



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

December 22, 2025

INSPECTOR GENERAL

Dear Chairman Colleen Duffy Kiko:

I am pleased to provide the attached audit report required by the Accountability for Tax Dollars Act of 2002, which presents an unmodified opinion on the Federal Labor Relations Authority's (FLRA) financial statements as of September 30, 2025.

The certified public accounting firm Rocha & Company, P.C. (Rocha), under contract with Dembo Jones, P.C., on behalf of the FLRA, OIG, conducted the audit of FLRA's financial statements as of and for the fiscal year ended September 30, 2025. The contract required that the audit be performed in accordance with *Government Auditing Standards*; Office of Management and Budget audit guidance, and the United States Government Accountability Office and the Council of the Inspectors General on Integrity and Efficiency's *Financial Audit Manual*.

The FLRA achieved an unmodified (clean) opinion on all financial statements. However, Rocha identified a material weakness in internal controls over accounts payable and related accrued expenses at the financial statement level. The Office of Inspector General (OIG) commends the FLRA for the noteworthy accomplishment of attaining an unmodified opinion.

RESULTS OF INDEPENDENT AUDIT

In the audit of FLRA's financial statements, Rocha reported:

- FLRA's financial statements as of and for the fiscal years ended September 30, 2025, are presented fairly, in all material respects, in accordance with auditing standards generally accepted in the United States of America;
- one material weakness in internal control over financial reporting based on the limited procedures we performed¹; and
- no reportable non-compliance for Fiscal Year 2025 with provisions of applicable laws, regulations, and contracts we tested.

¹ A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, 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 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.

EVALUATION OF AUDITOR'S PERFORMANCE

In connection with the contract, we reviewed Rocha's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the financial statements, was not intended to enable us to express, and we do not express, an opinion on FLRA's financial statements or conclusions about the effectiveness of internal control over financial reporting, or on compliance with laws and other matters. Rocha is responsible for the attached auditor's report dated December 22, 2025, and the conclusions expressed therein. However, our review disclosed no instances where Rocha did not comply, in all material respects, with *Government Auditing Standards*.

I appreciate the courtesy and cooperation extended to Rocha during the audit. Please provide a corrective action plan within 60 days of this report.

Respectfully submitted,



Dana A. Rooney
Inspector General

Attachment

cc: The Honorable Anne M. Wagner, Member
Executive Director
Director Budget and Finance



INSPECTOR GENERAL

**U.S. FEDERAL LABOR RELATIONS AUTHORITY
OFFICE OF INSPECTOR GENERAL**

**Financial Statement Audit of the
Federal Labor Relations Authority
Fiscal Year 2025**

Report No. AR-26-01

December 22, 2025

**Federal Labor Relations Authority
Office of Inspector General
1400 K Street, NW 3rd Floor
Washington, D.C. 20424**

Independent Auditor's Report

To Chairman Colleen Duffy Kiko
Federal Labor Relations Authority

In our audit of the fiscal year 2025 financial statements of the Federal Labor Relations Authority (FLRA), we found:

- FLRA's financial statements as of and for the fiscal year ended September 30, 2025, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- one material weakness in FLRA's internal control over financial reporting based on the limited procedures we performed; and
- no reportable non-compliance with provisions of applicable laws, regulations, and contracts we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI) such as Management's Discussion and Analysis and other information included with the financial statements; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations and contracts and (4) agency comments.

Report on the Financial Statements

Opinion

In accordance with the Accountability of Tax Dollars Act of 2002, we have audited FLRA's financial statements. FLRA's financial statements comprise the balance sheet as of September 30, 2025, the related statements of net cost, changes in net position, and budgetary resources for the fiscal year then ended; and the related notes to the financial statements.

In our opinion, FLRA's financial statements present fairly, in all material respects, FLRA's financial position as of September 30, 2025, and its net cost of operations, changes in net position, and budgetary resources for the fiscal year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted government auditing standards and guidance contained in the Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB guidance are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FLRA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

FLRA's management is responsible for (1) the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in FLRA's Performance and Accountability Report (PAR), and ensuring the consistency of that information with the audited financial statements and RSI; and (4) designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards and OMB Bulletin No. 24-02 guidance will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. generally accepted government auditing standards and OMB Bulletin No. 24-02 guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to our audit 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 FLRA's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the financial statement audit.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

FLRA's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in FLRA's PAR. The other information comprises Messages from the Chairman and Chief Executive Officer, and Other Accompanying Information. Other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

In connection with our audit of FLRA's financial statements, we considered FLRA's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below 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. However, we identified a deficiency in internal control that we consider to be a material weakness. The details of this material weakness are presented in Exhibit A.

Independent Auditor's Report (continued)

Page 4

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

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

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to FLRA's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget audit guidance.

Responsibilities of Management for Internal Control over Financial Reporting

FLRA's management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of FLRA's financial statements as of and for the fiscal year ended September 30, 2025, in accordance with U.S. generally accepted government auditing standards, we considered FLRA's internal control relevant to the financial statement audit 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 FLRA's internal control over financial reporting. Accordingly, we do not express an opinion on the FLRA's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations and contracts, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of FLRA's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of FLRA's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, and Contracts

In connection with our audit of FLRA's financial statements, we tested compliance with selected provisions of applicable laws, regulations and contracts consistent with our auditor's responsibility discussed below.

Results of Our Tests for Compliance with Laws, Regulations and Contracts

Our tests for compliance with selected provisions of applicable laws, regulations and contracts disclosed no instances of noncompliance for Fiscal Year 2025 that would be reportable under U.S. generally accepted government auditing standards or OMB Bulletin No. 24-02. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations and contracts applicable to FLRA. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations and Contracts

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Compliance with Laws, Regulations and Contracts

FLRA's management is responsible for complying with laws, regulations and contracts applicable to FLRA.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations and Contracts

Our responsibility is to test compliance with selected provisions of laws, regulations and contracts applicable to FLRA that have a direct effect on the determination of material amounts and disclosures in FLRA's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all provisions of laws, regulations and contracts applicable to FLRA. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations and Contracts

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations and contracts, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations and contracts is not suitable for any other purpose.

Rocha & Company, PC

*Gaithersburg, Maryland
December 22, 2025*

Introduction to Exhibit A – Internal Control Deficiency

The internal control deficiency and finding related to financial reporting identified during our audit of FLRA's FY 2025 financial statement is presented below.

Exhibit A: Material weakness identified at FLRA at the financial statement level.

A-1: Improvements are Needed in the Internal Controls over Accounts Payable and Related Accrued Expenses

Background: During our year-end audit procedures, we noted that the amounts FLRA calculated and recorded as accrued expenses on the financial statements were overstated due to incorrect methodologies used by FLRA.

Condition: The trial balance and related financial statements presented to Rocha & Company, PC for audit showed accounts payable and accrued expenses to be \$1,084,614. After conducting our audit procedures, this balance was reduced to \$448,868. This required adjustment of \$635,746 impacted several accounts including accrued expenses, net costs, as well as other budgetary accounts such as delivered and undelivered obligations.

Cause/Effect: FLRA did not have a complete understanding of the criteria that needed to be met for amounts to be included as an accrued expense and therefore the methodology used to create their internal listing of accrued expenses was incorrect. As a result, an incorrect accrued expense number was initially recorded on the financial statements.

Criteria:

- 1) Statement of Federal Financial Accounting Standards No. 1, Accounting for Selected Assets and Liabilities, states,

Accounts payable are amounts owed by a federal entity for goods and services received from, progress in contract performance made by, and rents due to other entities.... When an entity accepts title to goods, whether the goods are delivered or in transit, the entity should recognize a liability for the unpaid amount of the goods. If invoices for those goods are not available when financial statements are prepared, the amounts owed should be estimated.

- 2) GAO's Standards for Internal Control in the Federal Government states,

Internal control comprises the plans, methods, policies and procedures used to fulfill the mission, strategic plan, goals and objectives for the entity. Internal control services as the first line of defense in safeguarding assets. In short, internal control helps managers achieve desired results through effective stewardship of public resources.

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions.

Recommendations:

- 1) Ensure a complete understanding is obtained as to what constitutes accounts payable and accrued expenses and how that is different from obligated, undelivered orders. In addition, increase the understanding of what accounts on the trial balance and line items on the financial statements are impacted by accruals.
- 2) Improve the existing worksheet used for accrual calculations by including contract type, services/goods received, documentation of accrual methodology and accumulate adequate support that is readily available. The spreadsheet and supporting documentation should be presented to a supervisor for review as part of the accrual review process.

Management's Response:

FLRA's response to the finding identified in our audit is described in the accompanying Audit Response Letter. FLRA's response was not subject to auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.




UNITED STATES OF AMERICA
FEDERAL LABOR RELATIONS AUTHORITY

December 19, 2025

MEMORANDUM

TO: Dana Rooney
Inspector General

FROM: Greg Mister, Director Budget and Finance Division

THROUGH: Michael Jeffries
Executive Director 

SUBJECT: Management Response to the Office of Inspector General's (OIG) Annual Review of the Federal Labor Relations Authority's (FLRA's) Fiscal Year 2025 Financial Statements

Thank you to the Office of Inspector General for its diligence and professionalism throughout the audit process, as well as for the work performed to help ensure the integrity and reliability of the Agency's financial statements.

The Agency concurs with the finding and has already begun taking corrective actions to address it. We appreciate the OIG's efforts and continued collaboration in support of FLRA programs.



INSPECTOR GENERAL

Contacting the Office of Inspector General

If you know of fraud, waste, abuse, or misconduct relating to an FLRA program, contract, or employee, you may report it to the FLRA OIG Hotline:

HOTLINE (877) 740-8278

[HTTP://WWW.FLRA.GOV/OIG-HOTLINE](http://www.flra.gov/oig-hotline)

CALL: (771) 444-5712 FAX: (202) 208-4535

WRITE: 1400 K Street, NW, 3rd Floor

Washington, D.C. 20424

When reporting information, you may choose to be confidential, which means the FLRA OIG will not disclose your identity without your consent, unless the Inspector General determines that such a disclosure is unavoidable during the course of an investigation. You may instead choose to be anonymous. Anonymous reports may limit our ability to process the information you provide as we would not be able to contact you for additional information or clarification. To learn more about the FLRA OIG, visit our website at: www.flra.gov/components-offices/offices/office-inspector-general.