

# DEMBO JONES

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Carol Waller Pope, Chairman  
**Federal Labor Relations Authority**

In planning and performing our audit of the financial statements of the **Federal Labor Relations Authority** (the Authority) as of and for the year ended **September 30, 2014**, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operating matters that are presented for your consideration. This letter does not affect our report dated November 14, 2014 on the financial statements. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendation. Our comments are summarized as follows:

## **Follow-up on Prior Year Findings**

### **I. Timely Finalization of Contract Award Documents**

While conducting our audit procedures we noted that in certain instances, signed obligating documents were not in place prior to the date that the service period began. In accordance with Federal Acquisition Regulation (FAR) 1.602-3, such agreements would be classified as unauthorized commitments. We recommend that procedures be put in place to ensure that obligating documents are signed prior to the beginning of the service period specified in the agreement or contract.

#### **FY 2014 Follow-up:**

In conducting our audit procedures during the FY 2014 audit, we noted that this continues to be a problem. We noted that in 3 of the 32 cases tested, signed obligating documents were not in place prior to the date the service began. We continue to recommend that procedures be put in place to ensure obligating documents are signed prior to the date service periods begin.

## **II. Timely Submission of Travel Vouchers**

During our performance of audit tests related to travel vouchers, we noted that in some instances, the traveler did not submit the voucher to the approving official within the required number of business days upon completion of the trip. Federal Travel Regulations and FLRA Policy Instruction No. 1501.2 state that travel vouchers should be submitted to the appropriate approving official within 5 business days after travel. We suggest that employees be reminded to submit their travel vouchers in a timely manner in accordance with Federal Travel Regulations and FLRA's policy instruction.

### **FY 2014 Follow-up:**

During our testing of travel vouchers, we noted problems with several travel vouchers. There were six instances where a travel voucher was not submitted within the appropriate time period allowed, six instances where travel vouchers were not submitted to the Interior Business Center (IBC) within 10 working days upon completion of travel, one case where IBC did not reimburse the traveler within 5 days of receiving the voucher and one case where the "frequent traveler" did not have a travel card to use. We continue to suggest that employees be reminded to submit their travel vouchers within the prescribed time period as well as make sure the travel policies are followed and monitored in order to avoid these issues.

### **New findings:**

#### **I. Fixed Assets**

During our audit procedures related to fixed assets, we inquired about any fixed asset dispositions. We determined that the individual in charge of fixed asset dispositions was not a part of the Budget and Finance Division (BFD). Therefore, fixed asset disposals are not communicated to the BFD who then was not in a position to share the information with the IBC. We suggest that the BFD take over these duties so disposals can be recorded in the accounting records. We also urge the Authority to perform a physical inventory of fixed assets and compare the results with the fixed assets listed in the accounting records.

#### **II. Qualified Personnel**

The Authority did provide us with enough information to complete the annual audit on time thanks to the hard work of the Director of BFD. In the future, we strongly suggest the Authority recruits qualified individuals to join the BFD. The Director of BFD will need individuals with a strong knowledge of proprietary accounting to complement his knowledge of budgetary accounting. We strongly urge the Authority to consider providing the Director of BFD with qualified personnel that will help the Authority maintain its strong accounting function.

#### **III. Account Reconciliation**

While auditing the account "Advances to Others", we noted that the Authority had not reconciled this account since the February/March timeframe. Also during our testing of accounts payable, we found three instances where invoices were not recorded in accounts payable at year

end. Per a conversation with the Director of BFD, we determined that IBC had stopped accepting invoices in the middle of September. It is our understanding that BFD previously contacted vendors in order to reconcile the accounts payable balance and to determine what should be accrued at year end. However, it is also our understanding that there was not a plan to do this for the year ended September 30, 2014. These three issues noted above relate to the process of reconciling balance sheet accounts. Reconciliations are a critical part of the accounting function. We strongly urge that BFD reconciles the balance sheet accounts quarterly, at a minimum. Reconciliation of accounts is mandatory in order to have a good understanding of the financial position of the Authority, to make important financial decisions and to maintain an accurate set of financial statements.

We sincerely appreciate the opportunity to provide services to the **Federal Labor Relations Authority** and hope you find the information included in this correspondence useful and informative. If you have any questions or wish to discuss these matters further, please let us know.

Very truly yours,

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

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December 2, 2014