FEDERAL LABOR RELATIONS AUTHORITY
(FLRA)

Management Letter

For the Year Ended September 30, 2025

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Rocha & Company, PC
Certified Public Accountants
and Management Consultants

Management Letter

Chairman Colleen Duffy Kiko
Federal Labor Relations Authority
1400 K Street, NW
Washington, DC 20005

Dear Chairman Kiko:

In planning and performing our audit of the financial statements of the Federal Labor Relations Authority (FLRA) as of and for the year ended September 30, 2025, in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 24-02, we considered FLRA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FLRA's internal control. Accordingly, we do not express an opinion on the effectiveness of FLRA'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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness.

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 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 three is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. The following deficiency is considered a material weakness, the details of which are attached to this letter and is reflected as a Material Weakness:

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

During our audit, we also became aware of deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency. The following items are other deficiencies we noted during the course of our audit that did not rise to the level of a reportable condition, the details of which are attached to this letter and reflected as Management Letter Comments.

- MLC #1: Open Obligation Review

- MLC #2: Review of Service Provider

- MLC #3: GTAS Reporting

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This letter does not affect our financial statement dated December 22, 2025. The status of these comments will be reviewed during your next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve internal control or result in other operating efficiencies. FLRA's written responses to these matters identified in our audit have not been subject to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

This report is intended for the information and use of those charged with governance and management of the FLRA, the Office of Inspector General, others within the FLRA, OMB and the U.S. Congress; and is not intended to be and should not be used by anyone other than those specified parties. 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 recommendations.

Rocha & Company, PC

Rocha & Company, PC
December 22, 2025

MATERIAL WEAKNESS

MW #1 – Improvements are Needed in the Internal Controls over Accounts Payable and Related Accrued Expenses.

Condition:
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. 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.

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.

Cause:

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.

Effect:

An incorrect accrued expense number was initially recorded on the financial statements.

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.

MANGEMENT LETTER COMMENTS

MLC #1 – Open Obligation Review

Condition:

Our audit indicated that FLRA's procedures for the review of open obligations should be improved. Specifically, our discussions with budget and finance staff indicated that significantly aged open obligations were not fully vetted with project management personnel to determine if they should be closed out. In addition, FLRA's Executive Director stated that older obligations may have been left open due to staffing turnover. It should be further noted that the normal account balance for undelivered orders (Account #4801) should be a credit balance. Although certain circumstances exist for where a debit balance is acceptable, FLRA should verify what makes up these balances to ensure accuracy.

Criteria:

1) The standards for proper recording of obligations are found in Title 31, Section 1501 of the United States Code [31 U.S.C. § 1501(a)].

2) The U.S. Government Accountability Office's Policy and Procedures Manual for Guidance of Federal Agencies, Title 7 Chapter 3, paragraph 3.8B2, dated May 18, 1993, states, "each agency shall review its ULOs at least once a year, not necessarily at the fiscal year end, to reasonably assure itself that all, and only those, transactions that meet the criteria of being legally valid obligations…."

3) U.S. Standard General Ledger, definition of account number 480100, "Although the normal balance for this account is a credit, it is acceptable in certain instances for this account to have a debit balance"

Cause:

FLRA did not have sufficient internal controls in place to ensure a complete review of all open obligations as budget and finance staff were not sufficiently working with project management personnel.

Effect:

The following amounts currently are reflected on the trial balance as undelivered orders that are aged more than three years.

Account Number	Account Description	Trial Balance Amount
48010099 – DA 2020	Prior Year Undelivered Orders, Unpaid	$ 559,027
48010099 – DA 2121	Prior Year Undelivered Orders, Unpaid	$ 58,331
48010099 – DA 2222	Prior Year Undelivered Orders, Unpaid	$ 171,365
48010001 – DA 2020	Undelivered Orders – Obligations, Unpaid	$ 24,229
48010001 – DA 2121	Undelivered Orders – Obligations, Unpaid	$ 67,644
48010001 – DA 2222	Undelivered Orders – Obligations, Unpaid	$ 88,680

The following accounts show debit balances in accounts that have normal credit balances.

Account Number	Account Description	Trial Balance Amount
48010001 – DA 2323	Undelivered Orders – Obligations, Unpaid	$ 86,185
48010001 – DA 2324	Undelivered Orders – Obligations, Unpaid	$ 7,537
48010001 – DA 2424	Undelivered Orders – Obligations, Unpaid	$ 2,055,793

Recommendation:

We recommend the Administrative Services Director review all open obligations with ARC and project management personnel to verify the accuracy of all undelivered account balances.

Management Response:

Management concurs with the finding and will prepare a corrective action plan (CAP) within 60 days of NFR issuance, by February 20, 2026.

MLC #2 – Review of Service Provider

Condition:

During our audit procedures, we noted instances that indicate FLRA needs to increase its review of third party service providers. Specifically, we noted the following:

1) FLRA could not determine if the rent being paid through Intra-Governmental Payment and Collection (IPAC) transactions agreed with contractual lease terms.

2) Accrued payroll liability amounts recorded by FLRA's third-party service provider were not sufficiently reviewed by FLRA. As a result, accrued payroll liability amounts of $31,229 remain on the trial balance for fiscal year ended prior to September 30, 2025.

3) The accrued payroll detail prepared by FLRA's third-party service provider, included amounts that do not appear payroll related (Kapax Solutions). These amounts totaled $1,876 which is deemed trivial to the financial statements; however, their inclusion highlights the need for review.

Criteria:

1) Section OV4.03 of the Government Accountability Office Standards for Internal Controls in the Federal Government states "Management may consider the following when determining the extent of oversight for the operational processes assigned to the service organization:
   - The nature of services outsourced
   - The service organization's standard of conduct
   - The quality and frequency of the service organization's enforcement of adherence to standards of conduct by its personnel
   - The magnitude and level of complexity of the entity's operations and organizational structure
   - The extent to which the entity's internal controls are sufficient so that the entity achieves its objectives and addresses risks related to the assigned operational process."

2) FLRA's financial management third party service provider, the Bureau of the Fiscal Service's Administrative Resource Center (ARC) Shared Services provided a System and Organization Controls (SOC) 1 Type 2 report which explains responsibilities of customer agencies.

   - "ARC's controls related to its system supporting the delivery of ARC's system cover only a portion of the overall internal control for each ARC customer agency. It is not feasible for the control objectives related to ARC's services to be achieved solely by ARC…In order for customer agencies to rely on the controls reported on herein, each customer agency must evaluate its own internal control to determine whether the identified Complementary Customer Agency Controls have been implemented and are operating effectively."

   - The ARC SOC 1 Type 2 report details 53 areas of controls and responsibilities that individual agencies should address, including:
     - Compare actual expenditure results to budgeted amounts.
     - Review the financial reports provided by ARC to help ensure that disbursement transactions are complete and accurate.

- Review the financial reports provided by ARC to help ensure that monthly payroll and leave accruals are complete and accurate.
- Review and approve, prior to submission, the financial reports prepared by ARC to help ensure that reports prepared for external use are complete, accurate, and submitted in a timely manner.
- Review open accrual reports for completeness, accuracy and validity.
- Review the financial reports provided by ARC to help ensure that accruals are complete and accurate.

Cause:

FLRA did not sufficiently review ARC reports and accruals.

Effect:

There is an increased risk for financial statement reporting errors without sufficient review of ARC.

Recommendation:

We suggest FLRA revisit their existing internal control procedures for reviewing ARC services to ensure complementary customer agency controls included in the ARC SOC 1 Type 2 report have been incorporated into the internal control process.

Management Response:

Management concurs with the finding and will prepare a corrective action plan (CAP) within 60 days of NFR issuance, by February 20, 2026.

MLC #3 – GTAS Reporting

Condition:

During our audit, we noted one instance where FLRA submitted their SF-133 to the GTAS system one day late.

Criteria:

The Bureau of the Fiscal Service requires federal entities to report their Report on Budget Execution and Budgetary Resources (SF-133) using the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS). The SF-133 must be submitted at the end of November, July, August, and each quarter.

Cause:

FLRA's GTAS submission for 1st Quarter Fiscal Year 2025 was due on January 21, 2025, but was submitted on January 22, 2025.

Effect:

FLRA reporting to GTAS was late.

Recommendation:

We understand that this submission was only one day late and acknowledge that other submissions tested did not show late reporting. We recommend that FLRA considers unexpected events or employee absences to ensure timely filing.

Management Response:

Management concurs with the finding and will prepare a corrective action plan (CAP) within 60 days of NFR issuance, by February 20, 2026.

As the 1-day late certification occurred just once over the course of years, FLRA submits that our track record of timeliness speaks for itself. However, FLRA recognizes the importance of double ensuring timely reporting and in ensuring measures are in place to mitigate the chance for late reporting from occurring. Accordingly, FLRA has established best practices to ensure unexpected disruptions do not impact our reporting timeliness. FLRA is optimistic that this additional measure coupled with our long track history of timely reporting will afford Rocha & Company, PC the vantage point that GTAS reporting is not and will not be problematic going forward. Thank you for bringing this matter to our attention. Continuous process improvements are our mantra.