



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

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

Decisions of the
FEDERAL
LABOR
RELATIONS
AUTHORITY

20
13

WWW.FLRA.GOV

**UNITED STATES
FEDERAL LABOR RELATIONS AUTHORITY**



Performance and Accountability Report

FISCAL YEAR 2013

TABLE OF CONTENTS

MESSAGE FROM THE CHAIRMAN	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
Background and Mission	3
Organizational Structure	3
Strategic and Performance Planning Framework	6
Performance Summary.....	11
Financial Analysis.....	19
Management Assurances	22
PERFORMANCE GOALS AND RESULTS	23
Goal 1: Provide Timely Review and Disposition of Unfair Labor Practice Cases.....	23
Goal 2: Provide Timely Review and Disposition of Representation Cases.....	25
Goal 3: Provide Timely Review and Disposition of Arbitration Cases.....	26
Goal 4: Provide Timely Review and Disposition of Negotiability Cases	27
Goal 5: Provide Timely Review and Disposition of Bargaining Impasse Cases.....	28
Goal 6: Use Collaboration Techniques and Alternative Dispute Resolution Services to Minimize and/or Resolve Labor-Management Disputes.....	29
Goal 7: Modernize Agency Information Technology Business Systems to Support and Enhance Program Achievement	31
Goal 8: Develop, Manage, and Utilize the FLRA’s Human Capital to Meet Program Needs	32
Verification and Validation of Performance Data	34
PRINCIPAL FINANCIAL STATEMENTS	35
Message from the Chief Financial Officer.....	35
Balance Sheet.....	36
Statement of Net Cost	37
Statement of Changes in Net Position	38
Statement of Budgetary Resources	39
Notes to the Financial Statements.....	40
Report of Independent Auditors.....	50
OTHER ACCOMPANYING INFORMATION	53
Summary of Financial Statement Audit.....	53
Summary of Management Assurances.....	53
Memorandum on Inspector General Identified Management Challenges	54
Management’s Response	58
Improper Payments Elimination and Recovery	58

MESSAGE FROM THE CHAIRMAN



I am pleased to present the U.S. Federal Labor Relations Authority's (FLRA) Performance and Accountability Report for Fiscal Year (FY) 2013. As I discuss in more detail below, FY 2013 presented virtually unprecedented challenges for the FLRA. To begin, each component of the FLRA – the Authority, the Office of the General Counsel (OGC), and the Federal Service Impasses Panel (FSIP) – experienced an increase in case filings. At the same time, the FLRA's FY 2013 funding level, which like other agencies was reduced significantly by sequestration, coupled with uncertainty about the FY 2014 funding level, impaired the agency's ability to fill key vacancies. These vacancies spanned across the agency, including case processing offices as well as the operational offices – Budget and Finance, Human Resources, Information Technology, and Administrative Services – which provide vital support services to ensure the basic functioning of the agency. And, perhaps most significantly, the Authority component lacked a quorum of Members from January 3, 2013, through the remainder of the fiscal year. This lack of quorum legally prevented the Authority component from discharging its key obligation under law: to issue decisions resolving labor-management disputes filed under the Federal Service Labor-Management Relations Statute (the Statute).

These challenges, individually and collectively, posed obstacles to the agency's ability to do its work effectively. And that work is critically important to the effectiveness and efficiency of the federal government as a whole. This is because the FLRA's mission is to assist agencies, employees, and employee representatives to resolve disputes in order to effectuate the implementation of improvements in government operations and mission performance. 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 Statute.

And I am proud to report that, in many respects, the FLRA was able to both overcome its obstacles and to excel in its performance. In particular, despite an increase in case filings, the OGC exceeded its performance goal for timely resolution of unfair labor practice (ULP) cases by 8 percent. And the FSIP, which experienced its fifth straight year of increased case filings, including 40 cases concerning agency sequestration-related decisions to furlough employees, continued to obtain high rates of settlement, including a settlement rate of nearly 65 percent of cases in which mediation-arbitration was used. Moreover, the agency's use of alternative dispute resolution (ADR) techniques (at every step and in every component) continued to set the standard in the federal government. As an example, the FLRA's Collaboration and Dispute Resolution Office (CADRO) – a one-employee office during FY 2013 – partially or totally resolved 100 percent of negotiability cases that the parties agreed to submit to the CADRO. Similarly impressive, the OGC resolved 98 percent of the ULP cases and 100 percent of the representation cases in which parties agreed to use ADR. Further, nearly 6,000 labor and management representatives, and others, participated in training, outreach, and facilitation activities. The FLRA's training and other initiatives have remained critical to the implementation and ongoing success of President Obama's Executive Order 13522, *Creating Labor-Management Forums to Improve Delivery of Government Services*.

Significant accomplishments were made outside the case arenas as well. Among other things, the FLRA continued refining its eFiling system (available in all components) and made strides toward inaugurating end-to-end electronic case files. The FLRA also implemented its first Diversity & Inclusion (D&I) Strategic Plan, including metrics for measuring D&I success, and successfully launched a web-based time and attendance system to more efficiently capture employee time and attendance.

Sustaining the dramatic increases in employee morale and satisfaction accomplished since 2009, the FLRA was recognized in FY 2013 by the Partnership for Public Service in its Federal Leadership Snapshot as the #3 small agency for its effective leadership in the federal government. And even though FLRA employees faced significant challenges, they continued to feel “engaged,” as evidenced by the results of the Office of Personnel Management’s 2013 Federal Employee Viewpoint Survey. Consistent with the government-wide results, the agency showed a decline in certain aspects of the survey. But the agency also showed real strengths. In particular, more than 90 percent of responses demonstrated that FLRA employees know how their work relates to the agency’s goals and priorities; are being held accountable for achieving results; believe the overall quality of the work performed within their office is high; and feel the work they do is important.

In contrast to these noteworthy achievements, the Authority component was unable to issue decisions for the last nine months of the fiscal year because it lacked a quorum of Members. As a result, the Authority ended FY 2013 with 153 pending cases – a 206 percent increase over the number pending at the end of FY 2012 (50). And, understandably, the pending inventory included many overage cases (27). This is particularly disheartening, since at the end of FY 2012, the Authority satisfied its Corrective Action Plan by completely eliminating its overage inventory. This also means that the Authority component’s reporting that it met or exceeded its performance goals for the fiscal year presents an incomplete picture. In particular, those results apply only to performance during the first three months of the fiscal year in which the Authority was able to issue decisions. The cases that accumulated during the last nine months of the year present yet another challenge.

Mindful that challenges can become opportunities, I am hopeful that, in full partnership with Presidential leadership, career managers, employees, and the employees’ representative union, we will find ways to meet our challenges head-on and to collaborate with the goal of improved and sustainable performance excellence throughout the FLRA. I am convinced that agency achievements and improvements are possible only with full engagement of employees in the transparent development and implementation of goals. I was guided by this principle during my previous Chairmanship, and will continue to be guided by it in the short and long term.



Carol Waller Pope
Chairman
Federal Labor Relations Authority
December 16, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

BACKGROUND AND MISSION

The U.S. Federal Labor Relations Authority (FLRA) is responsible for establishing policies and guidance regarding the labor-management relations program for 2.1 million non-Postal, federal employees worldwide, approximately 1.2 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. In 2012, the FLRA celebrated the 50th anniversary of the Order, which 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 Executive Order 10988. Executive Order 11491, as amended, was the basis for President Carter's proposal to Congress to create the FLRA as an independent agency.

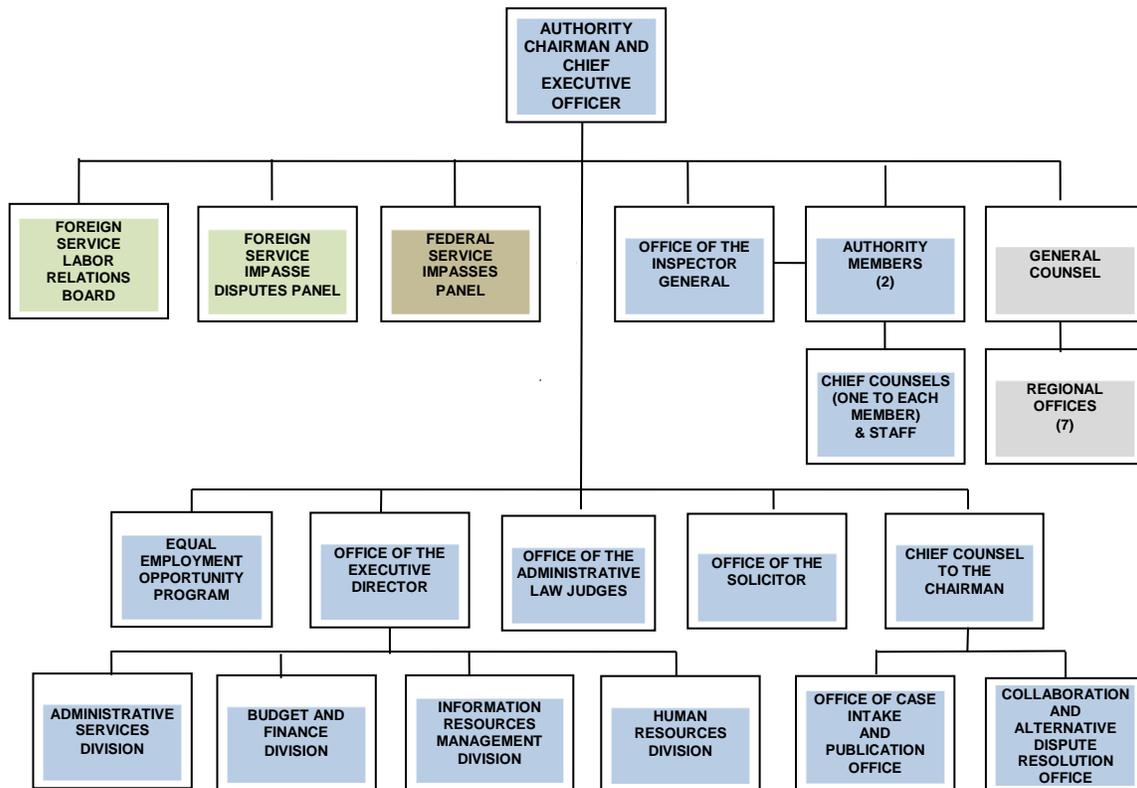
The Statute protects the rights of federal employees to form, join, or assist a labor organization or to refrain from such activity freely and without fear of penalty or reprisal. These rights include acting for a labor organization as a representative and, in that capacity, presenting the views of the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

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-management 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 remains unresolved for too long, then mission accomplishment likely will suffer.

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 Members appoint Administrative Law Judges (ALJs) to hear and prepare recommended 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 FLRA in court proceedings before all United States courts, including the U.S. Supreme Court, U.S. Courts of Appeals, and Federal District Courts. In this connection, 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. Courts of Appeals or Federal District Courts. The Office of the Solicitor also serves as the agency's in-house counsel, providing legal advice to all FLRA components, and performs various functions under the Freedom of Information Act and Privacy Act. The Solicitor also serves as the Designated Agency Ethics Official.

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.

In fulfilling these responsibilities and objectives, the Inspector General conducts and supervises investigations, internal reviews, audits, and evaluations of the programs and operations of the agency. The Inspector General communicates the results of investigations and assessments to FLRA management, the Congress, other oversight entities, and the public as appropriate. Generally, results are communicated in formal reports and contain findings and recommendations aimed at correcting any deficiencies identified and promoting efficiency and effectiveness in agency programs and operations. The Inspector General also manages a hotline to provide employees and the public with a direct means for communicating information on potential fraud, waste, or abuse.

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 and resolve 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 representation petitions and conduct secret ballot elections.

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

[Atlanta Regional Office](#)

[Boston Regional Office](#)

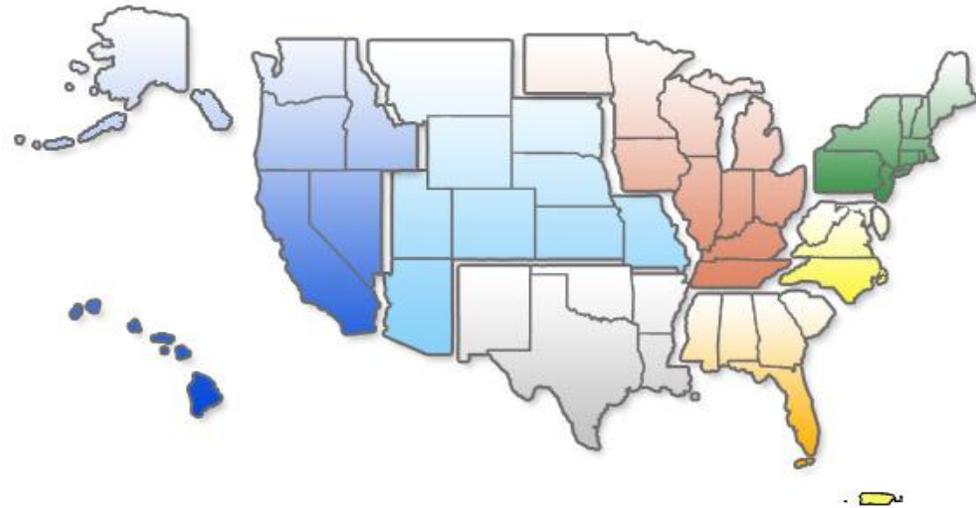
[Chicago Regional Office](#)

[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, then 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

Over the last four and a half years, through an on-going, comprehensive, agency-wide review of its operations, staffing, work processes, resource allocations, and performance by agency leadership and the Union of Authority Employees – the employees' representative organization – the FLRA has strategically planned for its future, and has established aggressive and challenging mission initiatives and performance indicators, maximizing the delivery of agency services throughout the federal government. The agency has continually improved its program performance by assessing and evaluating its performance outcomes to ensure that it is

accomplishing its important mission of providing guidance in resolving labor-management disputes in the federal sector.

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 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. The agency performance plan also demonstrates the FLRA's on-going commitment to organizational excellence.

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

FY 2013 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 timeliness of case disposition further the FLRA's critical role in facilitating orderly, efficient, and effective change within the federal government. The core purpose of the Statute is to promote collective bargaining as a means of fostering improved employee performance and government operations. It is clear that productive and effective labor-

management relations are necessary for designing and implementing the comprehensive changes required to reform government, and that effective labor-management relations are dependent on both the timely resolution of disputes and the engagement of federal employees and their union representatives as essential sources of front-line ideas and information about improvements in the delivery of government services.

The FLRA facilitates improvements in performance government-wide that will inevitably have an impact on employee working conditions and implicate the bargaining rights of the more than 1.2 million employees represented by a labor organization. Unless management and labor can reach timely agreements or, failing that, have their disagreements resolved expeditiously, mission performance will suffer. This is particularly relevant now as federal agencies are making significant adjustments and changes in how they perform their missions in response to the budgetary and policy challenges that they are facing.

Alternative Dispute Resolution and Education

Throughout the years, the Authority, the OGC, and the FSIP, recognizing the tremendous benefits and cost-savings associated with using ADR to resolve workplace disputes, have integrated ADR techniques into all aspects of their case processing. Offering 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 – results in parties having faster, mutually agreeable, and effective resolution of their disputes. More than 15 years ago, the FLRA established the Collaboration and Alternative Dispute Resolution Program to place even greater and more formalized emphasis on the use of ADR in the agency.

Throughout the years, all of the FLRA's offices – the Collaboration and Alternative Dispute Resolution Office (CADRO), the OGC, the FSIP, and the OALJ – have successfully conducted interventions and engaged in settlement efforts in thousands of cases pending before the agency. In well over 80 percent of FLRA cases in FY 2013, these activities resulted in full resolution of the underlying dispute and closure of the pending case. To date, the FLRA has leveraged existing staff and resources to increase its ADR reach, partnering with other agencies – such as the Federal Mediation and Conciliation Service and the Veterans Administration – to train large numbers of practitioners, and supporting labor-management forums pursuant to Executive Order 13522, *Creating Labor-Management Forums to Improve Delivery of Government Services*.

In addition, the FLRA's training initiative is intended to make case processing more effective and efficient and to better serve agency customers by providing meaningful and clear guidance on statutory rights and responsibilities. Timely and efficient case processing is furthered by FLRA customers being knowledgeable about their rights and obligations under the Statute, as well as agency case law, regulations, and case processing procedures. The FLRA delivers its educational materials through a variety of means – in-person training sessions, on-line meetings and training sessions, and various on-line resources – such as comprehensive web-based training modules, as well as outlines, manuals and guides developed to assist members of the federal labor-management relations community with issues and cases arising under the Statute. Using collaboration and ADR techniques along with other training, outreach, and facilitation services to assist parties in minimizing and resolving labor-management disputes significantly reduces the need for litigation

and its attendant costs, and gets the parties back to work accomplishing their missions and delivering effective and efficient government services.

Information Technology

IT and automation are fundamental to ensuring the efficiency and effectiveness of the FLRA and in meeting the agency's performance goals. The agency continues to improve its efficiency and the customer-service experience by engaging in new and innovative ways to conduct business, such as implementing electronic case filing (eFiling). The FLRA's eFiling system, which was developed to provide easier, more user-friendly, and complete access to the FLRA and its services, is an important e-government initiative. More specifically, eFiling is expected to increase efficiency over time by reducing procedural-filing errors and resulting processing delays, and is yet another example of the FLRA's ongoing efforts to better serve its customers and provide current, useful online tools for federal employees, the unions that represent them, and federal agencies for resolving issues under the Statute. The system will also provide the platform for agency development of an "end-to-end" electronic case file.

The FLRA's ADR intervention efforts in pending negotiability cases have also been greatly enhanced through the use of technology, allowing staff to resolve large, complex negotiability cases with minimal cost. For example, the CADRO used Adobe Connect and other appropriate collaborative technology tools to enable video and audio conferencing, document sharing, and other functions for remote parties. As a result, the CADRO was able to successfully resolve disputes that involved parties who were in remote locations (including various locations in Alaska) without requiring either the CADRO representatives or the party representatives to travel. This innovative use of technology for parties in remote locations enabled the parties (and the FLRA) to achieve faster and higher-quality resolutions, while also resulting in significant savings to both the FLRA and the participating parties, and contributing to the efficient and effective accomplishment of the agency's mission.

The FSIP also relies heavily on technology to increase efficiency in resolving cases. During FY 2013, consistent with the practice it has adopted in previous years, the Panel conducted five of its eight business meetings via teleconference, linking Panel Members in the Chicago and Detroit areas with their colleagues and staff in Washington, DC, saving thousands of dollars in travel and per diem expenses. In addition, Panel Members routinely conducted mediation-arbitration proceedings by telephone and/or video conference where on-site visual inspection of a facility was unnecessary to resolve impasses, avoiding the need for a Panel Member to travel to the location of a dispute or for the parties to send their representatives to the Panel's offices.

Moreover, the OGC has incorporated technology into all aspects of its ULP and representation case investigations. The OGC frequently uses telephone and video conferencing in case investigations and settlement discussions. When voters are dispersed in a representation case election, for example, the OGC uses internet/telephone balloting procedures providing employees with around-the-clock access to voting. The office also uses video and telephone conferencing in representation case hearings involving remote or unavailable witnesses.

In addition, the OGC has established a variety of web-based interactive training programs for the parties addressing such frequently raised topics as basic rights and responsibilities under the Statute, the impact of reorganizations on bargaining units, the statutory exclusions from bargaining units, and Executive Order 13522. The OGC has also established comprehensive, web-based case outlines for ULP and representation cases to go along with its operating manuals, policies, and guidance memoranda. These on-line materials provide the parties with ready access to the same materials that office staff rely on to process cases, promoting transparency and efficiency in the investigative process.

The agency has used technology in delivering other services as well. For example, all government agencies look to the FLRA as one of the lead training agencies concerning Executive Order 13522, and the OGC and the CADRO have helped them overcome some of the initial hurdles of implementation. In FY 2013, the FLRA assisted representatives from labor and management that were dispersed in many locations across 1,500 miles. As a precursor to face-to-face meetings, the CADRO office hosted an online meeting that enabled more than a dozen key leaders to obtain some basic training concerning the Order, share critical information, identify barriers preventing forward movement, agree to develop a labor-management forum charter, and schedule future meetings. As a result, communications were enhanced, travel costs were reduced, and the parties' collaborative labor-management relationship strengthened. The parties are working together to develop ways to improve their mission performance.

Human Capital

The FLRA has made major gains in improving all aspects of employee work-life balance and in leveraging its highly engaged workforce to address agency matters ranging from the strategies and processes for the delivery of program services to internal agency operations, including performance management, IT, budgetary resources, and office space. Continuing its commitment to communicating and involving employees in mission performance and agency operations, the FLRA has established a true link between employee engagement and agency performance outcomes.

Employee feedback received through various mediums, including the Office of Personnel Management's (OPM) Federal Employee Viewpoint Survey, continues to inform FLRA leaders about agency wellness from the perspective of its most valuable resource – its workforce. Employees understand the mission of the FLRA, understand their role in fulfilling the mission, and see themselves as an integral piece of achieving agency-wide success. By investing in its employees through classroom training, rotational details, cross-component learning, challenging assignments, and leadership development, FLRA employees continue to sharpen and broaden their skills. In this connection, employees at all levels led and engaged in numerous mission-related initiatives, including: the development of the FLRA's bilingual webpages; a decision-writing initiative intended to strengthen the quality of the Authority's decisions; and the development of Authority and OGC training materials, guides, and manuals to educate and inform parties on the Statute and applicable legal standards, as well as the FLRA's case processing procedures.

With respect to performance management, employee recognition, accurate assessments, and on-going meaningful discussions with supervisors are paramount to achieving agency performance results. To that end, the agency established better metrics to measure performance and productivity, and increased its use of non-monetary incentive awards to recognize employee achievement. FLRA managers and employees worked collectively to implement the agency's new, multi-tier General Schedule Performance Management System, including implementation of an employee-facilitated ADR program for resolving performance management disputes and training on aspects of the system. Additionally, the FLRA was an early implementer of the government-wide Senior Executive Service performance appraisal system and received provisional certification of its system from the OPM. With implementation of the two new performance management systems, agency mission and goals are directly linked to performance from top to bottom.

FY 2013 was a challenging year for the federal workforce, and FLRA employees faced the challenges head on, continuing to deliver on the FLRA's mission. The FLRA was subject to the same sequestration cuts and reduced funding levels as all agencies, and at the same time, experienced an increase in demand for its services. The agency successfully managed the deep FY 2013 funding cut, handling its increased caseload and reduced staffing levels by using creative, immediate solutions to address the challenges. The agency used self-directed work teams, collateral duty assignments, and details from sister-agencies. Staffing strategies were influenced by the routine loss of expertise, both present and future needs of each agency office, and assessment of the talents of its existing workforce. Accordingly, the agency realigned offices, developed staff internally for anticipated vacancies, made use of voluntary reassignments, updated position descriptions, developed career-ladder positions, and recruited internally and externally to meet long-term work requirements. The agency also established a Student Pathways Policy for student internships, and partnered with the University of Maryland's Federal Semester Program to offer unpaid internships to students.

With a commitment to increasing diversity and inclusion (D&I), the agency implemented its D&I Strategic Plan and metrics for assessing D&I success, reaffirming the FLRA's dedication to fostering a workplace where employees from all backgrounds are recruited, retained, and developed for successful performance and career progression. Employee health and wellness programs have also continued at the FLRA. Employees are engaged in the community through pro-bono work, as well as various multi-cultural programs. The FLRA hosts a weekly yoga class, as well as monthly on-site nurse visits that include vision testing, cardiac risk profiling, blood pressure screening, and annual flu and whooping-cough shots. "Lunch & Learn" sessions on a variety of topics such as diabetes, acupuncture, and heart disease are offered to employees, and periodic wellness tips are shared through the agency's weekly internal newsletter, *In-Session*. Human resources e-initiatives in FY 2013 included the successful implementation of a web-based time and attendance system to more efficiently capture employee time and attendance and electronic approval of personnel actions.

PERFORMANCE SUMMARY

The FLRA is a key component in bringing about real change within the federal government. In response to the demands of its customers and its own fiscal limitations, the agency has examined

what works – both with respect to its own internal management and processes and its delivery of services – and continues to demonstrate a significant, marked improvement in its performance and program delivery. Without question, the FLRA’s performance has had a direct bearing on how well and quickly improvements in government operations have been effectuated. The nature of the services that the agency provides to its customers – in avoiding and resolving disputes that otherwise detract from mission performance – means that its vitality is important beyond its size.

With respect to its mission accomplishments, the FLRA has continued its significant improvement – which began in February 2009 – in providing customers with the timely and quality dispute resolution services that they deserve. The Authority opened FY 2013, having reduced its pending case inventory by 87 percent (from 394 to 50 cases), its overage case inventory by 100 percent (from 269 to zero cases), and the average age of pending cases by 81 percent (from 270 to 51 days). As a result of a comprehensive review of arbitration case processing, the Authority implemented regulatory changes involving those cases. The evidence demonstrated that regulatory changes were necessary to reduce the number of procedural deficiencies in the parties’ filings, and to clarify for its customers the grounds for the Authority’s review and the applicable legal standards. There were real performance outcomes from these changes – arbitration cases are now processed and resolved more expeditiously. With real evidence that training its parties results in case processing efficiencies and faster resolution of disputes, the Authority expanded its efforts, launching a comprehensive negotiability training program, including the issuance of a guide addressing negotiability terms and concepts, case processing procedures, and substantive legal issues that frequently arise in negotiability disputes.

OGC performance during FY 2013 was very successful, marked by increases in productivity along with improvements in the timely resolution of cases. Despite an increase in case filings, the OGC continued its productivity increases by resolving nearly 25 percent more cases than in FY 2009, exceeded its goal for timely resolution of ULP cases by eight percent, and met its goal for timely processing of representation cases. The OGC closed over 4,570 ULP cases and held trials in roughly 40 ULP cases. The OGC also closed 248 representation cases, conducting 48 representation elections, and held 16 hearings.

The OGC’s work is of critical importance to federal agencies throughout the government right now – all agencies are dealing with budgetary reductions and are restructuring operations (including conducting layoffs), examining and implementing new or revised work processes and procedures, and leveraging technology in order to bring efficiency to their operations. As recognized by Executive Order 13522, harmonious labor-management relations is an essential element in the successful implementation of these necessary and difficult changes, and the work of the OGC plays a vital role in insuring productive and efficient labor-management relations.

During these uncertain budgetary times, the OGC has redoubled its use of ADR techniques and services to resolve cases. The beneficial effects of ULP settlements and representation agreements are obvious and are aggressively pursued by the office. In this regard, significant savings of government staff and budgetary resources result from the early resolution of ULP and representation cases. To assist the parties, the OGC actively offers ADR throughout the processing of its cases and the parties welcome this service.

In FY 2013, the OGC successfully resolved over 900 ULP cases during the investigative process, including 189 cases where a formal complaint had been authorized. The OGC also successfully resolved 207 complaint cases before hearing. These successful ADR efforts resulted in significant savings of governmental budgetary resources.

The OALJ also continued to resolve cases at an increased pace in FY 2013, with over 40 cases resolved by written decision as compared to 20 in FY 2012. With over 700 new cases on their docket in the last three years, the OALJ has successfully resolved cases without the need for costly litigation involving a hearing or written decision. In this regard, in 78 percent of cases in which parties participate in the OLAJ's Settlement Judge Program, agreement is reached, fully resolving the parties' dispute. This is real evidence that the delivery of ADR services at all stages of case processing results in more effective and efficient program performance for the FLRA, as well as the timely resolution of disputes for its customers. The OALJ has seen an increase in demand for its services, as the number of complaints and the number of hearings required continue to rise – both exceeding those in FY 2012. To reduce the need for final written decisions, the ALJs are encouraging the parties to volunteer for bench decisions when the matter is not settled prior to hearing and a bench decision is appropriate under the facts of the case.

The FSIP experienced an increase in case filings for the fifth consecutive year, including over 40 requests for assistance concerning bargaining over the impact and implementation of agency decisions to furlough employees due to sequestration. Its small professional staff did its best to investigate the unexpected influx of furlough-related cases, while maintaining timeliness in regard to the processing of non-furlough cases, recommending dispute resolution procedures to the Panel Members that maximized the possibility of voluntary settlements rather than imposing contract terms. In turn, the Members continued to obtain high rates of voluntary settlement, consistent with the FSIP's guiding philosophy that the voluntary settlement of bargaining impasses using mediation-arbitration techniques is the most effective and efficient form of dispute resolution. In this regard, in cases where mediation-arbitration was used to resolve federal sector impasses, the Panel obtained complete voluntary settlements close to 65 percent of the time.

In balancing the use of its limited resources to meet the growing demands of its customers, the FSIP continued to prioritize case processing to ensure that disruption to government operations and cost to the taxpayers is minimized. For example, in response to Administration initiatives, Region 9 of the Environmental Protection Agency (EPA) decided to relocate approximately 500 bargaining unit employees represented by two different labor organizations to a more energy efficient office in San Francisco, which reduced space by 20 percent. Using the expertise of one of its Panel Members in interest-based problem solving, a mediation-arbitration proceeding was convened where the parties were able to reach voluntary settlements on what appeared to be numerous intractable issues, permitting the EPA to complete the relocation without requiring taxpayers to pay rent at two locations. In another impasse involving the relocation of Region 7 of the Department of Education in Kansas City, the Panel's intervention resulted in an arbitration award by one of its Members, also preventing unnecessary taxpayer expenditures. As in previous years, the FSIP also conducted mediation-arbitration proceedings in a number of cases to resolve impasses expeditiously between the Social Security Administration and its unions over the floor plans for newly-relocated and renovated field offices. In addition, the Panel acted

within the 60-day deadline established in the Federal Employees Flexible and Compressed Work Schedules Act by terminating the 4/10 compressed work schedules of civilian police officers at Portsmouth Naval Shipyard after the agency met its statutory burden by demonstrating that the schedules were causing unnecessary increases in overtime costs.

The FLRA's CADRO continued to help parties resolve significant disputes in cases pending before the Authority. The CADRO also delivered "prevention" services, teaching parties techniques for effectively resolving their labor-management issues on their own, without needing third-party involvement. Both of these types of services helped parties develop constructive workplace relationships that promote better mission performance as well as quality of work-life – real evidence that the program works.

During FY 2013, more than 80 percent of parties to negotiability cases filed with the FLRA voluntarily chose to resolve their differences using the CADRO's services. Those parties successfully reached partial or total resolution in 100 percent of the cases that they brought to the FLRA, eliminating the need for the Authority to formally issue decisions to resolve nearly all of those cases. The CADRO also helped parties resolve exceptions to arbitration awards, sensitive collective-bargaining disputes, and other complex matters – some with far-reaching national implications. In one Department of Defense case, the parties presented the FLRA with 37 disputed collective bargaining proposals. Using the FLRA's online technology for secure video conferencing, document review, caucusing, and other critical functions, the CADRO successfully facilitated a full resolution of the case, working with parties in four locations in three states that were separated by 4,500 miles. And the resolution was accomplished in just a matter of weeks. In another case involving a civilian federal agency with significant national security responsibilities, through a series of face-to-face meetings, the CADRO assisted the parties in resolving a very complex and sensitive dispute involving 31 negotiability issues. In addition to the value of the substantive solutions achieved through the CADRO, both parties and the FLRA conserved significant resources as a result of this success.

In addition, during FY 2013, recognizing the significant success of both the OALJ's Settlement Judge Program and the FLRA's Collaboration and Alternative Dispute Resolution Program, the agency linked the two programs by aligning these important functions within one office. The CADRO now conducts settlement activities in ULP cases pending in the OALJ, and conducts interventions in negotiability and arbitration cases pending in the Authority, as well as continuing its facilitation and training work. In doing so, the CADRO resolved nearly 80 percent of ULP complaints in which parties chose to avail themselves of ADR services under the OALJ Settlement Judge Program. Noteworthy ULP and negotiability cases during FY 2013 included those that helped parties better focus resources on protecting the nation's homeland, supporting our combat troops, serving veterans, preparing for national emergencies, maintaining safe skies, managing nuclear-weapon systems, furthering space exploration, providing immigration services, ensuring environmental protection, securing dangerous criminals, and protecting the food supply.

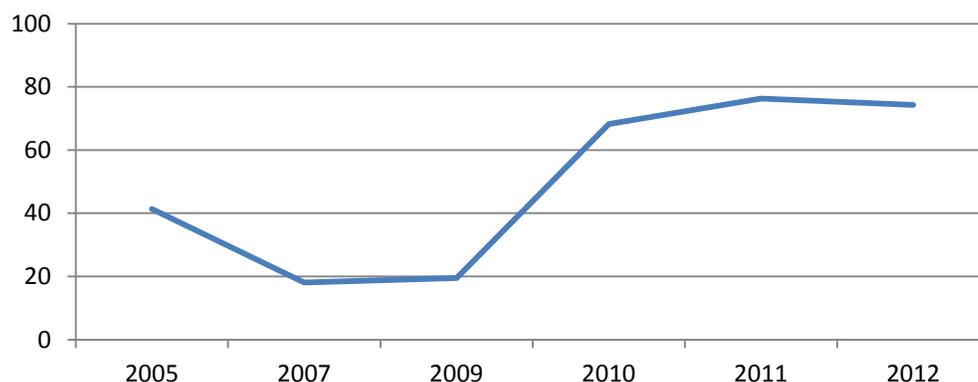
Evidence from agencies and employee representatives continue to reaffirm that FLRA investment in ADR services that are delivered by the OALJ, the OGC, the FSIP, and the CADRO is a very cost-effective way to help parties improve the quality of work-life and prevent

workplace problems from interfering with the delivery of government services to the American people. ADR reduces the need for costly litigation, improves labor-management relationships, and enhances agency performance by advancing the agency's mission and increasing effectiveness and efficiency.

Another key strategy resulting in more effective and efficient program performance for the FLRA, as well as the timely resolution of disputes for its customers, was the agency's delivery of hundreds of training, outreach, and facilitation sessions in FY 2013 to thousands of practitioners. The agency also continued its engagement with the labor-management community by issuing numerous press releases sharing important information with its customers, participating in local and national forums informing the public about the FLRA and its significant contributions to making government work more effectively and efficiently, and holding focus groups on agency processes and procedures to assist in evaluating new and existing approaches to program delivery. Among the external initiatives that continued to be important in FY 2013 were training and education for labor and management representatives and others. Indeed, requests for training are received daily in all of the FLRA's components, and this demand is expected to continue, if not increase. The FLRA's innovative use of technology to deliver its training, outreach, and facilitation services has enabled the agency to maximize the delivery of its services, reaching hundreds of its customers right at their desks for free. The FLRA also continues to partner with federal agencies to identify training needs and resources to meet customer demands.

In 2010, the FLRA was named the *Most Improved Small Agency* by the Partnership for Public Service. Building upon this success in 2011, the agency once again placed among the top of the *Most Improved Small Agencies*. In 2012, the FLRA continued to meet its commitment to increasing employee satisfaction and morale, capturing the #8 small agency ranking overall in the *Best Places to Work in the Federal Government* survey, reflecting a dramatic and unprecedented improvement of over 280 percent since 2009. The FLRA's achievements are particularly noteworthy given that, just three years prior, the agency placed last in the 2009 survey. Most notable for 2012 were the FLRA's rankings for certain "Best in Class" categories – ranking third overall in both Teamwork and Effective Leadership, and fifth in Strategic Management, Work/Life Balance, and Training and Development.

Best Places to Work Score



In a 2012 report issued by the Partnership, the FLRA was also recognized as the *Most Improved Small Agency on Innovation*. The FLRA’s 2011 innovation score of 67 percent exceeded the government-wide average of 63 percent. The report – which found that a 21st century federal government that effectively serves the needs of the American people must embrace transformation and inspire employees to seek continuous improvement – recognizes the importance of leaders empowering employees to initiate change and reward them for their achievements. Given today’s budgetary constraints, federal employees and their agencies are being asked to deliver more with fewer resources, meaning that innovation will be a critical factor in achieving improved performance. The FLRA is pleased to be recognized for empowering its employees in this regard.

Empowering employees is a key component of effective leadership, and in 2013, the FLRA was recognized by the Partnership in its *Federal Leadership Snapshot* as the #3 small agency for its effective leadership in the federal government. The FLRA’s score of 70 far exceeded the government-wide average of 53. Effective leadership is not only important for directing an organization’s operations and motivating the workforce, but also in guiding an organization through tough decisions about how to meet increased demand for services in a constrained resource environment. The FLRA’s leadership has played a pivotal role in advancing the agency’s mission results and increasing program effectiveness and efficiency.

In 2013, the FLRA also continued its success in the Federal Employee Viewpoint Survey, with an employee response rate of 84 percent – significantly greater than the government-wide rate of 48 percent. The agency scored 73 percent in leadership and knowledge management, 66 percent in results-oriented performance culture, 72 percent in talent management, and 71 percent in job satisfaction – each exceeding the government-wide average. Despite the tremendous strength and dedication shown by FLRA employees in the face of budget and staffing uncertainty, early indicators show – consistent with results government-wide – that the FLRA may experience a decline in overall employee satisfaction. Consistent with an agency-wide focus on targeting challenges identified in the survey, the FLRA has renewed its commitment to address areas of weakness or concern in full collaboration with its employees at all levels.

The FLRA’s dramatic and sustained improvements over the last four and half years reflects the commitment of leadership to managing the agency with transparency and accountability and engaging employees at all levels, as well as the commitment and dedication of FLRA employees. Consistent with the significant increase in employee morale and satisfaction accomplished since 2009 has been a significant, marked improvement in the FLRA’s mission performance and delivery of services to its customers.

Performance Outcome Measures	FY 2013 Target	FY 2013 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,	60%	68%	Exceeded

Performance Outcome Measures	FY 2013 Target	FY 2013 Actual	Result
withdrawal, dismissal, or settlement within 120 days of filing of the charge.			
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%	100%/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%	86%	Substantially Met
Measure 1.4: The percentage of ULP cases decided within 180 days of assignment to an Authority Member.	80%	100%	Exceeded
Performance Goal 2: Provide timely review and disposition of representation cases.			
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.	80%	91%	Exceeded
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).	80%	100%	Exceeded
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.	80%	95%	Exceeded
Measure 5.2: The percentage of	70%	97%	Exceeded

Performance Outcome Measures	FY 2013 Target	FY 2013 Actual	Result
bargaining impasse cases voluntarily settled after jurisdiction has been asserted within 160 days of the date filed.			
Measure 5.3: The percentage of bargaining impasse cases resolved through a final action closed within 200 days of the date filed.	70%	87%	Exceeded
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.	90%	98%	Exceeded
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.	80%	78%	Substantially Met
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.	90%	100%	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%	28%	Substantially Met
Measure 6.7: The number of training, outreach, and facilitation activities conducted.	175	302	Exceeded
Measure 6.8: The number of participants involved in training, outreach, and facilitation activities.	5,000	5,976	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.			

Performance Outcome Measures	FY 2013 Target	FY 2013 Actual	Result
Measure 7.1: The percentage of cases filed electronically with the FLRA.	25%	10%	Not Met
Measure 7.2: The percentage of cases processed electronically end-to-end.	Conduct a pilot program on end-to-end case processing.	Conducted a pilot program on end-to-end case processing.	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.			
Measure 8.1: Program managers ensure that the right employees are in the right place to achieve results.	Update the Human Capital Strategic Plan. Implement a web-based time and attendance (T&A) system.	Implemented a web-based T&A 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. The FLRA's fund balance with the Department of the Treasury is its largest asset, accounting for over 90 percent of total assets in both FY 2012 and FY 2013. 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.

Total assets decreased from \$4.9 million at the end of FY 2012 to \$3.7 million at the end of FY 2013. The decrease in assets is primarily attributable to cancellation of the FLRA's FY 2008 expired account, which held \$1.2 million in unobligated funds. Moreover, the agency did not make any new capitalized purchases in FY 2013, while the net book value of property and equipment already owned experienced further depreciation.

Assets as of September 30,	2013	2012
Fund balance with the Treasury	\$3,488,106	\$4,525,133
General property and equipment	212,632	353,163
Advances and prepayments	27,298	21,414
Accounts receivable	16,742	13,507
Total	\$3,744,778	\$4,913,217

Funds held with 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. Accrued employee leave, payroll, and benefit costs, along with accrued workers' compensation under the Federal Employees Compensation Act (FECA), accounted for over 90 percent of total liabilities at the end of both FY 2012 and FY 2013. The remaining ten percent reflects the amount owed by the FLRA to vendors and other Federal agencies for purchased goods and services. Agency liabilities totaled \$4.4 million in FY 2012 and \$4.3 million in FY 2013.

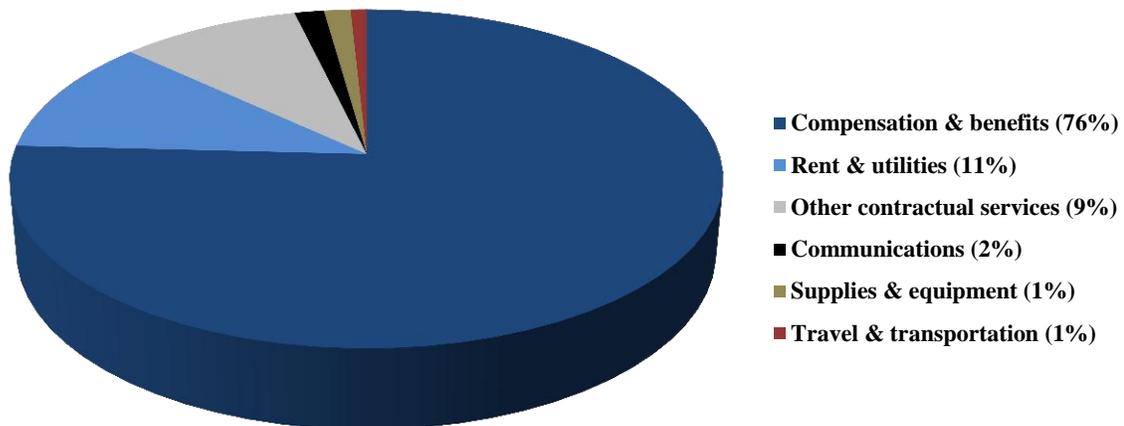
Liabilities as of September 30,	2013	2012
Unfunded leave	1,412,090	\$1,519,345
FECA liability	1,407,583	1,426,017
Accrued payroll and benefits	1,025,702	1,207,777
Accounts payable	414,815	225,496
Custodial liability/other	282	40
Total	\$4,260,472	\$4,378,675

The FLRA's total net position at the end of FY 2013 was negative \$516 thousand, a \$1.1 million decrease from the previous year due to the expiration of FY 2008 funds.

Statement of Net Cost

The Statement of Net Cost presents the gross cost of operating the FLRA's three major programs, less any reimbursable revenue earned from those activities. The net cost of operations in FY 2013 was \$24.6 million, a \$1.7 million decrease from the agency's FY 2012 cost of operations. In FY 2013, 62 percent of the agency's direct resources were dedicated to the Authority, which includes central administrative services provided to the entire agency; 35 percent were dedicated to the OGC; the remaining three percent were devoted to the FSIP.

FY 2013 Financial Obligations by Budget Object Class



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. 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. Cumulative results remained constant from FY 2012 to FY 2013, totaling \$2.6 million.

Unexpended appropriations include undelivered orders and unobligated balances. Undelivered orders reflect the amount of goods and services ordered that have yet to be received. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. The decrease in total, unexpended FLRA appropriations of \$1 million – from \$3.1 million to \$2.1 million – is due primarily to expiration of the agency’s FY 2008 account.

Statement on Budgetary Resources

The Statement on Budgetary Resources reports the budgetary resources available to the FLRA during FY 2012 and FY 2013 to carry out the activities of the agency, as well as the status of those resources at the end of each year. 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 Statute, the FLRA mission, Executive Order 13522, etc.

The agency had \$24.5 million in total budgetary resources available to it in FY 2013, of which \$1.1 million remained unobligated from prior-years. The agency incurred obligations of \$23.6 million in FY 2013, while recording outlays of \$23.3 million. Total budgetary resources

decreased by \$2.1 million in FY 2013 from expiration of the FLRA's FY 2008 account and from across-the-board and sequestration rescissions included in Public Law 113-6.

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, 2013, 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
December 16, 2013

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, then 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, then a decision by the ALJ is adopted by the Authority.

OGC	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Cases pending, start of year	1,237	1,587	1,811	1,453	1,488
Charges filed	<u>3,954</u>	<u>4,398</u>	<u>4,094</u>	<u>4,375</u>	<u>4,659</u>
Total caseload	5,191	5,985	5,905	5,828	6,147
Charges withdrawn/settled	2,455	3,141	3,425	3,377	3,646
Charges dismissed	1,075	751	812	732	673
Complaints issued	<u>74</u>	<u>282</u>	<u>215</u>	<u>231</u>	<u>258</u>
Total cases closed	3,604	4,174	4,452	4,340	4,577
Cases pending, end of year	1,587	1,811	1,453	1,488	1,570
OALJ	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Cases pending, start of year	0	67	54	72	115
Cases received from the OGC	<u>74</u>	<u>282</u>	<u>234</u>	<u>240</u>	<u>271</u>
Total caseload	74	349	288	312	386
Settlements before hearing	7	275	191	176	222
Settlements during hearing	0	0	0	1	1
Cases closed by decision	<u>0</u>	<u>20</u>	<u>25</u>	<u>20</u>	<u>43</u>
Total cases closed	7	295	216	197	266
Cases pending, end of year	67	54	72	115	120

Authority	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Cases pending, start of year	32	14	14	6	2
Exceptions filed	<u>1</u>	<u>18</u>	<u>17</u>	<u>20</u>	<u>27</u>
Total caseload	33	32	31	26	29
Cases closed procedurally	0	9	13	16	16
Cases closed based on merits	<u>19</u>	<u>9</u>	<u>12</u>	<u>8</u>	<u>1</u>
Total cases closed	19	18	25	24	17
Cases pending, end of year	14	14	6	2	12

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

FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Actual	Actual	Actual	Actual	Target	Actual
71%	49%	54%	61%	60%	68%

Data Source: Case Management System

Target: Exceeded.

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 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Actual	Actual	Actual	Actual	Target	Actual
2%	31%	97%/100%	99%/100%	90%/100%	100%/100%

Data Source: Case Management System

Target: Exceeded/Met. In FY 2011, an additional target was established to measure the percentage of decisions on appeal issued within 120 days (100 percent).

Measure 1.3: The percentage of ULP complaints issued by the General Counsel resolved or decided in the Office of the Administrative Law Judges (OALJ) within 180 days of the complaint being issued.

FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	95%	90%	90%	86%

Data Source: Case Management System

Target: Substantially Met. This measure was established in FY 2011, as a consolidation of two previous 90-day measures into one of 180 days.

Measure 1.4: The percentage of ULP cases decided within 180 days of assignment to an Authority Member.

FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Actual	Actual	Actual	Actual	Target	Actual
5%	18%	31%	75%	80%	100%
Data Source: Case Management System					
Target: Exceeded.					

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

The Federal Service Labor-Management Relations 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 conduct a hearing to resolve disputed factual matters. The Regional Director then issues 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 2009	FY 2010	FY 2011	FY 2012	FY 2013
Cases pending, start of year	140	104	102	82	70
Petitions filed	275	278	267	271	240
Total caseload	415	382	369	353	310
Petitions withdrawn	142	113	126	115	106
Cases closed based on merits	169	167	161	168	142
Total cases closed	311	280	287	283	248
Cases pending, end of year	104	102	82	70	62

Authority	FY 2009	FY 2010	FY 2011	FY 2012	FY 2012
Cases pending, start of year	3	5	6	6	0
Applications for review	<u>17</u>	<u>15</u>	<u>12</u>	<u>6</u>	<u>11</u>
Total caseload	20	20	18	12	11
Cases closed procedurally	1	1	0	0	1
Cases closed based on merits	<u>14</u>	<u>13</u>	<u>12</u>	<u>12</u>	<u>1</u>
Total cases closed	15	14	12	12	2
Cases pending, end of year	5	6	6	0	9

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 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Actual	Actual	Actual	Actual	Target	Actual
60%	65%	60%	62%	60%	60%

Data Source: Case Management System

Target: 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.

FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Actual	Actual	Actual	Actual	Target	Actual
N/A	100%	100%	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.

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 grounds similar to those applied by federal courts in private-sector, labor-management relations.

Authority	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Cases pending, start of year	298	247	173	66	40
Exceptions filed	<u>157</u>	<u>134</u>	<u>110</u>	<u>107</u>	<u>124</u>
Total caseload	455	381	283	173	164
Cases closed procedurally	43	31	22	24	19
Cases closed based on merits	<u>165</u>	<u>177</u>	<u>195</u>	<u>109</u>	<u>22</u>
Total cases closed	208	208	217	133	41
Cases pending, end of year	247	173	66	40	123

Measure 3.1: The percentage of arbitration cases decided within 180 days of assignment to an Authority Member.

FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Actual	Actual	Actual	Actual	Target	Actual
22%	30%	33%	58%	80%	91%

Data Source: Case Management System

Target: Exceeded.

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

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. In these cases, a union may petition the Authority to resolve the negotiability dispute.

Authority	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Cases pending, start of year	51	39	22	15	8
Petitions filed	<u>43</u>	<u>52</u>	<u>39</u>	<u>45</u>	<u>30</u>
Total caseload	94	91	61	60	38
Cases closed procedurally	41	46	33	38	27
Cases closed based on merits	<u>14</u>	<u>23</u>	<u>13</u>	<u>14</u>	<u>2</u>
Total cases closed	55	69	46	52	29
Cases pending, end of year	39	22	15	8	9

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 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Actual	Actual	Actual	Actual	Target	Actual
6%	17%	29%	50%	80%	100%
Data Source: Case Management System					
Target: Exceeded.					

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) approves the procedure; seek the services and assistance of the Federal Mediation and Conciliation Service; or seek the assistance of the FSIP in resolving the negotiation impasse, but only after the previous attempts have failed.

FSIP	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Cases pending, start of year	22	69	36	53	38
Impasses filed	136	143	152	176	194
Total caseload	158	212	188	229	232
Cases closed	89	176	135	191	192
Cases pending, end of year	69	36	53	38	40

Measure 5.1: The percentage of bargaining impasse cases in which jurisdiction is declined closed within 140 days of the date filed.

FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	64%	92%	80%	95%
Data Source: Case Management System					
Target: Exceeded. 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.					

Measure 5.2: The percentage of bargaining impasse cases voluntarily settled after jurisdiction has been asserted within 160 days of the date filed.

FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	79%	86%	70%	97%

Data Source: Case Management System

Target: Exceeded.

Measure 5.3: The percentage of bargaining impasse cases resolved through a final action closed within 200 days of the date filed.

FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	65%	77%	70%	87%

Data Source: Case Management System

Target: Exceeded.

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

The FLRA has integrated alternative dispute resolution (ADR) and consensus decision-making into virtually all of its processes, and significantly expanded its training, outreach, and facilitation activities since 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 bargaining impasse disputes. The agency also provides facilitation and training to help labor and management develop collaborative relationships. Many of the FLRA's training programs are now available as web-based training modules, bringing educational tools and resources directly to agency 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 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	87%	97%	90%	98%

Data Source: Case Management System

Target: Exceeded. This performance goal was established in FY 2011 to emphasize the importance of using collaboration and ADR techniques along with other training, outreach,

and facilitation services to assist the parties in minimizing and resolving labor-management disputes. The goal encompasses all three FLRA components.

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 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	88%	80%	80%	78%

Data Source: Case Management System

Target: Substantially Met.

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 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	93%	91%	90%	100%

Data Source: Case Management System

Target: 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.

FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	100%	N/A	50%	100%

Data Source: Case Management System

Target: Exceeded. In FY 2012, there was only one arbitration case in which an offer of ADR services was accepted by the parties. The ADR process concerning that case was still ongoing at the end of the fiscal year. As a result, this performance measure, which tracks the partial or total resolution of accepted cases, did not apply in FY 2012.

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 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	87%	100%	80%	100%

Data Source: Case Management System

Target: 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.

FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	29%	32%	30%	28%
Data Source: Case Management System					
Target: Substantially Met.					

Measure 6.7: The number of training, outreach, and facilitation activities conducted.

FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	332	221	175	302
Data Source: Case Management System					
Target: Exceeded.					

Measure 6.8: The number of participants involved in training, outreach, and facilitation activities.

FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	11,975	8,933	5,000	5,976
Data Source: Case Management System					
Target: Exceeded.					

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

The FLRA’s Case Management System (CMS) was implemented in FY 2011, and since that time, the agency has steadily built the capacity for electronic case filing (eFiling) in all agency components, as well as development of a complete electronic case file. The FLRA has met its key milestones, and it is poised to have its customers maximize use of the eFiling system, significantly enhancing the quality of parties’ filings and reducing procedural deficiencies. In addition, the FLRA intends to fully implement an “end-to-end” electronic case file, streamlining the processing and handling of agency case files.

Measure 7.1: The percentage of cases filed electronically with the FLRA.

FY 2009	Actual	
		Awarded a contract for Case Management System development using the cloud solution, QuickBase.

FY 2010	Actual	Implemented the new Case Management System for all three FLRA components.
FY 2011	Actual	Began developing an eFiling solution. Completed development of customer registration and FSIP eFiling capability.
FY 2012	Actual	Completed development of Authority and OGC eFiling capability. Began testing eFiling capability with customers.
FY 2013	Target	25% of all cases will be filed electronically.
	Actual	10%

Data Source: Case Management System

Target: Not Met. Although the FLRA did not meet its FY 2013 performance target as an agency, 31 percent of the cases filed with the Authority component were filed electronically.

Measure 7.2: The percentage of cases processed electronically end-to-end.

FY 2009	Actual	N/A
FY 2010	Actual	N/A
FY 2011	Actual	N/A
FY 2012	Actual	Enhanced the Case Management System to provide the structure that supports end-to-end electronic case processing.
FY 2013	Target	Conduct a pilot program on end-to-end case processing.
	Actual	Conducted a pilot program on end-to-end case processing.

Data Source: FLRA Information Resources Management Division

Target: Met. This measure was established in FY 2012 to serve as an indicator of success in developing and implementing an end-to-end electronic case file.

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

The FLRA, in consultation with the FLRA Labor-Management Forum, continued to make major gains in FY 2013 in terms of developing, managing, and utilizing human capital. Continued growth in the use of the alternative work schedule program allows employees to better balance their personal lives with the demands of their work. Implementation of an electronic time and attendance system resulted in time and attendance recording and submission more accurate and efficient. Succession planning continues to be a major area of concern for the FLRA. Developmental details for attorneys allowed for the individual development of those who participate, and also allowed the agency to manage workloads, reduced staffing, and succession planning more strategically. The agency’s performance management and awards policies were revised, and the agency now assesses employee performance on a five-tiered scale rather than pass-fail. The revisions have continued to make performance review more meaningful, and ensured that awards are distributed on the basis of merit. The FLRA is continually assessing the training needs of its workforce, focusing not only on mission-critical skills, but also on human capital and performance management development. The results from the assessments have

played a role in targeting training funds to the areas employees and supervisors deem most in need of development.

Measure 8.1: Program managers ensure that the right employees are in the right place to achieve results.		
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 video-conferencing, 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 improve hiring through the purchase of USAStaffing (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.
FY 2011	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 initiated efforts to update employee awards programs. The agency also formed a joint labor-management workgroup to design a new Performance Management System for General Schedule employees for Office of Personnel Management (OPM) approval and agency implementation; an employee workgroup also designed and submitted to OPM for approval a revised Senior Executive Service (SES) appraisal system. Consistent with the Human Capital Strategic Plan, FLRA developed 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 USAStaffing, NBC's DataMart reporting tool, and employee eOPFs.
FY 2012	Actual	Enhanced development offerings to include competency-based training, career-ladder developmental programs, and continuation of HR workshops and educational brown-bags. A Diversity and Inclusion Strategic Plan was launched to make the agency a more inclusive and inviting workplace for all of its employees. Hiring of summer student interns, in some cases using targeted minority hiring strategies, also increased the FLRA's diversity. Developmental offerings were expanded to include attorney details within the FLRA.

FY 2013	Target	Update the Human Capital Strategic Plan. Implement a web-based time and attendance (T&A) system.
	Actual	Implemented a web-based T&A system to increase efficiency and accuracy of reporting. Obtained provisional certification of the FLRA's SES Performance Management System. Established an ADR process for resolving performance issues. As a part of its strategic workforce planning efforts, continued employee development, including attorney details to other offices, ADR facilitator training, leadership development and other workforce training. Established a Student Pathways Policy for student internships, and partnered with the University of Maryland's Federal Semester Program to offer unpaid internships to students.
Data Source: FLRA Human Resources Division		
Target: Substantially Met. This performance goal was established in FY 2010 to emphasize the importance of and dedication to FLRA's human resources.		

VERIFICATION AND VALIDATION OF PERFORMANCE DATA

The FLRA Case Management System (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 using the CMS.

PRINCIPAL FINANCIAL STATEMENTS

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

The FLRA's FY 2013 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, 2013, and how financial resources were expended to achieve performance results. For the tenth 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.

With the likelihood that FY 2014 will be a difficult year financially, we are focused on identifying solutions to maintain our financial viability, ensure transparency and accountability, and continue our high levels of mission performance and employee satisfaction and morale. We will continue to work with the Administration, the Congress, and agency 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.



Carol Waller Pope
Chairman and Chief Financial Officer
December 16, 2013

Federal Labor Relations Authority
BALANCE SHEET
(in dollars)

As of September 30, 2013 and 2012

	2013	2012
Assets:		
Intragovernmental:		
Fund balance with the Treasury (Note 2)	\$3,488,106	\$4,525,133
Accounts receivable (Note 3)	0	1,335
Advances and prepayments	27,298	21,414
Total intragovernmental	<u>3,515,404</u>	<u>4,547,882</u>
Accounts receivable from the public, net (Note 3)	16,742	12,172
General property and equipment, net (Note 4)	212,632	353,163
Total Assets	<u>\$3,744,778</u>	<u>\$4,913,217</u>
Liabilities:		
Intragovernmental:		
Accounts payable	\$52,987	\$40,857
Unfunded FECA liability (Note 5)	227,025	240,761
Custodial liability	0	38
Total intragovernmental	<u>280,012</u>	<u>281,656</u>
Accounts payable	361,828	184,639
FECA actuarial liability (Note 5)	1,180,558	1,185,256
Unfunded leave (Note 5)	1,412,090	1,519,345
Accrued payroll and benefits	1,025,702	1,207,777
Other (Note 6)	282	2
Total Liabilities	<u>\$4,260,472</u>	<u>\$4,378,675</u>
Net Position:		
Unexpended appropriations – other funds	\$2,071,393	\$3,117,955
Cumulative results of operations – other funds	<u>(2,587,087)</u>	<u>(2,583,413)</u>
Total Net Position	<u>\$(515,694)</u>	<u>\$534,542</u>
Total Liabilities and Net Position	<u>\$3,744,778</u>	<u>\$4,913,217</u>

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, 2013 and 2012

	2013	2012
Gross Program Costs:		
Authority:		
Intragovernmental costs	\$3,928,616	\$4,037,251
Public costs	<u>11,392,530</u>	<u>10,735,958</u>
Total costs	15,321,146	14,773,209
Intragovernmental earned revenue	(24,275)	(1,223)
Public earned revenue	<u>(2,902)</u>	<u>(3,144)</u>
Less: Total earned revenue	<u>(27,177)</u>	<u>(4,367)</u>
Net Program Costs	<u>\$15,293,969</u>	<u>\$14,768,842</u>
Office of the General Counsel:		
Intragovernmental costs	\$39,215	\$0
Public costs	<u>8,699,750</u>	<u>10,816,099</u>
Total costs	8,738,965	10,816,099
Intragovernmental earned revenue	(10,296)	(24,924)
Public earned revenue	<u>(8,903)</u>	<u>(9,218)</u>
Less: Total earned revenue	<u>(19,199)</u>	<u>(34,142)</u>
Net Program Costs	<u>\$8,719,766</u>	<u>\$10,781,957</u>
Federal Service Impasses Panel:		
Intragovernmental costs	\$0	\$0
Public costs	<u>621,410</u>	<u>791,422</u>
Total costs	621,410	791,422
Intragovernmental earned revenue	0	(643)
Public earned revenue	<u>(600)</u>	<u>(548)</u>
Less: Total earned revenue	<u>(600)</u>	<u>(1,191)</u>
Net Program Costs	<u>\$620,810</u>	<u>\$790,231</u>
Net Cost of Operations	<u>\$24,634,545</u>	<u>\$26,341,030</u>

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, 2013 and 2012

	2013	2012
Cumulative Results of Operations:		
Beginning balance	\$(2,583,413)	\$(2,332,968)
Budgetary financing sources:		
Appropriations used	23,270,794	24,594,738
Non-exchange revenue	(282)	(2)
Other financing sources (non-exchange):		
Imputed financing	<u>1,360,359</u>	<u>1,495,849</u>
Total financing sources	24,630,871	26,090,585
Net cost of operations	<u>(24,634,545)</u>	<u>(26,341,030)</u>
Net change	<u>(3,674)</u>	<u>(250,445)</u>
Cumulative Results of Operations	<u>\$(2,587,087)</u>	<u>\$(2,583,413)</u>
Unexpended Appropriations:		
Beginning balance	\$3,117,955	\$5,016,802
Budgetary financing sources:		
Appropriations received	24,723,000	24,723,000
Other adjustments	(2,498,768)	(2,027,109)
Appropriations used	<u>(23,270,794)</u>	<u>(24,594,738)</u>
Total budgetary financing sources	<u>(1,046,562)</u>	<u>(1,898,847)</u>
Total Unexpended Appropriations	<u>\$2,071,393</u>	<u>\$3,117,955</u>
Net Position	<u>\$(515,694)</u>	<u>\$534,542</u>

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, 2013 and 2012

	2013	2012
Budgetary Resources:		
Unobligated balance, brought forward, October 1	\$1,847,474	\$3,253,030
Recoveries of prior year unpaid obligations	418,760	611,555
Other changes in unobligated balance	<u>(1,205,607)</u>	<u>(2,027,109)</u>
Unobligated balance from prior year budget authority, net	1,060,627	1,837,476
Appropriation	23,429,839	24,723,000
Spending authority from offsetting collections	46,900	46,053
Total budgetary resources	<u>\$24,537,366</u>	<u>\$26,606,529</u>
Status of Budgetary Resources:		
Obligations incurred (Note 10)	\$23,634,042	\$24,759,055
Unobligated balance, end of year:		
Apportioned	67,001	63,518
Unapportioned	<u>836,323</u>	<u>1,783,956</u>
Total obligated balance, end of year	<u>903,324</u>	<u>1,847,474</u>
Total budgetary resources	<u>\$24,537,366</u>	<u>\$26,606,529</u>
Change in Obligated Balance:		
Unpaid obligations:		
Unpaid obligations, brought forward, October 1	\$2,692,558	\$3,285,463
Obligations incurred	23,634,042	24,759,055
Outlays (gross)	(23,320,255)	(24,740,405)
Recoveries of prior year unpaid obligations	<u>(418,760)</u>	<u>(611,555)</u>
Unpaid obligations, end of year	2,587,585	2,692,558
Uncollected payments:		
Uncollected payments, Federal sources, brought forward, October 1	(14,937)	(6,559)
Change in uncollected payments, Federal sources	<u>11,852</u>	<u>(8,378)</u>
Uncollected payments, Federal sources, end of year	(3,085)	(14,937)
Memorandum (non-add) entries:		
Obligated balance, start of year	<u>\$2,677,621</u>	<u>\$3,278,905</u>
Obligated balance, end of year	<u>\$2,584,500</u>	<u>\$2,677,621</u>
Budget Authority and Outlays, Net:		
Budget authority, gross	\$23,476,739	\$24,769,053
Actual offsetting collections	(58,752)	(37,675)
Change in uncollected customer payments from Federal sources	<u>11,852</u>	<u>(8,378)</u>
Budget authority, net	<u>\$23,429,839</u>	<u>\$24,723,000</u>
Outlays, gross	\$23,320,255	\$24,740,405
Actual offsetting collections	<u>(58,752)</u>	<u>(37,675)</u>
Outlays, net	<u>23,261,503</u>	<u>24,702,730</u>
Agency Outlays, Net	<u>\$23,261,503</u>	<u>\$24,702,730</u>

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

(e) **Accounts Receivable** – Accounts receivable 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. Statement of Federal Financial Accounting Standards (SFFAS) No. 10, *Accounting for Internal Use Software*, provides accounting standards for internal use software used by each agency. The standards provide for capitalized property to continue to be reported on the Balance Sheet. P&E that are not capitalized because they are under the capitalization threshold are expensed in the year of acquisition.

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

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

(g) Liabilities – Liabilities represent the amount of monies or other resources likely to be paid by the FLRA as a result of transactions or events that have already occurred. No liability can be paid, however, absent an appropriation. Liabilities for which an appropriation has not been enacted are, therefore, classified as not covered by budgetary resources, 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 2012 and FY 2013 consist of accrued and actuarial Federal Employees Compensation Act (FECA) compensation and unfunded employee leave.

(h) FECA Liabilities – An accrued FECA liability is recorded for actual and estimated future payments to be made for workers’ compensation pursuant to the FECA. The actual costs incurred are reflected as a liability because agencies will reimburse the Department of Labor (DOL) two years after the actual payment of expenses. Future revenues will be used for their reimbursement to the DOL. The liability consists of: (1) the 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 2013. 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. Federal Employees Retirement System (FERS)-covered employees were not entitled to use unused sick leave for additional service credit until October 28, 2009. For retirements effective between October 28, 2009 and December 31, 2013, 50 percent of unused sick leave can be used for additional service credit. For retirements effective after December 31, 2013, 100 percent of unused sick leave can be credited.

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

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

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

basis, to a defined contribution plan – the Thrift Savings Plan (TSP). In 2012, the regular Internal Revenue Service limit was \$17,000; the limit was increased to \$17,500 in FY 2013. 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 2013, the FLRA matched the retirement withholdings with a contribution equal to 13.2 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 No. 5, *Accounting for Liabilities of the Federal Government*, requires that employer agencies recognize the full cost of pension, health, and life insurance benefits during their employees' active years of service. The OPM, as administrator of the CSRS and FERS plans, the Federal Employees Health Benefits Program, and the Federal Employees Group Life Insurance Program, must provide the "cost factors" that adjust the agency contribution rate to the full cost for the applicable benefit programs. An imputed financing source and corresponding imputed personnel cost is reflected in the Statement of Changes in Net Position and the Statement of Net Cost, respectively.
- (n) ***Revenue and Other Financing Sources*** – The FLRA's revenues are derived from reimbursable agreements (exchange) and a direct, annual appropriation (financing source). The FLRA recognizes reimbursable work agreement revenue when earned, i.e., goods 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, including 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 FLRA's annual appropriation for FY 2012 was \$24,723,000. The agency's annual appropriation for FY 2013 was \$24,723,000, which was reduced by \$1,293,161 pursuant to 0.2 percent across-the-board and sequestration rescissions included in Public Law 113-6.

- (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 DOL, the Department of the Interior, the Department of Transportation, the Department of Homeland Security, and the General Services Administration.
- (q) ***Contingencies*** – A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to the agency. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. With the exception of pending, threatened, or potential litigation, a contingent liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is more likely than not, and the related future outflow or sacrifice of resources is measurable. For pending, threatened, or potential litigation, a liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is likely, and the related future outflow or sacrifice of resources is measurable.
- (r) ***Use of Estimates*** – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- (s) ***Advances and Prepayments*** – Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable 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 the Treasury

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

Fund Balance with the Treasury		
As of September 30,	2013	2012
General funds	\$3,488,106	\$4,525,095
Other fund types	0	38
Total	\$3,488,106	\$4,525,133

Status of Fund Balance with the Treasury		
As of September 30,	2013	2012
Unobligated balance available	\$67,001	\$63,518
Unobligated balance unavailable	836,323	1,783,956
Obligated balance not yet distributed	2,584,500	2,677,621
Non-budgetary fund balance with the Treasury	282	38
Total	\$3,488,106	\$4,525,133

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,	2013	2012
From Federal agencies, net	\$0	\$1,335
From the public, net	16,742	12,172
Total	\$16,742	\$13,507

Amounts Due from Other Federal Agencies		
As of September 30,	2013	2012
Department of Homeland Security	\$0	\$1,335
Total	\$0	\$1,335

Note 4: General Property and Equipment, Net

Category	Service Life	Acquisition Value	Accumulated Depreciation	2013 Net Book Value	2012 Net Book Value
Software	3 years	\$258,957	\$(258,957)	\$0	\$0
Computer equipment	5 years	497,617	(447,760)	49,857	68,553
Office equipment	7 years	541,273	(474,364)	66,909	119,298
Office furniture	15 years	526,039	(430,173)	95,866	126,112
Leasehold improvements	Life of lease	428,172	(428,172)	0	39,200
Total		\$2,252,058	\$(2,039,426)	\$212,632	\$353,163

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,	2013	2012
Intragovernmental – Unfunded FECA liabilities	\$227,025	\$240,761
Federal employee benefits – FECA actuarial liability	1,180,558	1,185,256
Unfunded leave	1,412,090	1,519,345
Total	\$2,819,673	\$2,945,362

Note 6: Other Liabilities

Other liabilities in FY 2012 and FY 2013 include interest payment from a customer agency for reimbursable travel and payment for responding to Freedom of Information Act requests. Payment was deposited into the Treasury’s General Fund.

Note 7: Leases

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

Future Minimum Lease Payments			
FY	Equipment	Building	Total
2014	\$27,912	\$1,005,411	\$1,033,323
2015	13,527	658,358	671,885
2016	0	554,305	554,305
2017	0	587,248	587,248
2018	0	430,462	430,462
Thereafter	0	1,342,627	1,342,627
Total	\$41,439	\$4,578,411	\$4,619,850

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 2008 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,	2013	2012
Direct obligations – Category A	\$23,584,501	\$24,713,002
Reimbursable obligations – Category A	49,541	46,053
Total	\$23,634,042	\$24,759,055

Note 11: Undelivered Orders at the End of the Period

The amount of budgetary resources obligated for undelivered orders at the end of September 30, 2013 and 2012 was \$1,147,067 and \$1,259,285, 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 2014 President’s Budget, with actual amounts for FY 2012, has been reconciled to the Statement of Budgetary Resources. The FY 2015 President’s Budget, with actual amounts for FY 2013, will not be published until February 2014.

Note 13: Reconciliation of Net Cost of Operations to Budget

Details of the relationship between budgetary resources obligated and the net costs of operations for the fiscal years ended September 30, 2013 and 2012 are shown in the table on the following page.

Reconciliation of Net Cost of Operations to Budget		
For the Years Ended September 30,	2013	2012
Resources Used to Finance Activities:		
Obligations incurred	\$23,634,042	\$24,759,055
Spending authority from offsetting collections:		
Collected	(58,752)	(37,675)
Change in unfilled customer orders	3,920	(5,821)
Recoveries of prior year unpaid obligations	(418,760)	(611,555)
Transfers in/out without reimbursement	(163,967)	0
Imputed financing sources	1,360,359	1,495,849
Other	<u>163,682</u>	<u>0</u>
Total Resources Used to Finance Activity	<u>\$24,520,524</u>	<u>\$25,599,853</u>
Resources Used That Do Not Fund Net Cost of Operations:		
Change in unfilled customer orders	\$(3,920)	\$5,821
Change in undelivered orders	106,333	502,552
Components of the Net Cost of Operations Which Do Not Generate or Use Resources in the Reporting Period:		
Change in non-Federal receivables	(3,234)	8,758
Other financing sources not in the budget	(1,360,359)	(1,495,849)
Depreciation and amortization	140,530	172,591
Future funded expenses	(120,990)	7,505
Imputed costs	1,360,359	1,495,849
Other expenses not requiring budgetary resources	<u>(4,698)</u>	<u>43,950</u>
Net Cost of Operations	<u>\$24,634,545</u>	<u>\$26,341,030</u>

DEMBO JONES

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

REPORT OF INDEPENDENT AUDITORS

**To Chairman Pope
Federal Labor Relations Authority**

Report on the Financial Statements

We have audited the accompanying financial statements of the Federal Labor Relations Authority (FLRA), which comprise the balance sheet as of September 30, 2013 and 2012, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion on Financial Statements

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Federal Labor Relations Authority as of September 30, 2013 and 2012, and its net costs; changes in net position; and budgetary resources for the years then ended.

Consideration of Internal Control

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies, as defined below.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

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

Compliance With Laws and Regulations

As part of obtaining reasonable assurance about whether the Federal Labor Relations Authority financial statements are free from material misstatement, we also performed tests of its compliance with certain provisions of laws and regulations for fiscal year 2013. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed

no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Consistency of Other Information

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

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

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

*Rockville, Maryland
December 6, 2013*

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

INSPECTOR GENERAL

MEMORANDUM

DATE: October 23, 2013

TO: Ernest DuBester
Chairman

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 (IG).

The FLRA is required to prepare an annual performance report as well as prepare and submit audited financial statements to the President, the Office of Management and Budget, and to appropriate committees and subcommittees of Congress. 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 assess the agency's progress in addressing those challenges. This statement should accompany the agency's annual performance report.

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: Human resources shortage; information technology security and proper handling of records.

I also noted the above challenges in my prior year report dated October 12, 2012. The agency has made progress in addressing these challenges as further described in the attachment. I appreciate management's strong commitment in tackling these challenges and look forward to working collaboratively in addressing them.

Attachment

Challenge: Human Resources shortage

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 2.1 million non-Postal, Federal employees worldwide, approximately 1.2 million of whom are represented in 2,200 bargaining units. 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. The Federal Government currently faces significant financial challenges today, especially when considering the impacts of sequestration which took effect in Fiscal Year (FY) 2013. Further, recent events demonstrate that this fiscal environment may likely require major changes and presents challenges that will have a significant impact on the Federal workforce as well as the effectiveness and efficiency of agency operations. In addition, President Obama previously called for the reorganization of Federal agencies – described as the most aggressive reorganization of the Federal Government in at least half a century. These factors, which are external to outside of the FLRA's ability to control, are nevertheless key stimulus that can result in an increased demand for the FLRA's services.

The FLRA's ability to meet its performance goals and to deliver timely and high quality services will be critical in facilitating orderly, efficient and effective changes that impact the Federal Government workforce which has the potential to generate representation cases, and collective-bargaining may be necessary for the implementation of such changes. In addressing workforce disputes that may result, the FLRA has a direct bearing on how well and quickly any improvements in Government operations can be effectuated, therefore FLRA is an essential component to bringing about change within the Federal Government.

In the event of a large increase in the agency's core workload (e.g., an increase in the total filings received by the FLRA for review and disposition) as a result of the Government-wide forces and potential changes described above, the FLRA's current workforce would face significant challenges. Over the past decade or more, the FLRA has not had a significant increase to its staffing levels, and out of necessity, the agency has managed its caseload through a variety of strategies. While case filings have also declined over that period of time, the agency has recently experienced increases in filings in all three of its components. The FLRA professional staffs responsible for managing and resolving complex legal matters (e.g., filings) are generally attorneys with years of relevant experience. These professional positions require extensive education and specialized knowledge and experience, and the work performed by such staff cannot be easily shifted to other staffs whom lack the education and training. Accordingly, the FLRA is presently faced with the challenge of positioning itself for a significant influx of mission critical workload, but at the same time, has very limited ability to hire additional staff above current levels. This scenario presents a challenge that the agency's performance (in terms of timeliness of processing cases) could be negatively impacted without sufficient FTE, if the situation described above results in a significantly increased workload.

Progress made:

The FLRA management has proactively tried to address this challenge by taking actions within their control. For example, management has used “details”, including temporarily utilizing employees from other agency's as well as temporary internal reassignments of existing personnel. Further, management has reduced spending to the extent practical on discretionary spending on items such as travel and training. However, these actions alone cannot fully mitigate the challenge.

Challenge: Security as well as 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. The agency has undertaken annual reviews of the agency's information security program as required by the Federal Information Security Management Act (FISMA). The FISMA requires the FLRA to prepare a report which summarizes the findings of such reviews and submit it to the Office of Management and Budget. The report is considered non-public. The most recent report contains findings which present risks and challenges that confront management and require additional action to be fully resolved. Management's progress in addressing these issues has been hampered by the absence of a Chief Information Officer (CIO) for much of the fiscal year. Filling the CIO position is critical to ensure proper oversight and attention is given to the agency's IT systems and security program.

Progress made:

Management has made significant progress in addressing certain information technology challenges identified in prior years. Such progress demonstrates that the FLRA management is serious about ensuring the agency maintains a robust information security program. However, as of the date of this report, certain issues remain unresolved. Management plans to recruit for a new CIO, the position remains vacant.

Challenge: Proper handling of records (hard copy and electronic)

Management has made significant progress in addressing this challenge which was mentioned in my report dated October 12, 2012. For example, the agency has established a structure for receiving and storing electronically filed cases, via its new E-filing system. This is an excellent step forward in using technology to enhance operational efficiencies by implementing systems to automate paper-based manually intensive processes. However, system automation is one part of a comprehensive approach to address the challenge of records management. Industry practices dictate that along with implementing new technology, it is imperative that a complete oversight or governance process be established which includes documenting agency policies, procedures and processes that address the proper handling of all hard copy and electronic records. Although new automated systems offer increased capabilities, they also present new internal (management) control challenges. The agency needs to ensure various roles (e.g., system administrator) and related authorities and capabilities are properly assigned, documented, managed and monitored.

Such written documentation should be kept up-to-date, and this need becomes increasingly critical as additional functionality and enhancements are added to the system. Further, although, certain types of records do not have legal retention requirements, the policies, processes and procedures should clearly and specifically instruct staff on the proper handling and management should periodically verify that such policies are being followed.

Progress made:

The FLRA has made steady progress towards its multi-year system implementation plan goals with the completion of its E-filing case system, a very noteworthy accomplishment. Management continues working its multi-year agenda to integrate its E-filing and other automated systems. Given the resource constraints it is faced with (described above in the first challenge noted in my report), the successful implementation of this plan and related system is increasingly important as a means to help leverage resources and partially mitigate the challenge presented by shortages in human resources.

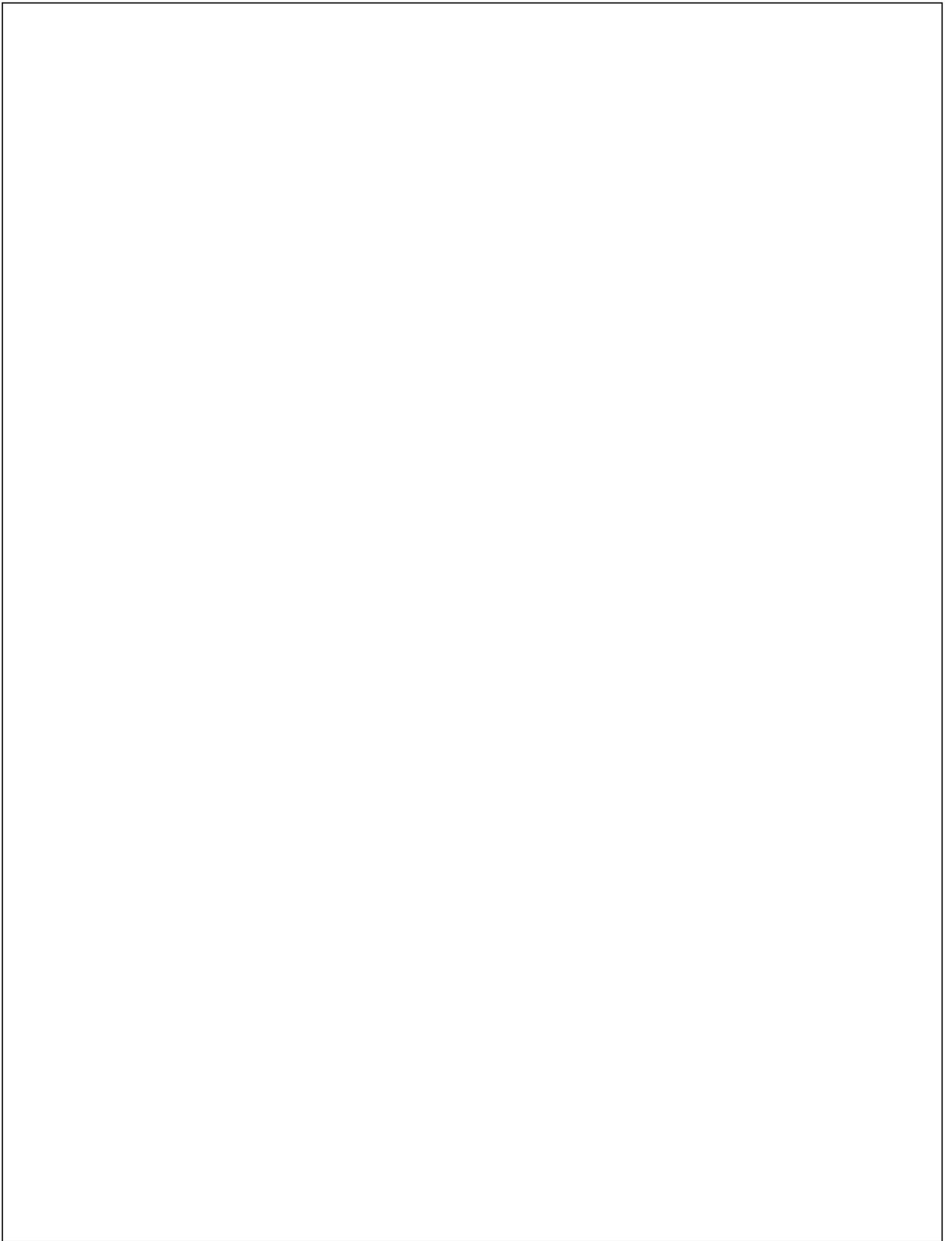
MANAGEMENT'S RESPONSE

Since FY 2009, the FLRA has engaged in a thorough review of agency programs and performance. Efforts have been 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 has 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 by the Inspector General. The remaining challenges identified by the Inspector General include human resources shortage, IT security, and proper handling of records.

With respect to these ongoing challenges, management has made, and continues to make, progress towards their resolution with the input of agency leadership, management, and employees and their representative union. With respect to human resources matters, the FLRA successfully navigated sequestration in FY 2013 and the resulting staffing reduction by using creative, immediate solutions to address the challenges. With an ever increasing number of case filings and demand for FLRA services, reduced staffing levels may impact mission performance. The FLRA will continue its efforts to reallocate and leverage resources to maximize organizational performance and to address those areas where limited resources adversely affect agency operations. As for IT security, the agency remains vigilant in maintaining a control environment that monitors and mitigates risks, threats, and vulnerabilities, and is committed to establishing and maintaining a program that is fully Federal Information Security Management Act compliant. There are specific agency plans of action in place to ensure such compliance. Finally, the FLRA continues its efforts to ensure proper handling of records, noting in particular that the ongoing development of a case management infrastructure that supports electronic case filing and files will further advance this effort. In FY 2014, the FLRA will continue its work to develop and implement policies, processes, and procedures that provide staff with clear guidance for handling agency records.

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.



FEDERAL LABOR RELATIONS AUTHORITY
1400 K Street, N.W.
Washington, DC 20424
www.flra.gov