments of State, Agriculture and Commerce. The FLRA Chairman serves as Chairman of the Board and the FLRA General Counsel serves as General Counsel for the Board.

Federal Labor Relations Authority
Notes To Financial Statements
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foreign Service Impasse Disputes Panel

The Foreign Service Impasse Disputes Panel (the Disputes Panel), created by the Foreign Service Act of 1980, consists of five part-time members appointed by the Chairman of the Foreign Service Labor Relations Board (the FLRA Chairman). The Disputes Panel resolves impasses between Federal agencies and Foreign Service personnel in the U.S. Information Agency, the Agency for International Development and the Departments of State, Agriculture and Commerce over conditions of employment under the Foreign Service Act of 1980.

FLRA's financial activity is considered to be in the general government and central personnel management budget function.

Basis of Presentation

The financial statements of FLRA have been prepared from its accounting records to report its financial position, net costs, changes in net position, budgetary resources, and reconciliation of net cost to budgetary resources. Such statements have been prepared in accordance with generally accepted accounting principles (GAAP), and the form and content requirements specified by the Office of Management and Budget (OMB) bulletin entitled *Form and Content of Agency Financial Statements* (No. 01-09). GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which has been designated as the official accounting standards-setting body for the U.S. Federal Government by the American Institute of Certified Public Accountants.

Basis of Accounting

FLRA uses both the accrual basis and budgetary basis of accounting to record transactions. Under the accrual basis, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. These financial statements were prepared following accrual accounting.

Budgetary account balances are included in certain statements as appropriate. Budgetary accounting principles ensure that funds are obligated according to legal requirements. Balances on these statements may therefore differ from those on financial reports prepared pursuant to other OMB directives that are primarily used to monitor and control FLRA use of budgetary resources.

Use of Estimates in Preparing the Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Balance with Treasury

Funds within the Department of the Treasury primarily represent appropriated funds that are available to pay current liabilities and finance authorized purchase commitments.

Federal Labor Relations Authority
Notes To Financial Statements
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts Receivable consists of claims by the FLRA for payment from other entities. Gross receivables are reduced to net realizable value by an allowance for doubtful accounts. Accounts receivable are recorded net of any related allowance for doubtful accounts.

Property, Plant, and Equipment, Net

FLRA's property and equipment is recorded at cost and is depreciated using the straight-line method over the estimated useful life of the asset, with a full month of depreciation taken the month following the purchase. Major alterations and renovations are capitalized, while maintenance and repair costs are charged to expense as incurred. FLRA's capitalization threshold was \$3,500 for individual purchases. Bulk purchases of similar items, which individually are worth less than \$3,500, but collectively are worth more than \$30,000 are also capitalized using the same property and equipment categories and useful lives as capital acquisitions. Service lives are shown below:

<u>Description</u>	<u>Years</u>
Computer equipment	5
Software	3
Office equipment	7
Office furniture	15
Leasehold Improvements	Life of Lease

Liabilities

Liabilities represent the amount of monies or other resources likely to be paid by 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, and there is no certainty that the appropriation will be enacted. Also, the Government, acting in its sovereign capacity, can abrogate liabilities.

Liabilities that are covered by budgetary resources consist of intragovernmental and public accounts payable and accrued funded payroll. Liabilities not covered by budgetary resources consist of unfunded Federal Employees Compensation Act (FECA) for 2003 and 2004 (since agencies reimburse the Department of Labor two years after the actual payment of expenses) as well as unfunded actuarial FECA liabilities. Liabilities not covered by budgetary resources also include unfunded leave.

Accrued FECA Liability

A liability is recorded for actual and estimated future payments to be made for workers' compensation pursuant to the Federal Employees' Compensation Act (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 there imbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the un-reimbursed cost paid by DOL for compensation to recipients under the FECA.

Federal Labor Relations Authority
Notes To Financial Statements
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Actuarial FECA Liability

An estimated actuarial liability for future Workers' Compensation benefits is included. The liability estimate is based on the Department of Labor's FECA actuarial model that takes the amount of benefit payments over the last nine to 12 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 for FY 2004. The ratios may vary from year to year as a result of economic assumptions and other factors but the model calculates a liability approximately 11 times the annual payments.

Annual, Sick and Other Leave

Annual leave is accrued as it is earned, and the 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 funding is not available to cover annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types on non-vested leave are expensed as taken. Any liability for sick leave that is accrued but not taken by a CSRS-covered employee is transferred to the Office of Personnel Management upon the retirement of that individual. No credit is given for sick leave balances upon the retirement of FERS-covered employees.

Accounts Payable and Other Accrued Liabilities

Accounts payable and accrued liabilities represent a probable future outflow or other sacrifice 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. Since the FLRA is a component of the U.S. Government, a sovereign entity, payments of all liabilities other than contracts can be abrogated by the sovereign entity.

Net Position

Net position is the residual difference between assets and liabilities and is composed of Unexpended Appropriations and Cumulative Results of Operations. Unexpended Appropriations represent the amount of unobligated and unexpended budget authority. Unobligated Balance is the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. Cumulative Results of Operations are the net result of FLRA's operations since inception, which principally comprise property and equipment less unfunded liabilities.

Retirement Plans

FLRA's employees participate in the Civil Service Retirement System (CSRS) or the Federal Employee's Retirement System (FERS).

Civil Service Retirement System

For employees hired prior to January 1, 1984, FLRA withholds 7.0 percent of each employee's salary and contributes 8.5 percent of the employee's basic salary to the retirement fund. These employees may also contribute, on a tax-deferred basis, to a defined contribution plan - the Thrift Savings Plan (TSP). Under the

Federal Labor Relations Authority
Notes To Financial Statements
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

TSP, employees may contribute up to 9.0 percent of their salary in 2004 but FLRA is not required to, and does not contribute any matching amounts.

Federal Employees Retirement System

FERS was established by the enactment of Public Law 99-335. Pursuant to this law, FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired before January 1, 1984 elected to join either FERS and Social Security or remain in CSRS. FLRA withholds 6.2 percent in an old age survivors and disability insurance up to a specified wage ceiling and 0.8 percent of an employee's gross earnings for retirement. FLRA matches the withholdings with a contribution equal to 10.7 percent of the employee's taxable salaries.

All employees are eligible to contribute to the TSP. For those employees participating in FERS, a TSP account is automatically established. FLRA is required to make a mandatory contribution of 1.0 percent of the base salaries of all employees under FERS. Employees who elect to participate in the TSP may contribute up to 14 percent of salary to an investment fund and FLRA is required to match the employee's contribution up to a maximum of 5.0 percent of their salaries. Matching contributions are not made to the TSP accounts established by CSRS employees.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, FLRA remits the employer's share of the required contribution.

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, is the responsibility of the Office of Personnel Management.

Imputed Costs/Financing Sources

The FASAB's SFFAS Number 5, "Accounting for Liabilities of the Federal Government," requires that employing agencies recognize the full cost of pensions, health and life insurance benefits, during their employees' active years of service. OPM, as the 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 Change in Net Position, the Statement of Net Cost, and the Statement of Financing, respectively.

Revenue and Other Financing Sources

Reimbursable Work Agreements (Exchange) – FLRA recognizes reimbursable work agreement revenue when earned, i.e., goods that have been delivered or services rendered. Each reimbursable work agreement specifies the dollar value of the agreement and is based on estimated resources needed to perform the specified services, whether it is personnel services to include base pay, overtime and benefits, or travel and per diem. The FLRA executed agreements totaling \$35,702 in FY 2004.

Annual Appropriations (Financing Source) - FLRA receives an annual salaries and expense appropriation from Congress. Annual appropriations are used, within statutory limits, for salaries and

Federal Labor Relations Authority
Notes To Financial Statements
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

administrative expenses and operating and capital expenditures for essential personal property. Appropriations are recognized as non-exchange revenues at the time the related program or administrative expenses are incurred. Appropriations expended for capitalized property and equipment are recognized as expenses when an asset is consumed in operations. The annual appropriation for FY 2004 was \$29,611,000. A .59 percent rescission to the FY 2004 appropriation reduced that amount by \$174,705 for a total available of \$29,436,295.

Expired Accounts and Cancelled Authority

Unless otherwise specified by law, annual 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 the 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 but not previously reported. At the end of the fifth expired year, the expired account is canceled.

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 U.S. Treasury and the Department of the Interior's National Business Center.

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.

Federal Labor Relations Authority
Notes To Financial Statements
September 30, 2004

NOTE 2 – FUND BALANCE WITH TREASURY

Fund Balance with Treasury as of September 30, 2004 is comprised of the following:

Fund Balances:	
Appropriated Funds	<u>\$ 9,416,190</u>
Status of Fund Balance with Treasury	
Unobligated Balance:	
Available	\$ 3,130,730
Unavailable	2,760,797
Obligated balance not yet disbursed	<u>3,524,663</u>
Total	<u>\$ 9,416,190</u>

NOTE 3 – ACCOUNTS RECEIVABLE

On the Balance Sheet, Accounts Receivable consists of the following:

Accounts Receivable – Intragovernmental	\$ 59,213
Accounts Receivable – Public	2,895
Travel Advances	1,613
Allowance for Bad Debts	<u>(21,738)</u>
Total Accounts Receivable	<u>\$ 41,983</u>

NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment as of September 30, 2004 is comprised of furniture, equipment, and computer software, and is comprised of the following:

Cost:	
Computer equipment	\$ 168,512
Software	156,384
Office equipment	142,834
Office furniture	517,447
Leasehold Improvements	<u>226,580</u>
Total Cost	1,211,757
Less accumulated depreciation	<u>(332,426)</u>
Net Book Value	<u>\$ 879,331</u>

**Federal Labor Relations Authority
Notes To Financial Statements
September 30, 2004**

NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The following summarizes liabilities not covered by budgetary resources as of September 30, 2004:

Unfunded FECA Liability	\$ 177,400
Unfunded Actuarial FECA Liability	875,634
Accrued Annual Leave	<u>1,469,621</u>
Total	<u>\$2,522,655</u>

NOTE 6 – PRIOR PERIOD ADJUSTMENTS

The following two adjustments have been made for the prior period:

Adjustments to Property, Plant and Equipment	\$ 188,129
Unfunded Actuarial FECA Liability	<u>(944,268)</u>
Total adjustment	<u>\$ (756,139)</u>

NOTE 7 – OPERATING LEASE

FLRA has operating leases for rental of office space and office equipment. The copier lease arrangements are renewable annually with five possible annual renewal periods. As a Federal Agency, the FLRA is not liable for any lease terms beyond one year. FLRA anticipates that space levels consistent with FY 2004 will be required for the next five years and has estimated space and copier payments consistent with that need in the schedule below. No estimates beyond five years have been provided because the cancelable nature of the agreements.

Anticipated future lease requirements are as follows:

<u>Fiscal Year</u>	<u>Bldg.</u>	<u>Copier</u>	<u>Total</u>
2005	\$ 3,048,000	\$ 94,963	\$ 3,142,963
2006	\$ 3,048,000	\$ 99,711	\$ 3,147,711
2007	\$ 3,048,000	\$ 104,696	\$ 3,152,696
2008	<u>\$ 3,048,000</u>	<u>\$ 110,930</u>	<u>\$ 3,158,930</u>
Total anticipated future lease payments	<u>\$12,192,000</u>	<u>\$ 410,300</u>	<u>\$12,602,300</u>

Federal Labor Relations Authority
Notes To Financial Statements
September 30, 2004

NOTE 8 – COMMITMENTS

FLRA is 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 proceedings, actions, and claims, will not materially affect financial position or results of operations of the FLRA.

The FLRA has examined its obligations related to canceled FY 1999 authority and believes that it has no outstanding commitments that will require future resources.

NOTE 9 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

The following summarizes apportionment categories of obligations incurred as of September 30, 2004:

<u>Category A</u>	<u>Budgetary</u>
Direct	\$28,850,625
Reimbursable	\$ 35,702

NOTE 10 - EXPLANATION OF DIFFERENCES BETWEEN LIABILITES NOT COVERED BY BUDGETARY RESOURCES AND COMPONENTS REQUIRING OR GENERATING RESOURCES IN FUTURE PERIODS

The liabilities not covered by budgetary resources on the balance sheet include annual leave and FECA liability. This balance is reported in the Statement of Financing as a component requiring or generating resources in future periods. The FECA liability is reported as resources that fund expenses recognized in prior years on the Statement of Financing.

**Federal Labor Relations Authority
Required Supplementary Information
September 30, 2004**

Intragovernmental assets are as follows:

<u>Trading Partner</u>	<u>Fund Balance with Treasury</u>	<u>Accounts Receivable</u>
U.S. Dept of Treasury	\$ 9,416,190	
Dept. of Agriculture		\$ 3,548
Dept. of Justice		3,101
Dept. of Defense		17,947
U.S. Corps of Engineers		312
Dept. of Veterans Affairs		8,781
Dept. of Transportation		4,009
Dept. of Homeland Security		682
Office of Personnel Management		2,626
Dept. of Commerce		695
Federal Mediation & Conciliation Service		10,122
Other		7,390
Total	\$ 9,416,190	\$59,213

Intragovernmental liabilities are as follows:

<u>Trading Partner</u>	<u>Accounts Payable</u>
Dept. of Interior	\$ 51,578
U.S. Dept. of Treasury	5,761
General Services Administration	156,308
U.S. Postal Service	4,996
<u>Office of Personnel Management</u>	<u>224</u>
Total	\$218,867