Thirty-two years – promoting and protecting labor-management relations for effective, efficient government.

U.S. FEDERAL LABOR RELATIONS AUTHORITY
PERFORMANCE AND ACCOUNTABILITY REPORT

2011

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UNITED STATES
FEDERAL LABOR RELATIONS AUTHORITY

Performance and Accountability Report

FISCAL YEAR 2011

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MESSAGE FROM THE CHAIRMAN

I am pleased to present the Federal Labor Relations Authority's (FLRA) Performance and Accountability Report for Fiscal Year (FY) 2011. The work of the agency is critically important to the effectiveness and efficiency of the Federal government, assisting agencies, employees, and employee representatives to resolve disputes in order to effectuate the implementation of improvements in government operations. We are committed to fostering a productive and effective Federal government, providing leadership in establishing policies and guidance related to Federal sector labor-management relations, and ensuring compliance with the Federal Service Labor-Management Relations Statute.

FY 2011 represented another outstanding year for the FLRA, demonstrating that our commitment and dedication to rebuilding the agency, along with effective management of resources and hard work, is producing results for the Federal government and the American taxpayer. To achieve our objectives, the FLRA updated its Strategic Plan for FY 2010 through FY 2015 and associated performance goals. The strategic and annual performance plans detail the key strategies and programs the agency uses to reach its goals. The FLRA team has undertaken a series of initiatives to improve staffing and performance in terms of timely case processing, as well as training, outreach, and alternative dispute resolution services to assist parties in their labor-management relationships.

The FLRA continues to improve its efficiency by engaging in new and innovative ways in which to conduct agency business. Some highlights from FY 2011 include: the first-ever, large-scale electronic election involving 43,000 Transportation Security Agency employees; and in collaboration with the U.S. Department of Veterans Affairs, development of web-based interactive training on President Obama's Executive Order 13522, *Creating Labor-Management Forums to Improve Deliver of Government Services*, which allows the agency to deliver critical training across the government at no cost.

The Authority has also demonstrated a significant, marked improvement in the delivery of its services that have a direct bearing on how well and quickly any improvements in government operations can be effectuated. In this regard, the Authority has reduced its overall inventory of overage cases by close to 90 percent since FY 2009 – from 269 to 34; and its overall pending case inventory by close to 70 percent – from 400 to 93 cases. The Office of the General Counsel also increased its productivity in FY 2011 by approximately 20 percent over FY 2009. In addition, the Federal Service Impasses Panel (FSIP) – which continues to experience increased case filings – showed improved performance outcomes. In particular, over the past two years, the FSIP closed more cases each year than it had in FY 2007, FY 2008, and FY 2009, and with its commitment to obtaining settlements rather than issuing decisions, returned the FSIP to its original guiding philosophy that the voluntary settlement of bargaining impasses is the most effective and efficient form of dispute resolution.

One of the FLRA's most notable accomplishments over the last year is the outstanding results the agency achieved on its new performance goal for FY 2011 – Using Collaboration Techniques and Alternative Dispute Resolution (ADR) Services to Minimize and/or Resolve Labor-Management Disputes. The FLRA greatly exceeded almost every performance target, resolving several hundred cases using ADR methods. In addition, the FLRA reestablished its leadership role in labor-management relations by delivering training to close to 12,000 individuals in more than 330 in-person training sessions over the last year.

Of significant import is that all of these successes were accomplished in full partnership with our employees and with extraordinary increases in employee satisfaction. In this regard, I note that in 2010 the FLRA was honored with the distinction of being named the *Most Improved Small Agency* by the Partnership for Public Service. Moving out of last place in the two previous surveys ranked by the partnership – with a dramatic and unprecedented overall score increase of 250 percent – provides solid evidence that the FLRA is on the right track in emphasizing mission accomplishment and performance improvement through transparency, employee engagement and collaboration. We recently received data from the FY 2011 Federal Employee Viewpoint Survey, and it indicates that we will continue to move up in the rankings. The data provided shows that the FLRA improved in all human capital indices, and that the outcome of our renewed commitment to performance management was not only improved agency performance, but also a strong "Results Orientated Culture" within the agency and among our employees. In short, the agency, which has accomplished significant and measurable organizational performance and employee morale improvements in every component, is beginning to hit its stride and is providing customers with the timely, quality dispute resolution services and resources that they deserve and that are critical – now more than ever – to effectuate the implementation of improvements in Federal government operations. This is an achievement of which I am very proud.

With the likelihood that FY 2012 will be a difficult year financially, we are focused on identifying solutions to put the agency on solid financial footing. We will continue to work with the Administration, the Congress, and our stakeholders to identify and implement solutions for a sustainable funding model. We are confident that the FLRA's financial and performance data are complete, accurate, and reliable. For the eighth consecutive year, the FLRA earned an unqualified audit opinion on its principal financial statements or its effectiveness of internal control over financial reporting.

The talent, creativity, and innovative spirit of the FLRA's employees are producing positive results for the Federal government and therefore the American people. I look forward to another productive year working with our employees and stakeholders to fulfill the FLRA's mission.

Carol Waller Pope

Carol Waller Pope
Chairman
Federal Labor Relations Authority
November 15, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

BACKGROUND AND MISSION

The U.S. Federal Labor Relations Authority (FLRA) is *the* sole agency responsible for establishing policies and guidance regarding the labor-management relations program for 1.6 million non-Postal, Federal employees worldwide, approximately 1.1 million of whom are represented in 2,200 bargaining units. The FLRA was created by Title VII of the Civil Service Reform Act of 1978, also known as the Federal Service Labor-Management Relations Statute (the Statute). The agency's real genesis, however, dates from the issuance of Executive Order 10988 by President Kennedy in 1962. Executive Order 10988 established the first government-wide, labor-management relations program within the Federal government. In 1970, President Nixon established the Federal Labor Relations Council by Executive Order 11491 to administer the Federal labor-management relations program and to make final decisions on policy questions and major disputes arising under the Order. Executive Order 11491, as amended, was the basis for President Carter's proposal to Congress to create the Federal Labor Relations Authority as an independent agency.

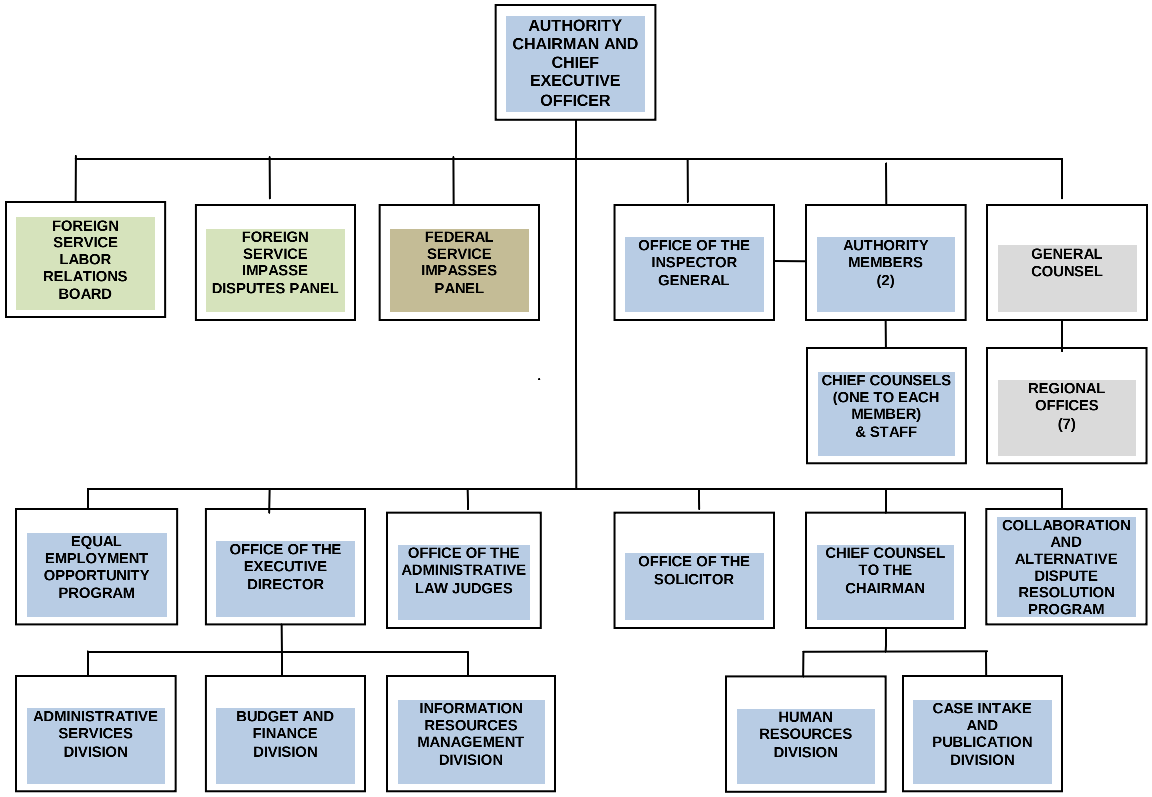
The Statute protects the rights of Federal employees to form, join, or assist a labor organization or to refrain from such activity freely and without fear of penalty or reprisal. These rights include acting for a labor organization as a representative and, in that capacity, presenting the views of the organization. Employees also have the right to engage in collective bargaining with respect to conditions of employment through representatives chosen by the employees themselves.

The mission of the FLRA is to promote stable, constructive labor-management relations in the Federal government by resolving and assisting in the prevention of labor disputes in a manner that gives full effect to the collective-bargaining rights of employees, unions, and agencies. Although the FLRA is a small agency, accomplishing its mission, including the timely, quality resolution of disputes, is essential for program performance government-wide. If a labor-management dispute in another agency remains unresolved for too long, the mission accomplishment in that agency likely will suffer. In many ways, the FLRA provides grease for the wheels of government. As such, its vitality is important beyond its size.

ORGANIZATIONAL STRUCTURE

The FLRA consists of the Authority, the Office of the General Counsel, and the Federal Service Impasses Panel. The agency also provides full staff support to two other organizations, the Foreign Service Impasse Disputes Panel and the Foreign Service Labor Relations Board.

U.S. Federal Labor Relations Authority



The Authority

The Authority is composed of three full-time Members appointed by the President with the advice and consent of the Senate. The Members are appointed for five-year, staggered terms and one Member is designated by the President to serve as Chairman, who acts as the agency's chief executive and administrative officer. The Authority is empowered to: resolve disputes over the negotiability of proposals made in collective bargaining; decide whether conduct alleged in a complaint constitutes an unfair labor practice (ULP); resolve exceptions to grievance arbitration awards; and review the decisions of Regional Directors in representation disputes over union elections and unit determinations.

The Authority appoints Administrative Law Judges (ALJs) to hear and prepare decisions in cases involving alleged ULPs, as well as decisions involving applications for attorney fees filed pursuant to the Back Pay Act or the Equal Access to Justice Act. The Office of the Administrative Law Judges (OALJ) also provides settlement opportunities in all ULP cases. Decisions of the ALJs may be appealed to the Authority.

The Office of the Solicitor represents the Authority in court proceedings. Parties aggrieved by certain Authority decisions may institute an action for judicial review within 60 days after the decision issues. The Authority may also seek enforcement of its orders, temporary relief or restraining orders in the appropriate U.S. court of appeals or district court.

The Office of the Inspector General provides independent and objective assessments of the FLRA's efficiency, effectiveness, and compliance with laws and regulations. This is accomplished through proactive evaluations of agency operational processes. In addition to striving to prevent and detect fraud, waste, and abuse of the FLRA's resources and operations, a key goal of the Inspector General is to serve as a catalyst for improving operations and maximizing the efficiency and integrity of agency programs.

The Office of the General Counsel

Appointed for a five-year term by the President with the advice and consent of the Senate, the General Counsel has independent Statutory responsibility for investigating ULP charges and for filing and prosecuting ULP complaints. Pursuant to the Statute, the General Counsel has direct authority over, and responsibility for, all employees in the Office of the General Counsel (OGC), including those in the regions. The Regional Offices, on behalf of the General Counsel, investigate alleged ULPs, file and prosecute ULP complaints, and provide training and alternative dispute resolution (ADR) services. In addition, through delegation by the Authority, the Regional Offices process and determine representation matters.

The General Counsel has a small staff in FLRA Headquarters, located in Washington, DC. Headquarters management staff provides administrative oversight and develops policies, guidance, procedures, and manuals that provide programmatic direction for the OGC's seven regions and training and education for the parties. Each Regional Office has a Regional Director who provides leadership and management expertise for the respective region.

Atlanta Regional Office

Boston Regional Office

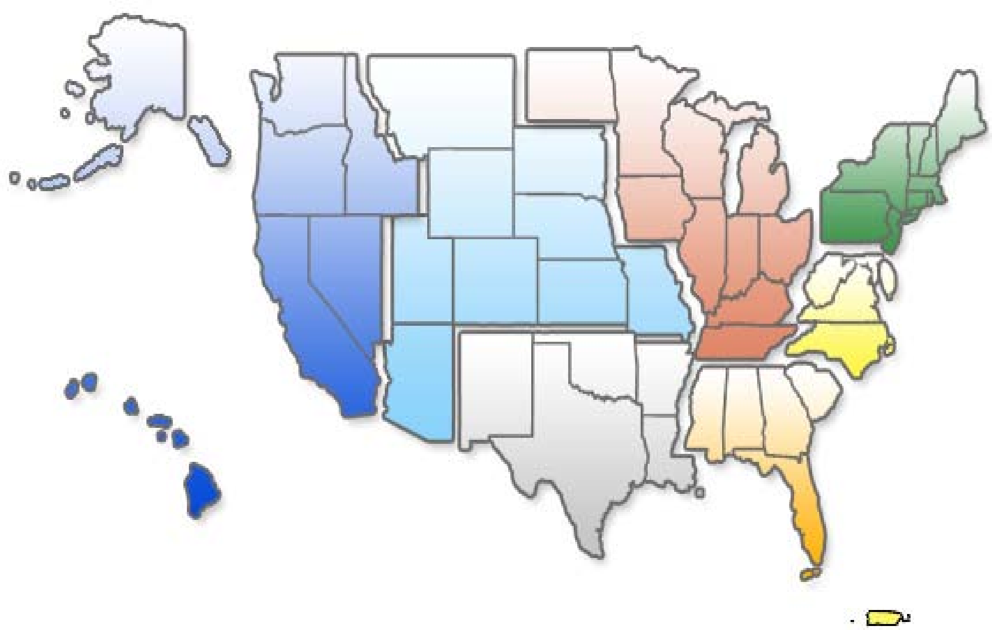
Chicago Regional Office

Dallas Regional Office

Denver Regional Office

San Francisco Regional Office

Washington DC Regional Office



The Federal Service Impasses Panel

The Federal Service Impasses Panel (FSIP or the Panel) resolves impasses between Federal agencies and unions representing Federal employees arising from negotiations over conditions of employment under the Statute and the Federal Employees Flexible and Compressed Work Schedules Act. The Chairman and six other Members of the Panel are appointed by the President for five-year terms. If bargaining between the parties, followed by mediation assistance, does not result in a voluntary agreement, either party or the parties jointly may request the FSIP's assistance. Following a preliminary investigation by its staff, the Panel may determine to assert jurisdiction over the request. If jurisdiction is asserted, then the FSIP has the authority to recommend and/or direct the use of various ADR procedures. These include informal conferences, additional mediation, fact-finding, written submissions, and mediation-arbitration by Panel Members, the Panel's staff, or private arbitrators. If the parties still are unable to reach a voluntary settlement, then the FSIP may take whatever action it deems necessary to resolve the dispute, including imposition of contract terms through a final action. The merits of the FSIP's decision may not be appealed to any court.

STRATEGIC AND PERFORMANCE PLANNING FRAMEWORK

The FLRA's performance planning framework is based on the FY 2010 – 2015 Strategic Plan, and is supported by the Annual Performance Plan. The FLRA's Performance Plan reflects the agency's commitment to establishing measures that will enable it to assess performance outcomes, align resources, and effectively identify staffing and training needs for future years. To accomplish its mission, the FLRA has established the following four strategic goals.

FLRA Strategic Goals
1. Achieve superior customer service.
2. Develop leaders at every level to meet goals and position the agency for the future.
3. Advance performance through organizational and management excellence.
4. Develop, empower, and engage FLRA employees to meet program needs and improve job satisfaction.

The agency seeks to achieve its strategic goals primarily through the timely review and disposition of cases. The FLRA supplements these efforts with a focus on reducing litigation and its attendant costs by helping the parties resolve their own disputes through collaboration, ADR, and labor-management cooperation activities. These efforts are further supported by the FLRA focusing on internal improvements in information technology and more effective and efficient use of human capital.

FY 2011 Performance Goals
1. Provide timely review and disposition of unfair labor practice cases.
2. Provide timely review and disposition of representation cases.
3. Provide timely review and disposition of arbitration cases.
4. Provide timely review and disposition of negotiability cases.
5. Provide timely review and disposition of bargaining impasse cases.
6. Use collaboration techniques and alternative dispute resolution services to minimize and/or resolve labor-management disputes.
7. Modernize agency information technology business systems to support and enhance program achievement.
8. Develop, manage, and utilize the FLRA's human capital to meet program needs.

Timeliness

Improvements in the quality and timeliness of case dispositions further the FLRA's critical role in facilitating orderly, efficient and effective change within the Federal government. The agency affects how well and quickly improvements in government operations can be implemented. Changes within the Federal government inevitably impact employee working conditions and implicate bargaining rights. Unless management and labor can timely reach agreements or, failing that, have their disagreements resolved expeditiously, the mission accomplishment in that agency may suffer. This is particularly relevant now as Federal agencies are making significant adjustments and changes in how they perform their missions in order to meet necessary reductions in response to the current budget environment. Moreover, the core purpose of the Statute is to promote collective bargaining as a means of fostering improved employee performance and government operations. Failure by the FLRA to process cases in a timely manner adversely impacts employee performance and government operations.

Alternative Dispute Resolution

The FLRA established the Collaboration and Alternative Dispute Resolution (CADR) Program to place greater emphasis on the use of ADR and consensus decision making in resolving workplace disputes. The program offers ADR services in pending ULP, representation, negotiability, and bargaining impasse disputes at every step – from investigation and prosecution to the adjudication of cases and resolution of bargaining impasses. Throughout the years, the CADR Office (CADRO), as well as the OGC and the OALJ, have conducted on-site and telephone interventions in hundreds of cases pending before the FLRA. In well over 80 percent of the cases, CADRO interventions result in either the full resolution of the underlying disputes or withdrawal of the pending case. In addition, the OGC has placed a renewed emphasis on resolving ULP and representation disputes, both before and after charges and petitions are filed. The OGC's ULP regulations were amended to include references to the office's encouragement of pre-and post charge settlements, and field agents have been trained in ADR techniques to facilitate amicable resolution of disputes between the parties.

Information Technology

The agency makes extensive use of automation and technology systems to promote an efficient and effective FLRA and to meet its timeliness goals. Continuing the progress started in FY 2009 on the new cloud-based Case Management System (CMS), the FLRA migrated away from Oracle, the legacy CMS, and implemented the new CMS. The agency will experience a savings by saving on storage and infrastructure, eliminating Oracle licenses, and eliminating the need for an Oracle database administrator. Additionally, the agency identified and procured a second cloud-based solution in FY 2011 to track and report on Freedom of Information Act requests. The FLRA will continue to identify other cloud solutions that are both secure and cost-effective to replace costly existing systems.

The FLRA uses technology so that many agency employees can travel to provide mission-related services at the site of the dispute. Consistent with the Telework Enhancement Act of 2010, the FLRA is also embarking on a program to increase telework beyond its current 65 percent participation rate. Mobile employees require a more agile information technology (IT) support system. The initiative to move information systems to the cloud will ensure that agency personnel and customers have anywhere/anytime access to not only the resource, but to the enhanced IT support provided by the cloud vendor. This will facilitate teleworking capabilities, reduce costs, and continue to reinforce the ability of the FLRA to meet the expectations of its customers.

In addition, in FY 2011, the OGC began to conduct representation elections that provide Federal employees remote access voting, and held the largest, first-ever electronic election involving 43,000 Transportation Security Agency (TSA) employees. The FLRA also completed transition from the General Services Administration's FTS2001 contract for telecommunication services to the new Networx contract, and the agency will begin to experience a savings in related costs in FY 2012. The FLRA is also in the process of implementing Homeland Security Presidential Directive 12 to support secure physical and logical access.

The FLRA continues to improve its website tools and resources for the public. For example, the agency has improved its on-line search capability for Authority manuals, decisions, and guidance. The Authority posts decisions on the FLRA website within 24 hours, eliminating the need for costly, voluminous printed manuals. The FLRA also expects to make available on the website all decisions from the OALJ over the next fiscal year.

With respect to cybersecurity and Federal Information Security Management Act compliance, the FLRA has implemented the Trusted Internet Connection and fully implemented a mandatory set of processes and system controls to ensure the confidentiality, integrity, and availability of system-related information and information resources. This includes continuous monitoring, development, and enforcement of agency information assurance policies, and continuing mitigation of security issues and threats.

Human Capital

The FLRA and the Union of Authority Employees are working together through its Labor-Management Forum (the Forum) to continue its focus on improving all aspects of employee work life, including: providing workplace flexibilities, such as development and implementation of a new alternative work schedule policy; developing a new performance management system; increasing access to telework; holding a health benefits fair; sharing work experiences and stimulating career interests through a "bring your child to work" day; sponsoring a blood drive; holding regular presidential and career management meetings; establishing collaborative workgroups to address workplace issues; and increasing internal communication between and among employees at all levels. The Forum also began work in FY 2011 on recognizing diversity through special emphasis programs and updating employee awards program policies. The agency continued its commitment to develop employees through developmental details in the OGC, leadership and development programs, and skills-based training. The agency also began an initiative to identify the core competencies for its mission-critical positions and to conduct a training needs assessment to assist in future planning. To supplement training, the agency began an educational series with briefings from sister agencies, FLRA components and offices, and external human resources, financial, and communications professionals.

The agency contracts with the U.S. Department of Health and Human Services to provide basic occupational health and wellness services, on-site monthly health visits to FLRA Headquarters, and access to an employee assistance program (EAP) for employees throughout the country. The EAP assists the agency in addressing productivity issues by providing both prevention and intervention for employee problems. The FLRA has also leveraged the use of technology in human resources management, converting the entire agency from paper records to electronic Official Personnel Files and implementing USAStaffing, the Office of Personnel Management's (OPM) web-based hiring system.

In 2010, the FLRA was named the *Most Improved Small Agency* by the Partnership for Public Service. Building upon this success, the initial results from the 2011 Federal Employee Viewpoint Survey are very encouraging, and early indicators are that the agency continues to move up in the rankings. FLRA employees' response rate was 75 percent – significantly greater than the government-wide rate of 49 percent. The agency increased in all four human capital indices, scoring 76 percent in leadership and knowledge management, 66 percent in talent management, 71 percent in results-oriented performance culture, and 74 percent in job satisfaction – each exceeding the government-wide average. Of particular significance is the FLRA's score on the new index developed by OPM to measure employee "engagement" – 74 percent of agency employees responded positively in comparison to 66 percent of employees government-wide. The FLRA analyzes the survey results each year to maintain agency strengths, taking steps to improve areas where there are relative weaknesses, and to evaluate employee satisfaction levels.

Over the last two and a half years, the FLRA has taken substantial steps to address the serious human capital, performance management, and employee morale issues that had developed over many years at the FLRA. The recent dramatic increases in positive responses reflects both the commitment of agency leadership to managing the FLRA with transparency and accountability and engaging employees at all levels, and the commitment and dedication of all FLRA employees. Consistent with the significant increase in employee morale and satisfaction is the significant, marked improvement in the FLRA's mission performance and delivery of services to its customers – the American public.

Generally, the overall results from the 2011 survey indicate that FLRA employees believe that the work they do is important (94 percent), and that employees in the work unit share job knowledge with each other (93 percent). In addition, employees are very satisfied with the support they receive for balancing work and family issues (92 percent), feel a sense of accomplishment in doing their jobs (81 percent), and like the kind of work they do (86 percent). Leadership and management are committed to continuing to work with employees to improve the organizational performance, as well as performance management and employee satisfaction, so that the FLRA can effectively and efficiently fulfill its important statutory mission.

PERFORMANCE SUMMARY

The FLRA's rebuilding efforts since FY 2009, which have been fueled by the effective management of resources and the hard work and dedication of agency leadership and employees, are showing real, measurable results. FY 2011 was yet another year of improved performance for the FLRA, including sustaining the dramatic and unprecedented increases in employee satisfaction and morale that were reported in FY 2010. These accomplishments provide solid evidence that the FLRA is on the right track in emphasizing mission accomplishment and performance improvement through transparency, employee engagement, and collaboration. Moreover, the FLRA continues to improve its efficiency by engaging in new and innovative ways to conduct business, successfully holding the first-ever large scale electronic election involving 43,000 TSA employees, and in collaboration with the Department of Veterans Affairs, developing and launching web-based interactive training on Executive Order 13522, *Creating Labor-Management Forums to Improve Delivery of Government Services*, and bargaining over 5 U.S.C. 7106(b)(1) matters, allowing the agency to deliver critical training across the government to employees right at their desks at no cost.

With respect to its mission accomplishments, the FLRA again made vast improvements in providing customers with the timely, quality dispute resolution services that they deserve and that are critical – now more than ever – to effectuate the implementation of improvements in Federal government operations. In this respect, the Authority issued 232 merits decisions in FY 2011, beating FY 2009 and FY 2010 by seven decisions and ten decisions, respectively – more decisions than in any year since FY 2003. Since February of FY 2009, the Authority has reduced its pending case inventory by 77 percent – from 400 to 93, its overage case inventory by 87 percent – from 269 to 34, and the average age of pending cases by 284 days or 65 percent – from 438 to 154 days. In FY 2011, the CADRO worked with parties to resolve or narrow their disputes in pending cases. As a result, close to 20 pending cases were expeditiously resolved with no further need for litigation, getting the parties back to conducting the business of government. Most noteworthy are a number of cases that involved complex, long-standing disputes that the parties had expended resources over for many years, and were able to resolve with the assistance of the CADRO. The CADRO also provided training, contract negotiations and facilitation services in close to 60 instances.

Furthermore, the OGC increased its productivity in both FY 2010 and FY 2011 by approximately 15 percent over FY 2009. Beginning in FY2010, the OGC eliminated a backlog of more than 340 complaint cases and more than 800 appeals, and in FY 2011, the OGC closed more than 4,400 ULP cases and held 20 trials; the OGC also closed close to 300 representation cases and conducted 35 elections. The OALJ also resolved cases at an expeditious pace with more than 400 cases on their docket in the last two years. Of significant import is that the ALJs had to hold fewer than 50 trials over the last two years, due to their considerable settlement efforts that resulted in cases being resolved without a trial.

In addition, the FSIP – which continues to experience increased case filings – has also showed improved performance outcomes. In particular, over the last two years, the FSIP closed more cases each year than it had in FY 2007, FY 2008 and FY 2009, and with its commitment to obtaining settlements rather than issuing decisions, returned the FSIP to its original guiding philosophy that the voluntary settlement of bargaining impasses is the most effective and efficient form of dispute resolution.

The FLRA also built upon its leadership role in labor-management relations by delivering more than 330 training, outreach, and facilitation sessions in FY 2011 to nearly 12,000 practitioners. The FLRA has also re-engaged with the labor-management community by issuing numerous press releases, conducting town halls, and holding focus groups on agency processes and procedures.

Performance Outcome Measures	FY 2011 Target	FY 2011 Actual	Result
Strategic Goal 1: Achieve superior customer service.			
Performance Goal 1: Provide timely review and disposition of unfair labor practice cases.			
Measure 1.1: The percentage of ULP charges resolved by the OGC by complaint, withdrawal, dismissal, or settlement within 120 days of filing of the charge.	55%	54%	Substantially Met
Measure 1.2: The percentage of decisions on an appeal of a Regional Director's dismissal of a ULP charge issued within 60 days of the date filed, and in no case more than 120 days.	90%/100%	97%/100%	Exceeded/ Met
Measure 1.3: The percentage of ULP complaints issued by the General Counsel resolved or decided in the OALJ within 180 days of the complaint being issued.	90%	95%	Exceeded
Measure 1.4: The percentage of ULP cases decided within 180 days of assignment to an Authority Member.	50%	31%	Not Met
Performance Goal 2: Provide timely review and disposition of representation cases.			

Performance Outcome Measures	FY 2011 Target	FY 2011 Actual	Result
Measure 2.1: The percentage of representation cases resolved by the OGC through withdrawal, election, or issuance of a Decision and Order within 120 days of the filing of a petition.	60%	60%	Met
Measure 2.2: The percentage of representation cases in which a decision whether to grant review is issued within 60 days of assignment to an Authority Member.	100%	100%	Met
Performance Goal 3: Provide timely review and disposition of arbitration cases.			
Measure 3.1: The percentage of arbitration cases decided within 180 days of assignment to an Authority Member.	40%	33%	Substantially Met
Performance Goal 4: Provide timely review and disposition of negotiability cases.			
Measure 4.1: The percentage of negotiability cases decided within 180 days of assignment to an authority Member (reflecting reasonable time for a post-petition conference).	45%	29%	Not Met
Performance Goal 5: Provide timely review and disposition of bargaining impasse cases.			
Measure 5.1: The percentage of bargaining impasse cases in which jurisdiction is declined closed within 140 days of the date filed.	90%	64%	Not Met
Measure 5.2: The percentage of bargaining impasse cases voluntarily settled after jurisdiction has been asserted within 160 days of the date filed.	80%	79%	Substantially Met
Measure 5.3: The percentage of bargaining impasse cases resolved through a final action closed within 200 days of the date filed.	80%	65%	Not Met
Performance Goal 6: Use collaboration techniques and alternative dispute resolution services to minimize and/or resolve labor-management disputes.			
Measure 6.1: The percentage of ULP cases in the OGC in which an offer of ADR services is accepted by the parties that are partially or totally resolved.	55%	87%	Exceeded

Performance Outcome Measures	FY 2011 Target	FY 2011 Actual	Result
Measure 6.2: The percentage of ULP cases in the OALJ in which an offer of Settlement Judge services is accepted by the parties that are partially or totally resolved.	70%	88%	Exceeded
Measure 6.3: The percentage of representation cases in the OGC in which an offer of ADR services is accepted by the parties that are partially or totally resolved.	50%	93%	Exceeded
Measure 6.4: The percentage of arbitration cases in which an offer of ADR services is accepted by the parties that are partially or totally resolved.	50%	100%	Exceeded
Measure 6.5: The percentage of negotiability cases in which an offer of ADR services is accepted by the parties that are partially or totally resolved.	80%	100%	Exceeded
Measure 6.6: The percentage of bargaining impasse cases in which an offer of ADR services is accepted by the parties that are partially or totally resolved.	30%	29%	Substantially Met
Measure 6.7: The number of training, outreach, and facilitation activities conducted.	175	332	Exceeded
Measure 6.8: The number of participants involved in training, outreach, and facilitation activities.	5,000	11,975	Exceeded
Strategic Goal 3: Advance performance through organizational and management excellence.			
Performance Goal 7: Modernize agency IT business systems to support and enhance program achievement.			
Measure 7.1: The percentage of cases filed electronically with the FLRA.	To begin accepting electronic case filings.	Completed development of customer registration and FSIP e-filing capability.	Not Met
Strategic Goal 4: Develop, empower, and engage FLRA employees to meet program needs and improve job satisfaction.			
Performance Goal 8: Develop, manage, and utilize FLRA's human resources to meet program needs.			

Performance Outcome Measures	FY 2011 Target	FY 2011 Actual	Result
Measure 8.1: Program managers ensure that the right employees are in the right place to achieve results.	To conduct a training needs assessment; to create individual development plans (IDPs); to implement a new performance management system; to develop an affirmative action plan and diversity outreach program; to continue human capital e-initiatives; and to initiate brown-bag programs.	Conducted a training needs assessment, which will be used to create IDPs; formed a workgroup to design a new performance management system; began work on recognizing diversity through special emphasis programs; and initiated brown-bag programs and an educational series. Human capital e-initiatives continued with the successful implementation of USA Staffing, Data Mart, and employee eOPFs. The agency also purchased WebTA, an automated time-tracking system.	Substantially Met

FINANCIAL ANALYSIS

The FLRA's principal financial statements have been prepared to report the financial position and results of operations of the agency, pursuant to the requirements of 31 U.S.C. 3515(b).

While the statements have been prepared from the books and records of the FLRA in accordance with U.S. Generally-Accepted Accounting Principles for Federal entities and the formats prescribed by the Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity.

Balance Sheet

The Balance Sheet presents the FLRA's financial position through the identification of agency assets, liabilities, and net position. Total assets decreased from $9.1 million at the end of FY 2010 to $7.1 million at the end of FY 2011. The decrease in assets is largely attributable to the cancellation of the FLRA's FY 2006 expired account, which held $1.7 million in unobligated funds. The agency's fund balance with the U.S. Treasury Department is its largest asset, accounting for over 90 percent of total assets in both FY 2010 and FY 2011. The FLRA does not maintain any cash in commercial bank accounts or foreign currency balances, nor does it have any revolving or trust funds. The agency's second largest asset is its furniture, fixtures, equipment, and IT hardware and software, which is recorded at original acquisition cost and then depreciated or amortized using the straight-line method over the estimated useful life of the asset.

Assets as of September 30,	2011	2010
Fund balance with Treasury	$6,532,013	$8,382,647
General property and equipment, net	525,753	716,672
Accounts receivable	22,264	12,272
Advances and prepayments	11,212	21,659
Total	**$7,091,242**	**$9,133,250**

Funds held at the Treasury are available to pay agency liabilities. Liabilities represent the amount of monies or other resources likely to be paid by the FLRA as a result of transactions or events that have already occurred. Agency liabilities totaled $4.4 million at the end of both FY 2010 and FY 2011. Accrued employee leave, payroll, and benefits costs, along with accrued workers' compensation, accounted for 95 percent of total liabilities at the end of FY 2011.

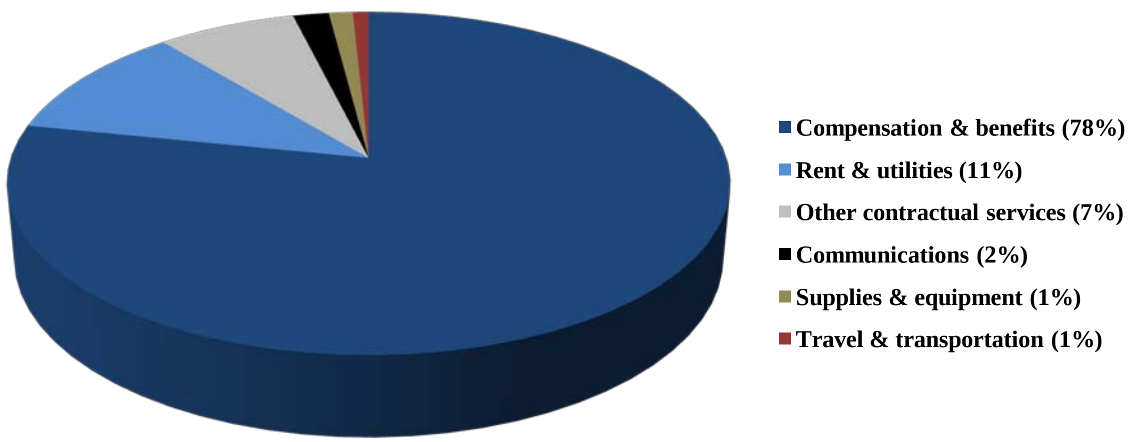
Liabilities as of September 30,	2011	2010
Unfunded leave	$1,513,590	$1,437,695
FECA liability	1,380,317	1,421,178
Accrued payroll and benefits	1,280,740	1,363,566
Accounts payable	232,681	147,492
Custodial liability/other	80	40
Total	**$4,407,408**	**$4,369,971**

The FLRA's total net position at the end of FY 2011 was $2.7 million, a $2.1 million decrease from the previous year.

Statement of Net Cost

The Statement of Net Cost presents the gross cost of operating the FLRA's three major programs, less any exchange revenue earned from those activities. The net cost of operations in FY 2011 was $26.8 million, a $400 thousand decrease from the agency's FY 2010 cost of operations. In FY 2011, 57 percent of the agency's resources were dedicated to the Authority, which includes central administrative services provided to the entire agency; 40 percent were dedicated to the OGC; the remaining three percent were devoted to the FSIP.

FY 2011 Financial Obligations by Budget Object Classification



Statement of Changes in Net Position

The Statement of Changes in Net Position reflects the changes that occurred within the cumulative results of operations and any unexpended appropriations. Unexpended appropriations include undelivered orders and unobligated balances. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. The cumulative results of operations represent the net results of operations since inception, the cumulative amount of prior-period adjustments, the remaining book value of capitalized assets, and future funding requirements.

Statement on Budgetary Resources

The Statement on Budgetary Resources reports the budgetary resources available to the FLRA during FY 2010 and FY 2011 to carry out the activities of the agency, as well as the status of those resources at the end of each year. The agency had $28 million in total budgetary resources available to it in FY 2011, of which $3.3 million remained unobligated at year-end. The primary source of FLRA funding is its annual Salaries and Expenses appropriation from the Congress. The agency also receives reimbursements, pursuant to the Economy Act, for travel expenses associated with training provided by agency employees on the FLRA Statute, mission, Executive Order 13522, etc. The FLRA also recorded net outlays of $24.9 million in FY 2011. Total budgetary resources decreased by $1.9 million from FY 2010, while net outlays remained fairly constant in FY 2011.

MANAGEMENT ASSURANCES

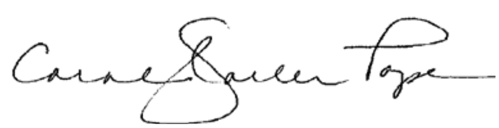
The Federal Managers Financial Improvement Act (FMFIA) of 1982 requires agencies to establish internal control and financial systems that provide reasonable assurance that the integrity of Federal programs and operations are protected. The FMFIA also requires the Chairman to annually assess and report on the effectiveness of internal controls and to provide an annual Statement of Assurance on whether the agency has met this requirement.

Annual FMFIA Statement of Assurance

In accordance with the requirements of OMB Circular A-123, *Management's Responsibility for Internal Control*, the FLRA conducted an assessment of the effectiveness of the organization's internal controls to support effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations; and whether the financial management system conforms to applicable financial requirements.

Based on the results of this assessment, the FLRA provides reasonable assurance that its internal controls over the effectiveness and efficiency of operations, reliable financial reporting, and compliance with applicable laws and regulation as of September 30, 2011, were operating effectively and that no material weaknesses were found in the design or operation of our internal controls.

Further, based on our assessment, we determined that the FLRA financial management system conforms to applicable financial systems requirements.



Carol Waller Pope
Chairman
November 15, 2011

PERFORMANCE GOALS AND RESULTS

GOAL 1: PROVIDE TIMELY REVIEW AND DISPOSITION OF UNFAIR LABOR PRACTICE CASES.

The General Counsel has responsibility for the investigation, settlement, and prosecution of unfair labor practice (ULP) charges. All ULP proceedings originate with the filing of a charge in a Regional Office by an employee, labor organization, or agency. Once a charge has been filed, Regional Office staff will investigate the charge to determine if it has merit. If the Regional Director determines that the charge has merit, then he or she will, absent settlement, issue and prosecute a complaint before an Administrative Law Judge (ALJ). If the Regional Director determines that the charge lacks merit, then the charging party is entitled to a written explanation, and if not satisfied, may appeal the decision to the General Counsel in Washington, DC. If the dismissal is upheld, the case is closed. The Authority has appointed ALJs to hear ULP cases prosecuted by the General Counsel. Decisions of the ALJs are transmitted to the Authority, and may be affirmed, modified, or reversed in whole or in part. If no exceptions are filed, a decision by the ALJ is adopted by the Authority.

OGC	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Cases pending, start of year	1,705	2,300	1,237	1,587	1,811
Charges filed	4,687	3,572	3,954	4,398	4,094
Total caseload	**6,392**	**5,872**	**5,191**	**5,985**	**5,905**
Charges withdrawn/settled	2,920	2,648	2,455	3,141	3,425
Charges dismissed	1,038	1,941	1,075	751	812
Complaints issued	134	46	74	282	215
Total cases closed	**4,092**	**4,635**	**3,604**	**4,174**	**4,452**
Cases pending, end of year	**2,300**	**1,237**	**1,587**	**1,811**	**1,453**

OALJ	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Cases pending, start of year	32	25	0	67	54
Cases received from the OGC	134	46	74	282	234
Total caseload	**166**	**71**	**74**	**349**	**288**
Settlements before hearing	114	59	7	275	191
Settlements during hearing	0	0	0	0	0
Cases closed by decision	27	12	0	20	25
Total cases closed	**141**	**71**	**7**	**295**	**216**
Cases pending, end of year	**25**	**0**	**67**	**54**	**72**

Authority	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Cases pending, start of year	24	36	32	14	14
Exceptions filed	25	11	1	18	17
Total caseload	**49**	**47**	**33**	**32**	**31**
Cases closed procedurally	13	9	0	9	13
Cases closed based on merits	0	6	19	9	12
Total cases closed	**13**	**15**	**19**	**18**	**25**
Cases pending, end of year	**36**	**32**	**14**	**14**	**6**

Measure 1.1: The percentage of ULP charges resolved by the OGC by complaint, withdrawal, dismissal, or settlement within 120 days of filing of the charge.

FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	
Actual	**Actual**	**Actual**	**Actual**	**Target**	**Actual**
63%	48%	71%	49%	55%	54%

Data Source: Case Management System

Target: Substantially Met. The target for FY 2011 was substantially met due to careful management of existing staff, and the efforts of those staff to systematically attack the backlog of older cases. Because of those efforts, in FY 2011, the total cases closed exceeded the total charges filed for the first time since FY 2008.

Measure 1.2: The percentage of decisions on an appeal of a Regional Director's dismissal of a ULP charge issued within 60 days of the date filed, and in no case more than 120 days.

FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	
Actual	**Actual**	**Actual**	**Actual**	**Target**	**Actual**
87%	19%	2%	31%	90%100%	97%/100%

Data Source: Case Management System

Target: Exceeded/Met. In FY 2011, an additional target was established for this measure to determine the percentage of decisions on appeal issued within 120 days. The General Counsel and Deputy General Counsel positions were vacant for 17 months, between March 2008 and August 2009, which resulted in a backlog of appeals due to the fact that there was no decision-maker in place. After the OGC cleared that backlog in FY 2010, the office has been able to return to issuing nearly all appeals within 60 days, and to issue those few that do not meet that target within 120 days.

Measure 1.3: The percentage of ULP complaints issued by the General Counsel resolved or decided in the OALJ within 180 days of the complaint being issued.					
FY 2007	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	
Actual	**Actual**	**Actual**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	90%	95%
Data Source: Case Management System					
Target: Exceeded. This measure was established in FY 2011, as a consolidation of two previous measures into one of 180 days. A decrease in the number of complaints received from the General Counsel and an emphasis upon early resolution of disputes prior to their going to hearing resulted in the OALJ achieving its target.					

Measure 1.4: The percentage of ULP cases decided within 180 days of assignment to an Authority Member.					
FY 2007	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	
Actual	**Actual**	**Actual**	**Actual**	**Target**	**Actual**
N/A	N/A	5%	18%	50%	31%
Data Source: Case Management System					
Target: Not Met. The Authority did not meet this target because the inventory of overage cases precluded focus on those cases that are not overage. To improve quality and timeliness, the Authority has successfully followed a Corrective Action Plan (CAP) developed in FY 2009 to eliminate its case backlog by FY 2012. This measure and the target for FY 2011 were established in the CAP. Consistent with its CAP, the Authority concentrated in FY 2011 on reducing the number of overage cases. As a result of its efforts, the number of pending overage ULP cases was reduced by 89 percent, while the inventory of ULP cases pending for more than one year was completely eliminated. In addition, the overall inventory of ULP cases was reduced by 50 percent. By significantly reducing the number and age of ULP cases, the Authority is poised to increase the timeliness of decision making in these cases in FY 2012.					

GOAL 2: PROVIDE TIMELY REVIEW AND DISPOSITION OF REPRESENTATION CASES.

The Federal Service Labor-Management Relations Statute (the Statute) sets out a specific procedure for employees to petition to be represented by a labor union and to determine which employees will be included in a "bargaining unit" that a union represents. Implementing this procedure, the FLRA conducts secret-ballot elections for union representation and resolves a variety of issues related to questions of union representation of employees. These issues include, for example, whether particular employees are managers or "confidential" employees excluded from union representation, whether there has been election misconduct on the part of agencies or unions, and whether changes in union and agency organizations affect existing bargaining units. Representation cases are initiated by the filing in a Regional Office of a petition by an individual, labor organization, or agency. After a petition is filed, the Regional Director conducts an investigation to determine the appropriateness of a unit or other matter related to the petition. After concluding such investigation, the Regional Director may issue a Decision and Order determining the appropriate unit, directing an election, dismissing the petition, or making other disposition of the matter. The Regional Director's Decision and Order is final unless an application for review is filed with the Authority.

OGC	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Cases pending, start of year	160	156	140	104	102
Petitions filed	297	289	275	278	267
Total caseload	**457**	**445**	**415**	**382**	**369**
Petitions withdrawn	136	132	142	113	126
Cases closed based on merits	165	173	169	167	161
Total cases closed	**301**	**305**	**311**	**280**	**287**
Cases pending, end of year	**156**	**140**	**104**	**102**	**82**
Authority	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**
Cases pending, start of year	1	4	3	5	6
Applications for review	13	14	17	15	12
Total caseload	**14**	**18**	**20**	**20**	**18**
Cases closed procedurally	0	1	1	1	0
Cases closed based on merits	10	14	14	13	12
Total cases closed	**10**	**15**	**15**	**14**	**12**
Cases pending, end of year	**4**	**3**	**5**	**6**	**6**

Measure 2.1: The percentage of representation cases resolved by the OGC through withdrawal, election, or issuance of a Decision and Order within 120 days of the filing of a petition.

FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	
Actual	**Actual**	**Actual**	**Actual**	**Target**	**Actual**
N/A	N/A	60%	65%	60%	60%

Data Source: Case Management System

Target: Met. This measure was established in FY 2009 to consolidate three previous measures. As with ULP cases, through careful management of staff and the hard work of that staff, the OGC was able to meet its target in FY 2011.

Measure 2.2: The percentage of representation cases in which a decision whether to grant review is issued within 60 days of assignment to an Authority Member.					
FY 2007	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	
Actual	**Actual**	**Actual**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	100%	100%	100%
Data Source: Case Management System					
Target: Met. This measure was established in FY 2010 to be consistent with the time limitation provided for in the Statute. The Authority continued its performance from FY 2010 and issued decisions whether to grant review within 60 days of assignment in all representation cases.					

GOAL 3: PROVIDE TIMELY REVIEW AND DISPOSITION OF ARBITRATION CASES.

Either party to grievance arbitration may file with the Authority an exception (or appeal) to an arbitrator's award. The Authority will review an arbitrator's award to which an exception has been filed to determine if the award is deficient because it is contrary to any law, rule, or regulation or on the grounds similar to those applied by Federal courts in private-sector, labor-management relations.

Authority	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Cases pending, start of year	108	216	298	247	173
Exceptions filed	162	126	157	134	110
Total caseload	**270**	**342**	**455**	**381**	**283**
Cases closed procedurally	18	12	43	31	22
Cases closed based on merits	36	32	165	177	195
Total cases closed	**54**	**44**	**208**	**208**	**217**
Cases pending, end of year	**216**	**298**	**247**	**173**	**66**

Measure 3.1: The percentage of arbitration cases decided within 180 days of assignment to an Authority Member.					
FY 2007	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	
Actual	**Actual**	**Actual**	**Actual**	**Target**	**Actual**
N/A	N/A	22%	30%	40%	33%
Data Source: Case Management System					
Target: Substantially Met. This measure and the target for FY 2011 were also established in the Authority's CAP. As stated in connection with ULP cases, the Authority's focus in FY 2011 was the reduction of its overage case inventory. Consistent with this focus and the CAP, the Authority reduced its inventory of overage arbitration cases in FY 2011 by 85 percent.					

The overall inventory of arbitration cases was reduced by 62 percent. This provides the Authority the ability to increase the timeliness of its decision making in FY 2012.

GOAL 4: PROVIDE TIMELY REVIEW AND DISPOSITION OF NEGOTIABILITY CASES.

For certain types of cases, there is a procedure for resolving disputes over the negotiability of a matter proposed to be bargained. A Federal agency bargaining with a union may claim that a particular union proposal cannot be bargained because it conflicts with Federal law, a government-wide rule or regulation, or an agency regulation for which there is a compelling need.

Authority	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Cases pending, start of year	27	43	51	39	22
Petitions filed	52	38	43	52	39
Total caseload	**79**	**81**	**94**	**91**	**61**
Cases closed procedurally	30	22	41	46	33
Cases closed based on merits	6	8	14	23	13
Total cases closed	**36**	**30**	**55**	**69**	**46**
Cases pending, end of year	**43**	**51**	**39**	**22**	**15**

Measure 4.1: The percentage of negotiability cases decided within 180 days of assignment to an Authority Member (reflecting reasonable time for a post-petition conference).

FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	
Actual	**Actual**	**Actual**	**Actual**	**Target**	**Actual**
N/A	N/A	6%	17%	45%	29%

Data Source: Case Management System

Target: Not Met. The Authority did not meet this target because the inventory of overage cases precluded focus on those cases that are not overage. As stated previously, the Authority concentrated its efforts in FY 2011 on reducing the number of overage cases in its inventory. As a result, the Authority reduced the inventory of overage negotiability cases by 44 percent and the overall inventory of negotiability cases by 32 percent. As with other case types, this will permit the Authority to improve the timeliness of its decision making in FY 2012.

GOAL 5: PROVIDE TIMELY REVIEW AND DISPOSITION OF BARGAINING IMPASSE CASES.

In carrying out the right to bargain collectively, it is not uncommon for a union representative and a Federal agency to simply not agree on certain issues and for the bargaining to reach an impasse. Several options are available by which the parties may attempt to resolve the impasse.

The parties may: decide, on their own, to use certain techniques to resolve the impasse, but may proceed to private binding arbitration only after the Federal Service Impasses Panel (FSIP or the Panel) approves the procedure; seek the services and assistance of the Federal Mediation and Conciliation Service; or seek the assistance of the Panel in resolving the negotiation impasse, only after the previous attempts have failed.

FSIP	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Cases pending, start of year	34	23	22	69	36
Impasses filed	115	111	136	143	152
Total caseload	**149**	**134**	**158**	**212**	**188**
Cases closed	**126**	**112**	**89**	**176**	**135**
Cases pending, end of year	**23**	**22**	**69**	**36**	**53**

Measure 5.1: The percentage of bargaining impasse cases in which jurisdiction is declined closed within 140 days of the date filed.					
FY 2007	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	
Actual	**Actual**	**Actual**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	90%	64%
Data Source: Case Management System					
Target: Not Met. The performance measures for the FSIP were completely revised in FY 2011 to concisely set forth timeliness targets for the Panel's three most important categories of case disposition. Cases which are closed because the Panel declines jurisdiction normally require written statements of position (SOPs) on jurisdictional issues from both sides before they can be presented to the Panel for a procedural determination. The tightening of budgets throughout the Federal government means that the parties' representatives, but particularly those at agencies, are requesting more time to submit their SOPs, as the agencies the FSIP services are increasingly understaffed. The result is an increase in processing times, particularly in cases where jurisdiction is declined.					

Measure 5.2: The percentage of bargaining impasse cases voluntarily settled after jurisdiction has been asserted within 160 days of the date filed.					
FY 2007	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	
Actual	**Actual**	**Actual**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	80%	79%
Data Source: Case Management System					
Target: Substantially Met. Impasses that are voluntarily resolved after jurisdiction has been asserted normally require less time to investigate because parties are less likely to raise significant jurisdictional issues that require the submission of SOPs during the investigation phase of case processing. In addition, such cases often involve mid-term changes by agencies					

that are time sensitive and would lead to increased costs to the taxpayer if they are not handled expeditiously. This same factor motivates the Panel and the parties to promptly schedule the procedure used to resolve the dispute which eventually results in a voluntary settlement.

Measure 5.3: The percentage of bargaining impasse cases resolved through a final action closed within 200 days of the date filed.					
FY 2007	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	
Actual	**Actual**	**Actual**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	80%	65%
Data Source: Case Management System					
Target: Not Met. Cases resolved through final actions normally require written decisions issued by the full Panel or one of its Members imposing terms on the parties. The FSIP was unable to meet this target during FY 2011 primarily because of two factors. First, the number of cases under this measure that involve complex, multi-issue initial and successor collective bargaining agreement impasses has gone up from previous years, resulting in lengthier written decisions that require more time for drafting and final review. Second, the Panel required the parties to resolve a number of such disputes through a procedure whereby a private fact-finder provides additional mediation assistance and, ultimately, a report to the Panel and the parties recommending terms for settlement. When the Panel uses this procedure it effectively permits the parties to schedule the stages of the process themselves, which often leads to increases in processing times.					

GOAL 6: USE COLLABORATION TECHNIQUES AND ALTERNATIVE DISPUTE RESOLUTION SERVICES TO MINIMIZE AND/OR RESOLVE LABOR-MANAGEMENT DISPUTES.

This performance goal is new for FY 2011 and was established to emphasize not only the importance of backlog reduction efforts in the Authority, but also using collaboration and alternative dispute resolution (ADR) techniques along with other training, outreach, and facilitation services to assist parties in minimizing and resolving labor-management disputes. The goal encompasses all three FLRA components. The FLRA has integrated ADR and consensus decision-making into virtually all of its processes, and significantly expanded its training, outreach, and facilitation activities in FY 2011. ADR is an informal process that allows parties to discuss and develop their interests in order to resolve the underlying issues and problems in their relationship. This includes interest-based conflict resolution and intervention services in pending ULP cases, representation cases, arbitration cases, negotiability appeals, and impasse bargaining disputes. The agency also provides facilitation, training, and education to help labor and management develop collaborative relationships. In FY 2012, many of the FLRA’s training programs will also be available as web-based training modules, bringing educational tools and resources directly to the agency’s customers at their desks to further assist them in resolving labor-management disputes.

Measure 6.1: The percentage of ULP cases in the OGC in which an offer of ADR services is accepted by the parties that are partially or totally resolved.					
FY 2007	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	
Actual	**Actual**	**Actual**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	55%	87%
Data Source: Case Management System					
Target: Exceeded. The OGC far exceeded its FY 2011 target for this measure, through a renewed emphasis on settling ULP cases both before and after the charge was filed, and after a complaint has been issued.					

Measure 6.2: The percentage of ULP cases in the OALJ in which an offer of Settlement Judge services is accepted by the parties that are partially or totally resolved.					
FY 2007	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	
Actual	**Actual**	**Actual**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	70%	88%
Data Source: Case Management System					
Target: Exceeded. The OALJ offers use of its Settlement Judge Program in all ULP cases, and the voluntary use of the process by the parties demonstrates their desire to resolve the dispute without a due process hearing and ALJ decision that decides the matter for them. Thus, they are motivated participants rather than unwilling combatants. The Settlement Judge mediates the dispute rather than adjudicating it, which allows the parties to work together to arrive at a solution that serves all of their interests without the cost of litigation.					

Measure 6.3: The percentage of representation cases in the OGC in which an offer of ADR services is accepted by the parties that are partially or totally resolved.					
FY 2007	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	
Actual	**Actual**	**Actual**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	50%	93%
Data Source: Case Management System					
Target: Exceeded. The OGC far exceeded its FY 2011 target for this measure, through a renewed emphasis on bringing the parties together to work out their differences in representation cases, through trainings, pre-petition meetings, post-petition conference calls and meetings, and by generally encouraging them to narrow and settle their issues through ADR and other means.					

Measure 6.4: The percentage of arbitration cases in which an offer of ADR services is accepted by the parties that are partially or totally resolved.					
FY 2007	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	
Actual	**Actual**	**Actual**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	50%	100%
Data Source: Case Management System					
Target: Exceeded. Due to changes to the FLRA's arbitration regulations, ADR services were made available to our parties in arbitration cases for the first time in FY 2011. As a result of ADR efforts in cases in which the parties jointly agreed to try to resolve their case, the parties substantially narrowed the scope of their dispute, thereby minimizing the issues to be resolved by the Authority. The Authority expects to grow on this success with more parties utilizing our ADR services in arbitration cases in the coming year.					

Measure 6.5: The percentage of negotiability cases in which an offer of ADR services is accepted by the parties that are partially or totally resolved.					
FY 2007	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	
Actual	**Actual**	**Actual**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	80%	87%
Data Source: Case Management System					
Target: Exceeded. The FLRA was successful in fully resolving close to 20 pending negotiability cases in FY 2011. Through use of ADR services, the cases that would otherwise be pending on the Authority's docket, were expeditiously resolved with no further need for litigation, getting the parties back to conducting the business of government. Most noteworthy are a number of cases that involved complex long-standing disputes that the parties had expended resources over for many years and were able to resolve with the assistance of the Collaboration and Alternative Dispute Resolution Office (CADRO).					

Measure 6.6: The percentage of bargaining impasse cases in which an offer of ADR services is accepted by the parties that are partially or totally resolved.					
FY 2007	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	
Actual	**Actual**	**Actual**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	30%	29%
Data Source: Case Management System					
Target: Substantially Met. The Panel's ability to substantially meet its FY 2011 target is a reflection of the superior mediation and facilitation skills of its current Panel Members, all of whom have extensive experience in the Federal sector labor relations program, and its three professional staff. In addition, the high percentage of cases partially or totally resolved without the need for written final actions is consistent with the Panel's philosophy since inception that voluntary settlements are in the best interests of the parties and the public, and that the Panel performs its mission best when it serves as a catalyst in helping negotiators settle a matter informally on their own terms.					

Measure 6.7: The number of training, outreach, and facilitation activities conducted.					
FY 2007	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	
Actual	**Actual**	**Actual**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	175	332
Data Source: Case Management System					
Target: Exceeded. Throughout all FLRA components, the agency recommitted itself to delivering on its leadership role in labor-management relations, providing educational tools, training and support to our customers to assist them in resolving their disputes. In addition to conducting five Town Hall meetings across the country with representatives of the FSIP, Authority, and OGC, the FLRA participated in a number of training conferences offered to practitioners. The Authority continued its on-going arbitration initiative, providing additional rounds of training on its revised arbitration regulations. The OGC also continued to offer its statutory training courses across the country, along with its training on implementing Executive Order 13522, which has been repeatedly praised by the National Council on Labor-Management Relations for assisting with the successful implementation of the Executive Order. The CADRO continued to educate parties on the Order, interest-based bargaining techniques, and consensus decision making, in addition to delivering the Authority's program on bargaining over 5 U.S.C. 7106(b)(1) matters.					

Measure 6.8: The number of participants involved in training, outreach, and facilitation activities.					
FY 2007	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	
Actual	**Actual**	**Actual**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	5,000	11,975
Data Source: Case Management System					
Target: Exceeded.					

GOAL 7: MODERNIZE AGENCY INFORMATION TECHNOLOGY BUSINESS SYSTEMS TO SUPPORT AND ENHANCE PROGRAM ACHIEVEMENT.

The redesign of the Case Management System (CMS) for customers to file their cases online was initiated in FY 2009. To date, the case management modules for each component have been delivered. In FY 2011, work began on the e-filing portion of the CMS, with the FLRA delivering customer registration and FSIP e-filing capability – which is now undergoing quality assurance testing. The agency will focus on delivery of e-filing capability for the remaining components in FY 2012. While there is still more work to complete on e-filing, the new CMS is now in use.

Measure 7.1: The percentage of cases filed electronically with the FLRA.		
FY 2007	**Actual**	N/A
FY 2008	**Actual**	N/A
FY 2009	**Actual**	Awarded a contract for CMS development using the cloud solution, QuickBase.
FY 2010	**Actual**	Implemented the new CMS for all three FLRA components.
FY 2011	**Target**	To begin accepting electronic case filings.
	Actual	Began developing an electronic filing solution. Completed development of customer registration and FSIP e-filing capability, now undergoing quality assurance review.
Data Source: FLRA Information Resources Management Division		
Target: Not Met. While the target was not met, significant progress was made. One of the four modules required for e-filing, the customer registration process, was completed in September 2011. The majority of the second module, e-filing for the FSIP, has been developed and is currently in the quality assurance process. The FSIP will be ready to begin accepting e-filing submissions by the end of the first quarter of FY 2012. The remaining two e-filing modules, for the OGC and the Authority, will be completed by March 2012. Once these final modules are implemented, the FLRA will be able to begin accepting electronic filings.		

GOAL 8: DEVELOP, MANAGE, AND UTILIZE THE FLRA'S HUMAN CAPITAL TO MEET PROGRAM NEEDS.

The FLRA relies on its employees, supervisors, and managers to develop and implement policies and operational processes to achieve its strategic goals. To this end, the agency has partnered with its Labor-Management Forum to improve work-life balance, employee recognition, and career development programs. In FY 2010, the FLRA established a performance goal regarding the use of human capital, and developed and implemented a Human Capital Strategic Plan aimed at those areas identified for improvement. Consistent with the Human Capital Strategic Plan, the agency strategically recruits and develops its employees to make sure it has the right people with the right skills in the right jobs. As of October 31, 2011, approximately 25 percent of the FLRA's employees were eligible for retirement. Consequently, the FLRA expects, beginning in FY 2012, a wave of retirements. This highlights the agency's need to engage in succession planning, as well as employee and leadership development, which the agency handles through developmental details, student internships, and course offerings.

Measure 8.1: Program managers ensure that the right employees are in the right place to achieve results.		
FY 2007	**Actual**	N/A
FY 2008	**Actual**	N/A
FY 2009	**Actual**	N/A
FY 2010	**Actual**	Increased staffing levels in each program area; improved employee worklife balance through implementation of a robust telework program and videoconferencing, which reduces travel costs and time away from family; implemented an employee leadership developmental initiative in the OGC; and implemented a Student Temporary Employment Program. Also began human capital e-initiatives to: (1) improve hiring through the purchase of USA Staffing (an automated hiring system), which engages the hiring manager in all aspects of the hiring process, reduces time-to-hire metrics, and improves applicants' Federal hiring experience; and (2) gain greater efficiencies in records management through the purchase of eOPF, an electronic version of the paper Official Personnel Folder (OPF), providing web-enabled access for employees and human resources (HR) staff to view personnel and performance documents.
FY 2011	**Target**	Consistent with the Human Capital Strategic Plan, to conduct an agency-wide training needs assessment and create individual development plans to address areas needing skills improvement and to further increase mission-critical competencies; to implement a new performance management system for Senior Executive Service (SES) and non-SES employees; to develop an affirmative action plan and diversity outreach program; to continue human capital e-initiatives; and to initiate brown-bag programs to inform employees of relevant HR initiatives.

	Actual	The FLRA continued to focus on employee engagement in FY 2011. Its Labor-Management Forum updated the Alternative Work Schedule policy, which increased flexibility within the program, began work on recognizing diversity through special emphasis programs, and updated employee awards programs. The agency also formed a joint labor-management workgroup to design a new Performance Management System for General Schedule employees for OPM certification, approval, and agency implementation; an employee workgroup also designed and submitted to OPM for approval a revised Senior Executive Service appraisal system. Consistent with the Human Capital Strategic Plan, FLRA conducted a training needs assessment, which will be used to create individual development plans to address areas needing skills improvement and to further increase mission-critical competencies. Additionally, the agency supported employee ideas, initiatives, and employee-focused programs, such as "Bring Your Child to Work" day, Public Service Recognition Week, a health benefits fair, and a blood drive. FLRA also initiated brown-bag programs and an educational series to inform and develop employees in a casual setting. Human capital e-initiatives continued with the successful implementation of USA Staffing, NBC's Data Mart reporting tool, and employee eOPFs. The agency also initiated the procurement of Kronos WebTA, an automated employee time tracking system.
Data Source: FLRA Human Resources Division		
Target: Substantially Met.		

VERIFICATION AND VALIDATION OF PERFORMANCE DATA

The FLRA CMS is used by each component to track and manage agency caseload. Each component enters information on all cases into the CMS and is accountable for quality control of all workload data entered into the system. Data verification and validation was performed under both the new CMS and the former, soon-to-be retired, system.

PRINCIPAL FINANCIAL STATEMENTS

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

The FLRA's FY 2011 Performance and Accountability Report reflects the correlation between the financial and programmatic aspects of the agency's work. The report bridges these two areas, presenting FLRA performance with the financial results of agency operations. The principal financial statements and notes that follow explain the FLRA's financial position as of September 30, 2011, and how financial resources were expended to achieve performance results. For the eighth consecutive year, the FLRA received an unqualified opinion on its financial statements. Along with the unqualified opinion, the report of independent auditors found no material weaknesses in the design and operation of the agency system of internal controls over financial reporting.

While we take pride in our successes, FY 2011 also proved to be a challenging year for financial planning for the FLRA. Within the current Federal budget environment, the agency's FY 2011 funding level was set at a lower level than the previous year. The efforts of the FLRA's dedicated and committed employees, however, continued to produce a high standard of financial management at the FLRA. We look to the future with confidence as we continue the strategic direction of the agency.

Carol Waller Pope
Chairman and Chief Financial Officer
November 15, 2011

Federal Labor Relations Authority
BALANCE SHEET
(in dollars)

As of September 30, 2011 and 2010

	2011	**2010**
Assets:		
Intragovernmental:		
Fund balance with Treasury (Note 2)	$6,532,013	$8,382,647
Accounts receivable (Note 3)	17,021	8,868
Advances and prepayments	11,212	21,659
Total intragovernmental	6,560,246	8,413,174
Accounts receivable from the public, net (Note 3)	5,243	3,404
General property and equipment, net (Note 4)	525,753	716,672
Total Assets	**$7,091,242**	**$9,133,250**
Liabilities:		
Intragovernmental:		
Accounts payable	$210,917	$30,279
Unfunded FECA liability (Note 5)	239,011	248,274
Accrued payroll and benefits	0	13,170
Custodial liability	76	40
Total intragovernmental	450,004	291,763
Accounts payable	21,764	117,213
FECA actuarial liability (Note 5)	1,141,306	1,172,904
Unfunded leave (Note 5)	1,513,590	1,437,695
Accrued payroll and benefits	1,280,740	1,350,396
Other (Note 6)	4	0
Total Liabilities	**$4,407,408**	**$4,369,971**
Net Position:		
Unexpended appropriations – other funds	$5,016,802	$6,901,675
Cumulative results of operations – other funds	(2,332,968)	(2,138,396)
Total Net Position	**$2,683,834**	**$4,763,279**
Total Liabilities and Net Position	**$7,091,242**	**$9,133,250**

The accompanying notes are an integral part of these statements.

Federal Labor Relations Authority STATEMENT OF NET COST (in dollars)		
For the Years Ended September 30, 2011 and 2010		
	2011	**2010**
Gross Program Costs:		
Authority:		
Intragovernmental costs	$3,869,249	$4,128,082
Public costs	11,498,999	11,547,207
Total costs	15,368,248	15,675,289
Intragovernmental earned revenue	(5,580)	(4,413)
Public earned revenue	(4,398)	(3,467)
Less: Total earned revenue	(9,978)	(7,880)
Net Program Costs	**$15,358,270**	**$15,667,409**
Office of the General Counsel:		
Intragovernmental costs	$60	$420
Public costs	10,809,060	10,854,375
Total costs	10,809,120	10,854,795
Intragovernmental earned revenue	(52,461)	(40,222)
Public earned revenue	(13,924)	(10,692)
Less: Total earned revenue	(66,385)	(50,914)
Net Program Costs	**$10,742,735**	**$10,803,881**
Federal Service Impasses Panel:		
Intragovernmental costs	$0	$0
Public costs	689,940	692,832
Total costs	689,940	692,832
Intragovernmental earned revenue	(1,527)	(1,206)
Public earned revenue	(797)	(612)
Less: Total earned revenue	(2,324)	(1,818)
Net Program Costs	**$687,616**	**$691,014**
Net Cost of Operations	**$26,788,621**	**$27,162,304**

The accompanying notes are an integral part of these statements.

Federal Labor Relations Authority
STATEMENT OF CHANGES IN NET POSITION
(in dollars)

For the Years Ended September 30, 2011 and 2010

	2011	**2010**
Cumulative Results of Operations:		
Beginning balance	$(2,138,396)	$(1,991,129)
Budgetary financing sources:		
Appropriations used	24,931,853	25,344,085
Non-exchange revenue	(4)	0
Other financing sources (non-exchange):		
Transfers in/out without reimbursement	(24,675)	0
Imputed financing	1,686,875	1,670,952
Total financing sources	26,594,049	27,015,037
Net cost of operations	(26,788,621)	(27,162,304)
Net change	(194,572)	(147,267)
Cumulative Results of Operations	**$(2,332,968)**	**$(2,138,396)**
Unexpended Appropriations:		
Beginning balance	$6,901,675	$9,048,592
Budgetary financing sources:		
Appropriations received	24,773,000	24,773,000
Other adjustments	(1,726,020)	(1,575,832)
Appropriations used	(24,931,853)	(25,344,085)
Total budgetary financing sources	(1,884,873)	(2,146,917)
Total Unexpended Appropriations	**$5,016,802**	**$6,901,675**
Net Position	**$2,683,834**	**$4,763,279**

The accompanying notes are an integral part of these statements.

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

For the Years Ended September 30, 2011 and 2010

	2011	**2010**
Budgetary Resources:		
Unobligated balance, brought forward, October 1	$4,876,678	$6,481,207
Recoveries of prior year unpaid obligations	46,400	187,003
Budget authority:		
Appropriation	24,773,000	24,773,000
Spending authority from offsetting collections		
Earned		
Collected	81,238	52,146
Change in receivables from Federal sources	(2,555)	8,466
Change in unfilled customer orders		
Without advance from Federal sources	647	0
Total budget authority	24,852,330	24,833,612
Permanently not available	(1,726,020)	(1,575,832)
Total Budgetary Resources	**$28,049,388**	**$29,925,990**
Status of Budgetary Resources:		
Obligations incurred:		
Direct	$24,717,028	$24,988,700
Reimbursable	79,330	60,612
Total obligations incurred	24,796,358	25,049,312
Unobligated balance:		
Apportioned	53,918	67,773
Unobligated balance not available	3,199,112	4,808,905
Total Status of Budgetary Resources	**$28,049,388**	**$29,925,990**
Change in Obligated Balance:		
Obligated balance, net:		
Unpaid obligations, brought forward, October 1	$3,514,395	$3,675,662
Uncollected customer payments from Federal sources, brought forward, October 1	(8,466)	0
Obligations incurred, net (Note 10)	24,796,358	25,049,312
Gross outlays	(24,978,891)	(25,023,576)
Recoveries of prior year unpaid obligations, actual	(46,400)	(187,003)
Change in uncollected customer payments from Federal sources	1,908	(8,466)
Total, Unpaid Obligated Balance, Net, End of Period	**$3,278,904**	**$3,505,929**
Unpaid obligations	3,285,463	3,514,395
Uncollected customer payments from Federal sources	(6,559)	(8,466)
Total, Unpaid Obligated Balance, Net, End of Period	**$3,278,904**	**$3,505,929**
Net Outlays:		
Gross outlays	$24,978,891	$25,023,576
Offsetting collections	(81,238)	(52,146)
Net Outlays	**$24,897,653**	**$24,971,430**

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies

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

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

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

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

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

(e) ***Accounts Receivable –*** Accounts receivable consists of amounts due from other Federal entities and from current and former employees and vendors. Amounts due from the public

are stated net of an allowance for uncollectible accounts that is based on an analysis of outstanding receivables balances and past collection experience. No allowance is established for intragovernmental receivables, as they are considered fully collectible from other Federal agencies.

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

Major alterations and renovations are capitalized, while maintenance and repair costs are charged to expense as incurred. Capitalization threshold levels were changed during FY 2010. FLRA's capitalization threshold was $3,500 for individual purchases. Bulk purchases of similar items which individually were worth less than $3,500, but collectively were worth more than $30,000, were also capitalized using the same general P&E categories and useful lives as capital acquisitions. Effective in FY 2010, the capitalization threshold for individual items changed to $25,000. Bulk purchases of similar items which individually are worth less than $25,000, but collectively are worth more than $100,000, are now also capitalized using the same general P&E categories and useful lives as capital acquisitions. Also, building/leasehold improvements of $25,000 are now capitalized.

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

(g) ***Liabilities –*** Liabilities represent the amount of monies or other resources likely to be paid by 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 Federal government, acting in its sovereign capacity, can abrogate liabilities other than contracts. Liabilities that are covered by budgetary resources consist of intragovernmental and public accounts payable and accrued funded payroll. Liabilities not covered by budgetary resources in FY 2010 and FY 2011 consist of accrued and actuarial Federal Employees Compensation Act (FECA) compensation and unfunded employee leave.

(h) ***FECA Liabilities*** **–** An accrued FECA liability is recorded for actual and estimated future payments to be made for workers' compensation pursuant to the FECA. The actual costs incurred are reflected as a liability because agencies will reimburse the U.S. Department of Labor (DOL) two years after the actual payment of expenses. Future revenues will be used for their reimbursement to the DOL. The liability consists of: (1) the net present value of estimated future payments calculated by the DOL; and (2) the un-reimbursed cost paid by the DOL for compensation to recipients under the FECA.

An estimated actuarial liability for future workers' compensation benefits is included. The liability estimate is based on the DOL's FECA actuarial model that takes the amount of benefit payments over the last twelve quarters and calculates the annual average of payments for medical expenses and compensation. This average is then multiplied by the liabilities-to-benefits paid ratios for the whole FECA program for FY 2011. The ratios may vary from year to year as a result of economic assumptions and other factors, but the model calculates a liability approximately eleven times the annual payments.

(i) ***Annual, Sick and Other Leave*** **–** Amounts associated with the payment of annual leave are accrued while leave is being earned by employees, and this accrual is reduced as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent that current or prior year appropriations are not available to finance annual leave, future financing sources will be used. Sick leave and other types of non-vested leave are expensed as taken. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. No credit is given for sick leave balances upon the retirement of Federal Employees Retirement System (FERS)-covered employees.

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

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

(l) ***Retirement Plans*** **–** The FLRA's employees participate in the CSRS or the FERS. For CSRS employees, hired prior to January 1, 1984, the FLRA withholds seven percent of each employee's salary and contributes seven percent of the employee's basic salary to the CSRS Retirement and Disability Fund. These employees may also contribute, on a tax-deferred basis, to a defined contribution plan – the Thrift Savings Plan (TSP). In 2010, the regular

IRS limit was $16,500; that limit remained at $16,500 for 2011. The FLRA is not required to and does not contribute any matching amounts for CSRS employees.

The FERS was established by enactment of Public Law 99-335. Pursuant to this law, the FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired before January 1, 1984 elected either to join the FERS and Social Security or to remain in the CSRS. For FERS employees, the FLRA withholds 6.2 percent in old age survivors and disability insurance up to a specified wage ceiling and 0.8 percent of an employee's gross earnings for retirement. In FY 2011, the FLRA matched the retirement withholdings with a contribution equal to 11.2 percent of the employee's taxable salary.

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

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

(m) Imputed Financing from Costs Absorbed by Others – The FASAB's SFFAS Number 5, *Accounting for Liabilities of the Federal Government*, requires that employer agencies recognize the full cost of pensions, health, and life insurance benefits, during their employees' active years of service. The OPM, as administrator of the CSRS and FERS plans, the Federal Employees Health Benefits Program, and the Federal Employees Group Life Insurance Program, must provide the "cost factors" that adjust the agency contribution rate to the full cost for the applicable benefit programs. An imputed financing source and corresponding imputed personnel cost is reflected in the Statement of Changes in Net Position and the Statement of Net Cost, respectively.

(n) Revenue and Other Financing Sources – The FLRA's revenues are derived from reimbursable agreements (exchange) and direct, annual appropriation (financing source). The FLRA recognizes reimbursable work agreement revenue when earned, i.e., goods that have been delivered or services that have been 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 agency receives an annual Salaries and Expenses appropriation from the Congress. Annual appropriations are used, within statutory limits, for salaries and administrative expenses and for operating and capital expenditures for essential 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 both FY 2010 and FY 2011 was $24,773,000. The appropriation for FY 2011, however, was reduced by $49,546 pursuant to a 0.2 percent across-the-board rescission included in Public Law 112-10.

(o) 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 cancelled and any remaining money is returned to the Treasury.

(p) Transactions with Related Parties – In the course of its operations, the FLRA has relationships and conducts financial transactions with numerous Federal agencies. The most prominent of these relationships are with the Treasury, the U.S. Department of Health and Human Services, the U.S. Department of the Interior's National Business Center, and the General Services Administration.

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

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

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

Note 2: Fund Balance with Treasury

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

Fund Balance with Treasury		
As of September 30,	**2011**	**2010**
General funds	$6,531,934	$8,382,607
Other fund types	79	40
Total	**$6,532,013**	**$8,382,647**

Status of Fund Balance with Treasury		
As of September 30,	**2011**	**2010**
Unobligated balance available	$53,918	$67,773
Unobligated balance unavailable	3,199,112	4,808,905
Obligated balance not yet distributed	3,278,904	3,505,929
Non-budgetary fund balance with Treasury	79	40
Total	**$6,532,013**	**$8,382,647**

Note 3: Accounts Receivable, Net

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

Accounts Receivable, Net		
As of September 30,	**2011**	**2010**
From Federal agencies, net	$17,021	$8,868
From the public, net	5,243	3,404
Total	**$22,264**	**$12,272**

Amounts Due from Other Federal Agencies		
As of September 30,	**2011**	**2010**
Department of Agriculture	$0	$2,236
Department of Defense	1,123	1,451
Department of Energy	0	754
Department of Homeland Security	0	850
Department of Justice	407	632
Department of Transportation	0	291
Department of Veterans Affairs	0	2,654
Environmental Protection Agency	1,096	0
United States Postal Service	14,395	0
Total	**$17,021**	**$8,868**

Note 4: General Property and Equipment, Net

Category	Service Life	Acquisition Value	Accumulated Depreciation	2011 Net Book Value	2010 Net Book Value
Software	3 years	$258,957	$(258,957)	$0	$0
Computer equipment	5 years	497,616	(398,817)	98,799	100,035
Office equipment	7 years	541,272	(368,620)	172,652	245,681
Office furniture	15 years	526,039	(378,133)	147,906	223,015
Leasehold improvements	Life of lease	428,172	(321,776)	106,396	147,941
Total		**$2,252,056**	**$(1,726,303)**	**$525,753**	**$716,672**

Note 5: Liabilities Not Covered By Budgetary Resources

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

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

Liabilities Not Covered By Budgetary Resources		
For the Years ended September 30,	**2011**	**2010**
Intragovernmental – Unfunded FECA liabilities	$239,011	$248,274
Federal employee benefits – FECA actuarial liability	1,141,306	1,172,904
Unfunded leave	1,513,590	1,437,695
Total	**$2,883,907**	**$2,858,873**

Note 6: Other Liabilities

Other liabilities in FY 2011 include interest payment from a customer agency for reimbursable travel. Payment was deposited into the Treasury's General Fund Interest Account.

Note 7: Leases

The FLRA has operating leases for rental of office space and office equipment. As a Federal agency, the FLRA is not liable for any lease terms beyond one year. The agency anticipates that space levels consistent with FY 2011 will be required for the next five years.

Future Minimum Lease Payments			
FY	**Equipment**	**Building**	**Total**
2012	$15,869	$2,254,907	$2,270,776
2013	15,869	2,363,781	2,379,650
2014	15,869	2,461,114	2,476,983
2015	6,086	2,407,314	2,413,400
2016	0	2,329,077	2,329,077
Thereafter	0	14,971,777	14,971,777
Total	**$53,693**	**$26,787,970**	**$26,841,663**

Note 8: Commitments and Contingencies

The 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 agency has examined its obligations related to cancelled FY 2006 authority and believes that it will not have outstanding commitments that will require future resources.

Note 9: Intragovernmental Costs and Exchange Revenue

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

Note 10: Apportionment Categories of Obligations Incurred: Direct Versus Reimbursable Obligations

Obligations Incurred		
For the Years Ended September 30,	**2011**	**2010**
Direct obligations – Category A	$24,717,028	$24,988,700
Reimbursable obligations – Category A	79,330	60,612
Total	**$24,796,358**	**$25,049,312**

Note 11: Undelivered Orders at the End of the Period

The amount of budgetary resources obligated for undelivered orders at the end of September 30, 2011 and 2010 is $1,772,040 and $2,003,337, respectively.

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

SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, calls for explanation of material differences between amounts reported in the Statement of Budgetary Resources and the actual balances published in the Budget of the U.S. Government (the President's Budget). The FY 2012 President's Budget, with actual amounts for FY 2010, has been reconciled to the Statement of Budgetary Resources. The FY 2013 President's Budget, with actual amounts for FY 2011, will not be published until February 2012.

Note 13: Reconciliation of Net Cost to Budget

Details of the relationship between budgetary resources obligated and the net costs of operations for the fiscal years ended September 30, 2011 and 2010 are shown in the table on the following page.

Reconciliation of Net Cost to Budget		
For the Years Ended September 30,	**2011**	**2010**
Resources Used to Finance Activities:		
Obligations incurred	$24,796,358	$25,049,312
Spending authority from offsetting collections:		
Collected	(81,238)	(52,146)
Change in receivable from Federal sources	(647)	(8,466)
Recoveries of prior year unpaid obligations	(46,400)	(187,003)
Transfers in/out without reimbursement	(24,675)	0
Imputed financing sources	1,686,875	1,670,952
Other	(4)	0
Total Resources Used to Finance Activity	**$26,330,269**	**$26,472,649**
Resources Used That Do Not Fund Net Cost of Operations:		
Change in unfilled customer orders	$647	$0
Change in undelivered orders	241,745	535,181
Current-year capitalized purchases	(29,789)	0
Other resources/adjustments that do not affect net cost of operations	0	(278,891)
Components of the Net Cost of Operations Which Do Not Generate or Use Resources in the Reporting Period:		
Change in receivables	(9,992)	8,466
Other financing sources not in the budget	(1,686,875)	(1,670,952)
Depreciation and amortization	220,707	215,297
Future funded expenses	66,632	142,654
Imputed costs	1,686,875	1,670,952
Other expenses not requiring budgetary resources	(31,598)	66,948
Net Cost of Operations	**$26,788,621**	**$27,162,304**

DJHPM
Dembo, Jones, Healy, Pennington & Marshall, P.C.
Certified Public Accountants and Consultants

Chairman Pope:

We have audited the accompanying balance sheet of the Federal Labor Relations Authority (FLRA) as of September 30, 2011 and 2010, and the related statements of net cost and changes in net position, and statement of budgetary resources, for the year then ended. In our audit of the Federal Labor Relations Authority for the fiscal year September 30, 2011, we found

- the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles,

- no material weaknesses or significant deficiencies in internal control over financial reporting (including safeguarding assets),

- no reportable noncompliance with laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions, (2) our conclusions on Management's Discussion and Analysis (MD&A) and other accompanying information, and (3) our audit objectives, scope, and methodology.

Opinion on Financial Statements

In our opinion, the financial statements including the accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the Federal Labor Relations Authority's assets, liabilities, and net position as of September 30, 2011; and net costs; changes in net position; and budgetary resources for the year then ended.

The financial statements of the Federal Labor Relations Authority as of September 30, 2010 were audited by other auditors whose report dated November 15, 2010, expressed an unqualified opinion on those statements.

Consideration of Internal Control

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

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included in MD&A. Accordingly, we do not express an opinion on internal control over financial reporting and compliance or on management's assertion on the effectiveness of the entity's internal control over financial reporting or on management's assertion on internal control included in the MD&A.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies, as defined above.

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

Compliance With Laws and Regulations

Our tests of the Federal Labor Relations Authority's compliance with selected provisions of laws and regulations for fiscal year 2011 disclosed no instances of noncompliance that would be reportable under U.S. generally accepted government auditing standards or OMB audit guidance. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Consistency of Other Information

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

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

Objectives, Scope, and Methodology

The Federal Labor Relations Authority's management is responsible for (1) preparing the financial statements in conformity with U.S. generally accepted accounting principles, (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers' Financial Integrity Act are met, and (3) complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We are also responsible for (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB audit guidance requires testing, and (3) performing limited procedures with respect to certain other information appearing with the Annual Financial Statements.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;

- assessed the accounting principles used and significant estimates made by management;

- evaluated the overall presentation of the financial statements;

- obtained an understanding of the FLRA and its operations, including its internal control related to financial reporting (including safeguarding assets), and compliance with laws and regulations (including execution of transactions in accordance with budget authority);

- tested relevant internal controls over financial reporting and compliance, and evaluated the design and operating effectiveness of internal control;

• considered the design of the process for evaluating and reporting on internal control and financial management systems under the Federal Managers' Financial Integrity Act; and

• tested compliance with selected provisions of laws and regulations.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to the Federal Labor Relations Authority. We limited our tests of compliance to selected provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB audit guidance that we deemed applicable to the Federal Labor Relations Authority's financial statements for the fiscal year ended September 30, 2011. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our audit in accordance auditing standards generally accepted in the United States; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB guidance.

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

Rockville, Maryland
November 15, 2011

OTHER ACCOMPANYING INFORMATION

SUMMARY OF FINANCIAL STATEMENT AUDIT

Audit Opinion:	Unqualified				
Restatement:	No				
	Beginning Balance	**New**	**Resolved**	**Consolidated**	**Ending Balance**
Material weaknesses	0	0	0	0	0

SUMMARY OF MANAGEMENT ASSURANCES

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance:	Unqualified					
	Beginning Balance	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Material weaknesses	0	0	0	0	0	0

Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance:	Unqualified					
	Beginning Balance	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Material weaknesses	0	0	0	0	0	0

Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance:	Systems conform					
	Beginning Balance	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Non-conformances	0	0	0	0	0	0

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

MEMORANDUM

DATE: October 14, 2011

TO: Carol Waller Pope
Chairman

Thomas Beck
Member

Ernest DuBester
Member

FROM: Dana Rooney-Fisher DRF
Inspector General

SUBJECT: Inspector General Identified Management Challenges

This memorandum transmits the key management and performance challenges facing the Federal Labor Relations Authority (FLRA) as identified by the Inspector General (lG).

The FLRA is required to prepare an annual "Performance and Accountability Report" (PAR) which must be submitted to the President, the Office of Management and Budget, and to appropriate committees and subcommittees of Congress within 45 days of the end of the fiscal year (FY). The Reports Consolidation Act of 2000, Public Law 106-531, requires the IG to provide the agency head with a statement that summarizes the most serious management and performance challenges facing the agency and briefly assesses the agency's progress in addressing those challenges. This statement should be included in the PAR.

Accordingly, the attached document describes the most serious management and performance challenges facing the FLRA along with a brief assessment of management's progress in addressing them. These ongoing challenges include: resource shortages; FLRA physical and information technology security; proper handling of records; and succession planning.

The above challenges were also noted in the agency's FY 2010 PAR. The agency has made substantial progress in addressing these challenges as further described in the attachment. Further, management has taken sufficient action to effectively mitigate several of the IG identified challenges that were contained in the FY 2009 PAR, which the Office of the Inspector General (OIG) no longer considers to be serious challenges. We appreciate management's strong commitment in addressing these challenges and welcome comments to our assessment.

Attachment

Office of the Inspector General
Federal Labor Relations Authority
Top Management and Performance Challenges

Challenge: Human Resources Shortage

During the past decade, overall, the Federal Labor Relations Authority (FLRA) has conducted its operations with a diminishing amount of full-time equivalents (FTE). For example, in Fiscal Year (FY) 2001, the staffing level was about 200 FTE, but by FY 2011 the total actual FTE used was approximately 35 percent lower. Although the entire Federal Government faces the prospect of doing more with less, this decline in human resources continues to pose a risk that the agency will be handicapped in effectively performing its mission. Having substantially fewer resources will cause management, by necessity, to strategically fill positions and thereby accept higher degree of risk in areas deemed less critical, though still important to agency operations. My office first reported this issue as a challenge in my statement that was included in the FLRA's FY 2009 PAR and again in FY 2010 as well.

Progress made:

The FLRA has proactively addressed this challenge in several ways. First, the agency requested additional resources in its FY 2011 Congressional Budget Justification, but the request was not fully funded. Additionally, in FY 2011 when the FLRA was funded at less than the FY 2010 level, it implemented cost savings measures including reducing funding for discretionary items such as travel, training and other initiatives to help minimize the impact on human resources. Finally, with input from senior management and the Union of Authority Employees, the FLRA continued to assess available resources and redirect them to ensure key positions were filled, which may have not been filled otherwise. The agency was able to redirect its resources in a manner which enabled it to substantially meet its performance goals for the fiscal year.

Challenge Ahead:

Although management is proactively addressing this challenge by reallocating its existing resources, reallocating the same level of resources may detract from the agency's ability to perform functions previously staffed at higher levels. Accordingly, the ongoing challenge is to obtain the sufficient human resources for optimal performance, while also considering efficiency. In addition, flat-lined budgets will make it increasingly difficult to realign existing resources while also absorbing cost increases such as inflation. The Inspector General (IG) noted the agency's FY 2012 Congressional Budget Justification included a request for an increase in funding to support an additional three FTE.

Challenge: Information Technology Security

While technological advances enable increases in efficiency, they also can pose additional vulnerabilities and threats to agency operations. The agency must remain vigilant in establishing a control environment that incorporates monitoring potential information technology (IT) risks, threats and vulnerabilities and in mitigating them.

Progress made:

In response to a non-public report issued in FY 2011, which was based on an independent evaluation of the quality and compliance of the agency's security program, management has proactively taken a number of steps to address findings contained in the report. Management developed a Plan of Action and Milestones and successfully addressed 75 percent of the open issues noted in prior reports. However, several issues still remained open as of the end of FY 2011 and at least one additional item was identified.

Challenge Ahead:

Maintaining a capability to proactively assess and mitigate risks that result from advances in IT is a challenge facing not only FLRA but also the Government as a whole. This challenge could become more prominent if adequate attention and resources are not vested in the IT program. While Federal requirements continue to change in an attempt to better secure the Federal IT infrastructure, complying with evolving mandatory IT security requirements will pose an ongoing challenge to the agency.

Challenge: Proper Handling of and Access to Agency Records

It is essential to have adequately documented policies, procedures and processes that address the proper handling of all hard copy and electronic records. In prior statements, including FY 2010, my office has noted that although certain types of records (hard copy and electronic) do not have legal retention requirements, agency policies, processes and procedures should clearly and specifically instruct staff on the proper handling. The need to develop and maintain such policies continues. However, even more crucial, is the need for adequate controls to safeguard individually identifiable information (III) and personally identifiable information (PII) which the agency maintains so that only staff who have a legitimate need have access to such information. We noted that the agency controls and procedures pertaining to the monitoring which systems maintain III and PII could be improved as well as its practices pertaining to performing Privacy Impact Assessments as required by the Office of Management and Budget (OMB).

Progress made:

The FLRA is currently developing a case management infrastructure that supports electronic files, and will further agency efforts to properly handle agency case file records. Additionally, management plans to develop policies, processes and procedures that provide staff with clear guidance for handling records. The FLRA has also automated many of its systems – accounting, procurement, time and attendance.

Challenge Ahead:

The FLRA should ensure that its policies, processes and procedures address the unique requirements pertaining to safeguarding III and PII and should address related requirements such as those specified by the White House in the OMB Memorandum M-03-22, "OMB Guidance for Implementing the Privacy Provisions of the E-Government Act of 2002".

Challenge: Succession Planning

Maintaining an adequate number of skilled staff in light of the aging national workforce is a challenge that the Federal Government as a whole faces moving forward into the next decade.

As the number of qualified and skilled workers available to fill positions declines, agencies must proactively plan in advance for ensuring key leadership positions do not go unfilled for extended periods. Accordingly, the FLRA faces the same challenges as other Federal agencies do in this area.

Progress made:

In October 2010, the FLRA embarked on its first collaborative strategic planning effort in nearly 10 years. In addition, in both FY 2010 and FY 2011, the FLRA identified succession planning as priority, setting forth such planning as one of the agency's performance goals. In FY 2010, the agency began offering developmental details to supervisory positions in the Office of the General Counsel. Work to address the agency's succession planning needs is on-going and continuous.

Challenge Ahead:

The agency must maintain its current focus on ensuring that its transition plans are kept current to address the external changes in the workforce landscape and changes that may impact tools that are available for managing staff (e.g., changes to Government-wide policy made by the U.S. Office of Personnel Management). The IG will continue to monitor agency progress in addressing this challenge.

MANAGEMENT'S RESPONSE

Over the last two years, the FLRA has engaged in a thorough review of agency programs and performance. Efforts were focused on budget-related matters and the development of management initiatives to improve the FLRA's performance of its statutory mission. In addition to program performance, the review included information technology (IT) investments, human resources (HR), case processing, and financial management. As a result, in recent years, the FLRA has made substantial progress in addressing and resolving deficiencies and challenges identified.

It is useful each year to take stock of the progress achieved toward eliminating remaining deficiencies and challenges identified by the IG. Many prior-year challenges have been addressed and eliminated. The remaining, ongoing challenges identified by the IG include resource shortages, FLRA physical and IT security, proper handling of records, and succession planning. With respect to these ongoing challenges, management has made, and continues to make, progress toward elimination of most of the challenges identified.

Human Resources Shortage

The IG identified a risk that the agency will be handicapped in effectively performing its mission due to a shortage of HR. The FLRA has mitigated some of that risk by strategically reallocating resources to critical positions, shifting the risk from critical to less critical areas, and by requesting additional resources in subsequent budget years. Management has and will continue to balance agency HR levels against acceptable performance and program outcomes.

We are pleased to report that re-allocating resources has in part resulted in the FLRA meeting or substantially meeting its organizational performance goals for the last two fiscal years. As reduced funding levels become the norm within the Federal government, the FLRA will continue to assess the status of resources throughout the agency, and strategically re-allocate resources to maximize organizational and program performance.

Information Technology Security

The IG identified a concern that the agency must remain vigilant in establishing a control environment that incorporates monitoring potential IT risks, threats, and vulnerabilities, and mitigating them. Management agrees with the IG and has made it a priority to focus on IT security, closing over 75 of the prior year's open items in FY 2011. Over the past year, the FLRA invested the resources necessary to mitigate security risks, threats, and vulnerabilities, with the goal of closing the remaining 25 open items over the next fiscal year.

Proper Handling of and Access to Agency Records

The IG suggests that the FLRA could improve controls, procedures, and Privacy Impact Assessment (PIA) practices pertaining to monitoring systems that maintain III and PII. Management agrees that it is important to protect vulnerable III and PII and, as a result, has implemented a policy on protection of PII. The policy instruction establishes rules of behavior to ensure that safeguards are in place to protect all FLRA systems containing PII and provides procedures for reporting and responding to breaches of PII. The Instruction is based on OMB Memorandum M-03-22, *OMB Guidance for Implementing the Privacy Provisions of the E-Government Act of 2002*. The FLRA has prepared, but yet to issue, draft PIAs for information systems. The FLRA Information Resources Management Division is currently compiling a list of agency information systems that may contain PII, so that PIAs can be written and posted on the FLRA intranet.

Succession Planning

The IG noted that the FLRA, like the rest of the Federal government, will face the challenge of maintaining an adequate number of skilled staff in light of the aging national workforce, and recommends that the agency proactively plan in advance to ensure that key leadership positions do not go unfilled. The agency strongly believes succession planning is critical and has included it as a human capital goal within the FLRA Strategic Plan. In FY 2011, the FLRA began work on the foundational aspects of workforce and succession planning, developing core competencies for critical positions. Using these competencies, the FLRA conducted a training needs assessment. The resulting data will form targeted Individual Development Plans and employee development programs and training. The agency believes succession planning will be an on-going effort required to meet program performance and mission needs.

Over the last year, the agency continued to offer developmental details to supervisory positions in the OGC. In addition, the agency dedicated resources in FY 2010 and FY 2011 to executive development training for Authority and OGC staff to prepare for positions of leadership. The agency recently conducted a new employee orientation session using seasoned staff to train new employees on best agency practices. Work to address the agency's succession planning needs is on-going and continuous, as reflected in the agency's goals for FY 2012 to enhance developmental offerings such as career advancement programs.

Moving forward, the FLRA will continue to take steps necessary to effectively manage agency resources and staff to better accomplish its important mission of providing guidance in resolving labor-management disputes in the Federal sector. The agency recognizes that a renewed and revitalized FLRA depends on not only funding but also creativity in using existing resources as well as vigorous dedication to improving program performance, agency management, and employee morale and satisfaction.

IMPROPER PAYMENTS ELIMINATION AND RECOVERY

The Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), requires agencies to annually report information on improper payments. The FLRA has reviewed all of its programs and determined that none are susceptible to significant improper payment. The IPERA also requires agencies to conduct payment recapture audits for each program that expends $1 million or more annually, if conducting such audits would be cost-effective. Based on the criteria set forth in Appendix C of Office of Management and Budget Circular A-123, the agency has also determined that it would not be cost-effective to establish a recovery audit program for its programs that expend more than $1 million. Recoveries are not expected to be greater than the costs incurred to identify any overpayments.

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