



INSPECTOR GENERAL

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

MEMORANDUM

DATE: October 4, 2017

TO: Patrick Pizzella
Acting Chairman

Ernest DuBester
Member

FROM: Dana Rooney
Inspector General

SUBJECT: Top Management and Performance Challenges Facing the Federal Labor
Relations Authority

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

The FLRA is required to prepare an annual “Performance and Accountability Report” (PAR) which must be submitted to the President, the Office of Management and Budget, and to appropriate committees and subcommittees of Congress. The *Reports Consolidation Act of 2000*¹ requires our office to prepare an annual statement that summarizes what we consider to be the “most serious management and performance challenges facing the agency.” This statement should be included in the FLRA’s PAR or Agency Financial Report for Fiscal Year 2017.

Accordingly, the attached document summarizes what we consider to be the most serious management and performance challenges facing the FLRA, and assesses management’s progress in addressing them. FLRA has made progress with respect to the management challenge Information Technology Security Needs Continuing Improvement by addressing its privacy weaknesses. Due to prior outstanding recommendations and weaknesses related to the Federal Information Security Modernization Act of 2014, we continue to report the management challenge. This year, we retained all three management challenges from last year’s list. These management challenges include: (1) Information Technology Security Needs Continuing Improvement; (2) Proper Handling of Records; and (3) Closure of Open Recommendations Outstanding for More Than 1 Year.

We provided our draft challenges report to FLRA and considered all comments received. In closing, we would like to express appreciation to you and the Acting Executive Director for continuing to support our work and your commitment to excellence at FLRA. We look forward

¹ Public Law 106-531

to working with the FLRA to continually improve the FLRA's efforts to address these important challenges.

Attachment

cc: Michael Jeffries, Acting Executive Director
Gregory Mister, Director Budget and Finance



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Information Technology Security Needs Continuing Improvement

Safeguarding Federal computer systems and electronic data has been a long standing challenge for all Federal agencies including the Federal Labor Relations Authority (FLRA). Since 1997, the Government Accountability Office (GAO) has identified the security of Federal cyber assets on its High-Risk List. Further, in 2003 GAO added protection of critical cyber infrastructure and in 2015, added the privacy of personally identifiable information¹.

The FLRA depends on its systems and data to carry out its mission. These systems are at risk and the FLRA must remain vigilant in establishing a control environment to continuously monitor potential Information Technology (IT) risks, threats, vulnerabilities, mitigation and implementation plans.

The 2016 Management Challenge for IT security included the Privacy Program and Information Security because of weaknesses identified in a review of FLRA's privacy and data security policies, procedures and practices. In May 2017, the Office of Inspector General (OIG) reviewed FLRA's Privacy and Data Protection program and closed the single remaining finding and no new weaknesses were identified. Therefore, the OIG removed the Privacy Program leaving the IT challenge open.

For the last several years, the OIG's annual Federal Information Security Modernization Act of 2014 (FISMA) review has identified repeated weaknesses in IT. The FLRA provided corrective action plans in response to the OIG recommendations. In our 2017 FISMA review we plan to evaluate the IT deficiencies and actions taken to correct the system weaknesses.

Information Security

Since the passage of the FISMA, the OIG has annually reviewed the FLRA's information security program. The FISMA requires the FLRA OIG to prepare a report summarizing the review findings and submit it to the Office of Management and Budget (OMB). The October 2016 FISMA review reported five prior year recommendations. There were no new recommendations included in the Fiscal Year (FY) 2016 FISMA Report. Of the five prior year open FISMA recommendations, three were from the FY 2015 report and two were from the FY 2014 report.

¹ See http://www.gao.gov/highrisk/ensuring_the_security_federal_government_information_systems/why_did_study



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Progress in Addressing the Challenge

The FLRA has reported in its Plan of Action and Milestones that it will resolve the remaining FISMA findings in 2017. The impact of this effort will be assessed during the FY 2017 FISMA review.

What Needs to Be Done

FLRA should continue to address and resolve FISMA weaknesses identified by the OIG. Although the FLRA has addressed weaknesses in its Privacy Program, the agency must be diligent in continuing to monitor and assess its information security to ensure proper IT security controls are in place. The OIG plans to reassess FLRA's Privacy Program in 2019.

Key OIG Resources

- OIG Report, Evaluation of the Federal Labor Relations Authority Compliance with the Federal Information Security Management Act Fiscal Year 2016 (ER-17-01) October 27, 2016
- OIG Report, Evaluation of the Federal Labor Relations Authority Compliance with the Federal Information Security Management Act Fiscal Year 2015 (ER-16-01), November 9, 2015
- OIG Report, Evaluation of the Federal Labor Relations Authority Compliance with the Federal Information Security Management Act Fiscal Year 2014 (ER-15-01), November 14, 2014
- OIG Report, Evaluation of FLRA Privacy and Data Protection (ER-17-05), May 9, 2017

Proper Handling of Records (hard copy and electronic)

Presidential Memorandum, *Managing Government Records*, was signed on November 28, 2011. It announced an Executive Branch-wide effort to reform Government records. On August 24, 2012, OMB and National Archives and Records Administration (NARA) jointly issued Memorandum M-12-18, *Managing Government Records Directive*. The new directive provided goals, requirements, and deadlines for implementing the Presidential Memorandum. The first goal of the Directive has two compliance deadlines:

- By December 2016, Federal agencies will manage both permanent and temporary email records in an accessible electronic format; and
- By December 2019, Federal agencies will manage all permanent records in an electronic format, and must develop plans to do so by December 2013.



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Management has made progress addressing the challenge of complying with the Directive as mentioned in our report dated November 2, 2016. Throughout 2017, the FLRA continued its efforts to use technology to enhance operational efficiencies by automating, paper-based manually intensive processes. This includes developing a case management system infrastructure supporting electronic files that will properly handle agency case files and records. This is an excellent step forward using technology to enhance operational efficiencies. However, system automation is one part of a comprehensive approach to address the challenge of managing permanent records. Industry practices dictate that along with implementing new technology, it is imperative that a complete oversight or governance process be established to include documenting agency policies, procedures and processes that address all hard copy and electronic records proper handling. Although new automated systems offer increased capabilities, they also present new internal (management) control challenges. The FLRA needs to ensure various roles (e.g., system administrator); related authorities and capabilities are properly assigned, documented, managed and monitored. Such written documentation should be maintained as 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. Further, management should periodically verify that such policies are being followed.

Progress in Addressing the Challenge

The FLRA met the first requirement of OMB Directive M-12-18, managing both permanent and temporary email records in an accessible electronic format. The Agency is currently maintaining all email records in an electronic format. The FLRA has made steady progress towards accomplishing its multi-year plan goal to implement full electronic file – consistent OMB requirements – in 2019. Accomplishments include: implementation of enhancements to the eFiling system that are on schedule to be completed this FY; work on a new task order for transitioning the agency’s electronic case management system is underway; and the agency’s successful transition to a new, cloud based Document Management System during this FY. All three are essential components for fully implementing electronic FLRA case files.

The FLRA recognizes that a necessary component of the implementation of electronic case files is the development of policies, processes, and procedures, which provide staff with clear guidance for handling records and ensure compliance with agency requirements. By leveraging the Small Agency Council network, the FLRA partnered with the Pension Benefit Guaranty Corporation to conduct a comprehensive assessment and roadmap for improving the FLRA’s records management program. This is the first step to ensuring that the appropriate oversight and governance processes are established, including reviewing/updating agency policies, procedures and processes that address the proper handling of all hard copy and electronic records. Further, this effort will ensure various roles (e.g., system administrator) and related authorities and



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capabilities are properly assigned, documented, managed and monitored, and that written documentation is kept up-to-date.

What Needs to Be Done

Since the Directive's release, there has been a wealth of additional NARA bulletins and OMB memorandums. Although the FLRA has until 2019 to comply with the evolving requirements, FLRA management should continue working its multi-year agenda to integrate its E-filing and other automated systems.

Key OIG Resources

- President Memorandum, *Managing Government Records*, signed on November 28, 2011
- OMB Directive M-12-18, *Managing Government Records Directive*, issued August 24, 2012
- NARA Bulletin 2013-02, *Guidance on a New Approach to Managing Email Records*, issued August 29, 2013
- OMB/NARA Memorandum M-14-16, which included NARA Bulletin 2014-06, *Guidance on Managing Email* issued September 14, 2014

Closure of Open Recommendations Outstanding for More Than 1 Year

The Inspector General Act of 1978, as amended, requires explanations for all audit reports with recommendations open for more than one year. These outstanding recommendations are also reported to the FLRA and Congress in the OIG's Semiannual Reports to Congress. We first reported the closure of open recommendations outstanding for more than one year as a management challenge in 2016. Last year we reported that FLRA had eight open recommendations outstanding for more than 1 year. In our September 30, 2017 OIG Semiannual Report, the FLRA closed one of the eight open recommendations outstanding for more than 1 year.

The table below shows a summary of reports with corrective actions outstanding for more than 1 year and whether those recommendations were open or closed.



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Reports with Corrective Actions Outstanding for more than 1 year²

Report Title	Report Number	Issue Date	Number of Recommendations	Closed	Open
Management Letter for Fiscal Year 2011 Audit of the Federal Labor Relations Authority Financial Statements	AR-12-02	12/11	3	2	1
Evaluation of the Federal Labor Relations Authority's Compliance with the Federal Information Security Management Act FY 2014	ER-15-01	11/14	3	1	2
Evaluation of the Federal Labor Relations Authority Compliance with the Federal Information Security Management Act Fiscal Year 2015	ER-16-01	11/15	5	2	3
Management Letter for Fiscal Year 2015 Audit of the Federal Labor Relations Authority	AR-16-02	12/15	1	0	1

At this time, FLRA has seven recommendations outstanding for more than 1 year, with four dating back to Calendar Year (CY) 2015, two from CY 2014 and one from CY 2011. Of the seven recommendations, five were reported in the FISMA audits. Three of the FISMA recommendations are from the FY 2015 review and two from the FY 2014 review.

Although the FLRA obtained an unmodified (clean) opinion on all financial statements in FY 2016, the independent auditor's FY 2016 Management Letter reported one new recommendation and two recommendations outstanding for more than 1 year. Of the outstanding recommendations, the one from 2011 persisted in FY 2017 and the other was included in the FY 2015 Management Letter.

It is critical that the FLRA continue its progress in resolving open findings that are outstanding from prior audits, and design appropriate corrective action plans to implement procedures and

² Only the recommendations that have been open for 12 months are reflected in the accompanying list of open recommendations.



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address deficiencies, where appropriate. FLRA management should also continuously monitor these plans to ensure timely audit resolution.

Progress in Addressing the Challenge

In response to our FY 2017 management challenges, the FLRA indicated having “clear and comprehensive action plans in place to address all open recommendations.” FLRA explained that the action plans, coupled with continuous monitoring of its efforts, will result in closing all open recommendations in FY 2017.

What Needs to Be Done

We acknowledge that the FLRA continues to initiate actions to address outstanding open recommendations. However, our audit work from the past several years continues to highlight that the FLRA faces challenges in addressing outstanding weaknesses. The impact of FLRA action plans will be assessed during the FY 2017 Financial Statement and FISMA audits.

Key OIG Resources

- OIG Report Management Letter for Fiscal Year 2016 Audit of the Federal Labor Relations Authority Financial Statements (AR-17-02), November 16, 2016
- OIG Report Management Letter for Fiscal Year 2015 Audit of the Federal Labor Relations Authority (AR-16-02), December 14, 2015
- OIG Report, Evaluation of the Federal Labor Relations Authority Compliance with the Federal Information Security Management Act Fiscal Year 2015 (ER-16-01), November 9, 2015
- OIG Report, Evaluation of the Federal Labor Relations Authority Compliance with the Federal Information Security Management Act Fiscal Year 2014 (ER-15-01), November 14, 2014
- OIG Report, Management Letter for Fiscal Year 2011 Audit of the Federal Labor Relations Authority Financial Statements (AR-12-02) December 28, 2011