



America the Beautiful

FEDERAL LABOR RELATIONS AUTHORITY

OFFICE OF INSPECTOR GENERAL

**34th SEMIANNUAL REPORT
TO THE CONGRESS**

**April 1, 2005
through
September 30, 2005**

EXECUTIVE SUMMARY

This is the 34th Semi-Annual report issued by the Office of Inspector General (OIG) at the Federal Labor Relations Authority (FLRA). This report, submitted pursuant to section 5 of the Inspector General Act, summarizes the major activities and accomplishments of the FLRA Inspector General for the period of April 1, 2005 to September 30, 2005.

During this reporting period, the FLRA Office of the Inspector General began conducting the FY 2005 Financial Statement Audit, processed 7 hotline calls, received 6 complaints, 2 of which involved FLRA Inspector General administrative investigations, 1 which is on hold and started a preliminary internal review of FLRA's Administrative policies. During this reporting period the FLRA Inspector General conducted a Federal Information Security Management Act (FISMA) Review, which was submitted to FLRA Management on August 19, 2005.

On September 22, 2005, the FLRA Inspector General provided FLRA management a list of Inspector General opened oversight findings and recommendations from 1998 to the current time and requested management's response. Management has begun to review and update these findings and recommendations. No new oversight findings and recommendations were made during this reporting period because several oversight functions were not completed as of September 30, 2005. During this reporting period, the FLRA Chief Information Officer focused on and completed several information security findings, which were indicated in the Inspector General's FY 2005 FISMA Review.

During this reporting period, a President's Council on Integrity and Efficiency and Executive Council on Integrity and Efficiency (PCIE/ECIE) Peer Review of the FLRA Inspector General's Audits was completed and issued. This review indicated that the FLRA Inspector General has a significant impairment to independence because of the lack of sufficient staffing and a very limited budget.

During this reporting period, FLRA Management has continued to address the improvement of the efficiency and effectiveness of several programs, which had previously been addressed by the Inspector General's oversight activities. These included procurement, information security and human capital. Management also is currently addressing Agency-wide position classification and cost analysis to ensure that the FLRA operates in a productive manner and is in compliance with the President's Management Agenda.

THE FEDERAL LABOR RELATIONS AUTHORITY

The FLRA is an independent agency responsible for directing the labor-management relations for 1.9 million non-postal Federal employees worldwide, nearly 1.1 million of who are exclusively represented in approximately 2,200 bargaining units. The FLRA is charged by the Federal Service Labor-Management Relations (The Statute), section 7105, with providing leadership in establishing policies and guidance relating to Federal sector labor-management relations, resolving disputes arising among Federal agencies and unions representing Federal employees, and ensuring compliance with the Statute.

The FLRA represents the Federal government's consolidated approach to labor-management relations. It is "three components in one," fulfilling legal statutory responsibilities through its three primary operational components – the Authority, the Office of General Counsel and the Federal Service Impasses Panel. The FLRA has 7 regional offices and two satellite offices. The FLRA also provides full staff support to two other organizations – the Foreign Service Impasses Disputes Panel and the Foreign Service Labor Relations Board.

The Authority is a quasi-judicial body with three full-time Members who are appointed for 5-year terms by the President, with the advice and consent of the Senate. One member is appointed by the President to serve as Chairman of the Authority and as Chief Executive and Administrative Officer of the FLRA.

The Authority adjudicates disputes arising under the Statute, deciding cases concerning the negotiability of collective bargaining agreement proposals, unfair labor practice (ULP) allegations, representation petitions, and exceptions to grievance arbitration awards. In addition, consistent with its statutory responsibility to provide leadership in establishing policies and guidance to participants in the Federal labor-management relations program, and as part of the Collaboration and Alternative Dispute Resolution (CADR) Program described below, the Authority assists Federal agencies and unions in understanding their rights and responsibilities under the Statute and resolving their disputes through interest-based problem-solving rather than adjudication.

In addition to the three Member Offices, the Authority component of the FLRA also houses the Office of Administrative Law Judges, the Collaboration and Alternative Dispute Resolution Office, the Office of the Solicitor, the Office of the Executive Director, and the Office of the Inspector General.

Office of the Administrative Law Judges: The FLRA's Administrative Law Judges (ALJ) are appointed by the Authority to hear and prepare recommended decisions in cases involving alleged ULPs. In addition, ALJ's issue decisions involving applications for attorney fees and files pursuant to the Back Pay Act or the Equal Access to Justice Act. The decisions of the ALJ's may be affirmed, modified, or reversed, in whole or in part, by the Authority. If no exceptions are filed to an ALJ's decisions, the decision is adopted by the Authority and becomes final and binding on the parties. The ALJ's also issue subpoenas as requested by the parties. While performing their duties, the ALJ's

engage in settlement efforts throughout all stages of the process and conduct pre-hearing conferences in all ULP cases.

Office of Policy, Project & Performance Management: The Office of Policy, Project & Performance Management is responsible for agency-wide strategic policy and planning, including the role of chief human capital officer. The office also provides oversight with respect to FLRA performance management initiatives. The office drafts, reviews, and approves all agency-wide instructions and policies; oversees the Chairman's and the Administration's initiatives; and develops agency-wide initiatives, which upon the Chairman's final approval are implemented through the Office of the Executive Director. The office also houses the agency's congressional affairs function and serves as the Chairman's primary point of contact with the Solicitor, Executive Director, EEO Director, and Inspector General.

Collaboration and Alternative Dispute Resolution (CADR) Office: The CADR Office is responsible for coordinating, supporting, and expanding the unified CADR Program. This program involves a variety of collaboration and alternative dispute resolution techniques at all steps of the process, from investigation and prosecution to the adjudication of cases and resolution of bargaining impasses. The CADR Program also provides facilitation and training programs to assist labor and management in developing constructive approaches to conducting their relationship.

Office of the Solicitor: The Office of the Solicitor represents the Authority in court proceedings before all United States Courts, including the U.S. Supreme Court, U.S. Courts of Appeals, and Federal District Courts. The office serves as the agency's in-house counsel, providing legal advice to all FLRA components. The Solicitor is also the Designated Agency Ethics Officers under the Ethics in Government Act of 1978, as amended.

Office of the Executive Director: The Office of the Executive Director provides operational support to all components of the FLRA, including budget and finance, human resources, procurement, administrative services, and information resources management and is responsible for developing and implementing agency-wide initiatives, such as strategic planning.

Office of the Inspector General: The Office of the Inspector General (OIG) is responsible for directing and carrying out audits and investigations related to the FLRA programs and operations. In addition, the office recommends policies that promote economic, efficient, and effective agency programs that prevent fraud, waste and abuse. The office is responsible for keeping the Chair and the Congress fully informed of problems and deficiencies, as well as the necessity for corrective action. Public Law 100-504 and the Inspector General Act Amendments of 1988 mandate the Office of the Inspector General.

The Office of the General Counsel: The Office of the General Counsel (OGC) is the independent investigative and prosecutorial component of the FLRA. The OGC

investigates all ULP charges filed by labor or management and prosecutes all ULP complaints before the Authority. The General Counsel, who is appointed by the President with the advice and consent of the Senate for a 5-year term, manages all OGC employees who comprise over 50 percent of the FLRA's staff. Most of the OGC's staff serve in the FLRA's seven regional offices located in Atlanta, Boston, Chicago, Dallas, Denver, San Francisco, and Washington, DC. The Office of the General Counsel also operates 2 satellite offices, located at Brea, California and Cleveland Ohio. The regional and satellite offices investigate and settle or prosecute ULP claims, actively encouraging the use of collaboration and alternative dispute resolution at every step, to ensure compliance with all ULP orders issued by the Authority. The regional offices also receive and process representation petitions, and provides facilitation, intervention, training, and education services to the parties. The General Counsel reviews all appeals of a Regional Director's decision not to issue a ULP complaint and establishes policies and procedures for processing ULP charges.

The Federal Service Impasses Panel: The Federal Service Impasses Panel (FSIP or the Panel) is composed of seven part-time Members who are appointed by the President to serve for a 5-year term. One Member is appointed by the President to serve as the Panel Chair. The Panel resolves bargaining 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. If bargaining between the parties, followed by mediation assistance, proves unsuccessful, the Panel has the authority to recommend procedures and to take whatever action it deems necessary to resolve the impasse.

The Foreign Service Labor Relations Board: The Foreign Service Labor Relations Board (the Board) was created by the Foreign Service Act of 1980 to administer the labor-management relations program for Foreign Service employees in the U.S. Information Agency, the Agency for International Development, and the Departments of State, Agriculture and Commerce. The Board is composed of three Members, including the Chairman of the Authority who appoints the other two Members, who serve on a part-time basis. The Chairman of the Authority also serves as Chairman of the Board. The FLRA General Counsel acts as General Counsel for the Board, and the Authority staff provides necessary support to the Board.

The Foreign Service Impasse Disputes Panel: The Foreign Service Impasse Disputes Panel (the Disputes Panel) was also created by the Foreign Service Act of 1980. The Disputes Panel is composed of five part-time Members who are appointed by the Chairman of the Foreign Service Labor Relations Board (the FLRA Chair). The Disputes Panel resolves bargaining impasses between Federal agencies and Foreign Service personnel in the U.S. Information Agency, the Agency for International Development, and the Departments of State, Agriculture, and Commerce, over conditions of employment under the Foreign Service Act of 1980. The FSIP staff supports the Disputes Panel.

The FLRA's headquarters is located in Washington, D.C. The FLRA maintains regional offices in Atlanta, Boston, Chicago, Dallas, Denver, San Francisco, and Washington, D.C. The FLRA had 159 full-time equivalents (FTE's) as of September 30, 2005 and had a 2005 budget appropriation of \$25,467,616.00

FLRA MISSION STATEMENT

The Federal Labor Relations Authority exercises leadership under the Federal Service Labor-Management Relations Statute to promote stable, constructive labor relations that contribute to a more effective Government.

The mission of the FLRA is to carry out five primary statutory responsibilities as efficiently as possible and in a manner that gives full effect to the rights afforded employees and agencies under the Statute.

Under the Statute, the primary responsibilities of the FLRA include:

- Determining the appropriateness of units for labor organization representation;
- Adjudicating exceptions to arbitrator's awards;
- Resolving complaints of unfair labor practices; and
- Resolving impasses and issues relating to the duty to bargain.

OFFICE OF INSPECTOR GENERAL

The FLRA's Office of Inspector General was established pursuant to Public Law 100-504, the Inspector General Act Amendments of 1988, which amended Pub. L. 95-452, and the Inspector General Act of 1978. The Inspector General reports directly to the FLRA Chairman. As set forth in the authorizing legislation, the FLRA Inspector General:

- Conducts and supervises internal reviews, audits and evaluations of the programs and operations of the FLRA;
- Provides leadership and coordination, and recommends actions to management, which: (1) promote economy, efficiency, and effectiveness in agency programs and operations; and (2) prevent and detect fraud, waste, abuse, and mismanagement of government resources; and
- Keeps the Chairman, FLRA management, and the Congress fully informed regarding problems and deficiencies, and the progress of corrective action.

The Inspector General's Office is currently staffed with one full time Inspector General and one full time Management Analyst (upward mobility position). When required, the FLRA Inspector General uses contractor auditors to perform audits. The Office of the Inspector General's FY 2005 budget was \$77,500.00. The FLRA, Inspector General submitted a request for an increase in operational funding in the FLRA Office of

Inspector General FY 2005 budget submission. The FY 2006 budget allocation has not yet been provided.

OFFICE OF INSPECTOR GENERAL MISSION STATEMENT

The mission of the FLRA Office of Inspector General is to provide FLRA leadership, along with an independent and objective assessment of the organization's efficiency and effectiveness. This is accomplished through proactive evaluations of FLRA operational processes. The Inspector General provides necessary oversight and serves as a catalyst for improving and maximizing the efficiency and integrity of FLRA programs and operations. The goal of the Inspector General's work is to maximize the effectiveness of FLRA programs by evaluating performance and identifying ways to make these programs more efficient and effective. In addition, the FLRA Inspector General strives to prevent and detect fraud, waste, abuse, and mismanagement of the FLRA's resources and operations, which could adversely impact the organization's integrity and ability to perform its mission in a timely, customer responsive manner.

The primary objectives of the Office of Inspector General are as follows:

- To evaluate the efficiency and effectiveness of FLRA program and resource management and identify best practices, as well as causative factors, impeding the accomplishment of the FLRA mission.
- To assist the Chairman and FLRA management in carrying out their responsibilities by providing them with objectives and timely information on the conduct of FLRA operations, together with the Inspector General's independent analysis, conclusions, and recommendations.
- To use evaluations, internal reviews, and more traditional assessment tools of audits, inspections, and investigations, to maximize oversight and strengthen system and process controls.
- To support the Administration and Congress in maximizing Government integrity and efficiency and minimizing the occurrence of fraud, waste, abuse, and mismanagement.

AUDIT/INTERNAL REVIEW ACTIVITY

During this reporting period the FLRA Office of the Inspector General in compliance with Government auditing standards performed the following audits and reviews:

Audit of 2005 FLRA Financial Statements

Open

During this reporting period, the Office of the Inspector General began the second audit of FLRA's compliance with Financial Statements, which were implemented in 2004. This audit includes the review of FLRA's balance sheet and the related statements of net cost, changes in net positions budgetary resources and financing for fiscal year 2005. This audit includes a comprehensive review of FLRA internal controls and risk assessments related to management of the FLRA's financial statements. With the exception of security information technology and FISMA requirements, almost all other findings and recommendations from the Audit of FLRA's 2004 Financial Statement Audit have not yet been corrected.

FLRA Inspector General FY 2005 FISMA Review

Closed

During this reporting period, the FLRA completed a comprehensive review of FLRA's information security and addressed all elements of National Institute of Standards and Technology (NIST) guidance. The FLRA's 17 internal systems and 6 external systems were categorized appropriately according to Federal Information Processing Standards 199 (FIPS). Most of the category levels were medium and at an acceptable level. The Chief Information Officer/Acting Director of Information Resource Management has completed the creation of security policy, which was submitted for approval in July 2005. These policies addressed Contingency Planning, Data Backups, Incident Reporting, Security Program Plan, Security Program Policies and Procedures, User Account Control, Segregation of Duties, Security Awareness Training, Systems Certification and Accreditation, Systems Development Life Cycle and Change Control, and Acceptable Use of Information Resources. Until these policies are implemented, the FLRA's information technology will continue to function in a vulnerable condition. This FY 2005 Inspector General FY 2005 FISMA Review also revealed that the FLRA Chief Information Officer/Acting Director of the Information Resource Management Division analyzed user account management on the Agency network and Agency-wide systems and conducted an impact analysis of the use of passwords. FLRA also created a test lab to assess the effect of patches to the network servers to make sure that computers and servers are properly updated. During FY 2005, the FLRA also obtained 13 new laptops to replace laptops in one of the Regional Offices, which were not operating properly.

The most significant information security problem in FY 2005 were infections of the FLRA networks caused by Trojan viruses, an excessive amounts of spam's and pornographic e-mails. Many employees spent more than 15 minutes eliminating e-mail spams from their computers every work morning, informed the FLRA Inspector General

who periodically contacted the FLRA CIO concerning this matter. The FLRA tested Surf control software and plans to install it once the FLRA's migration is completed.

During FY 2005, no Agency wide security information training was provided for employees although the Information Security Division employees met FISMA security training requirements through the Office of Management and Budget approved on-line training. The FLRA security technology systems still have vulnerabilities, however, the fact that some improvements have been made is a positive step.

External Quality Control Review of the Audit Operations of the Office of Inspector General, Federal Labor Relations Authority

Closed

This Peer Review conducted and completed by the ECIE was issued April 18, 2005. This Peer Review focused on whether the FLRA Office of Inspector General followed applicable Government Auditing Standards in the conduct of its audits. This review found that the FLRA Office of Inspector General was in compliance with Government Auditing Standards. As stated in the previous FLRA Inspector General Peer Review, the staffing and budgetary restrictions allocated for the Office of the Inspector General have placed a restrictive impairment to independence and extent of operations of the FLRA Office of Inspector General. The Peer Review also noted that the FLRA Inspector General's budgetary restrictions have also caused the FLRA Inspector General to be unable to meet continuing Inspector General education requirements over the last three years.

Internal Review of FLRA Administrative Policy

Open

This internal review of FLRA's Administrative Policy has just been started and is in the preliminary phase. All FLRA policy will be reviewed to make sure it is current and in compliance with Federal administrative requirements.

Other Activities

Oversight Corrective Actions

The FLRA Office of the Inspector General findings and recommendations from 1998 to the present were submitted to FLRA Management during this reporting period. Management was asked to provide information to the FLRA Inspector General regarding Management actions related to addressing the oversight activities' findings and recommendations, which have been open from 1998 to the present. Management has begun to review the findings and corrective action list. Many of the FLRA's information security corrective actions have been addressed by the FLRA Chief Information Officer/Acting Director of Information Resource Management and have been submitted to FLRA management for approval before they can be implemented.

Administrative Work

During this reporting period, the FLRA Office of Inspector General updated files, corrected information on the Office of Inspector General computer system which was caused by the incompatibility between Word and Word Perfect on the office computers, problems with methodology between the office network systems and the reorganization of changed documents.

FLRA Security Incidents

The FLRA had no security incidents occur during this reporting period.

Inspector General Training

During this reporting period, there were no allocated funds provided for the FLRA Inspector General to have sufficient training or attend the Annual PCIE/ECIE Inspector General Conference. The FLRA Inspector General did attend Government Executive 2005 Leadership Sessions, which did not have financial charges.

Legislative Review/Comments

During this reporting period, the FLRA Inspector General has reviewed and provided comments for the following policies:

PCIE/ECIE Strategic Framework
H.R. 2489 Improving the Government Accountability Act

Investigation Activity

During this reporting period, the FLRA Inspector General conducted 2 administrative investigations, 1 preliminary investigation which is on hold waiting for the FLRA unfair labor practice charge appeal timeline to close before investigating a related complaint.

INVESTIGATION LOG

During this reporting period, the FLRA Inspector General processed **6 Investigation Complaints, 2 of which required investigations and 1 preliminary investigation, which is currently on hold.**

FEDERAL LABOR RELATIONS AUTHORITY Office of the Inspector General FY 2005 Investigation Log			
Case No.	Subject	Date Received	Status
2005-I-05	FLRA Regional Office Employee threatened by potential customer.	7-21-05	Closed Investigation 7-21-05.
2005-I-06	Department of Labor forwarded complaint relating to Union Member spending Union money for personal gains.	7-14-05	Closed. Referred to Department of Labor Inspector General 7-21-05.
2005-I-07	Congressional referral of a complaint made by an IRS manager about a Union member never performing his job.	7-25-05	Closed. No ULP filed with FLRA. Referred complainant to Department of Tax Administration Inspector General or Chicago Regional Attorney for information relating to filing ULPs. Provided Congressman relative information. 7-26-05.
2005-I-08	Retired, former TVA employee alleges improper handling of his retirement and funding complaints by TVA, OPM and IRS. Complainant stated that it is FLRA's authority to investigate his alleged OPM and IRS's improper labor actions	7-29-05	Referred to FLRA Atlanta Regional Director 7-29-05
2005-I-09	FLRA employee alleges job misconduct, harassment and threats by another employee.	8-8-05	FLRA IG Investigating this issue.
2005-I-10	Private Sector Attorney alleged improper handling of a ULP case which was done below OGC's Quality Standards for Investigation and a regulations published by the Office of Government Ethics.	9-20-05	This investigation is on hold until the FLRA unfair labor practice charge appeals period is closed.

Hotline Calls

During this reporting period, the FLRA Inspector General processed **7 Hotline calls**.

FEDERAL LABOR RELATIONS AUTHORITY Office of the Inspector General FY 2005 Hotline Log			
Case No.	Subject	Date Received	Status
2005-H-08	Private Sector individual alleges liens to real property.	5-09-05	Closed 5-09-05.
2005-H-09	Department of Navy employee and Union member allege that an Arbitration settlement filed with the FMCS not being addressed by management.	5-24-05	Closed. Referred to the Federal Mediation & Conciliation Service.
2005 H-10	Retired Air Force employee and former Union Vice President alleges current Union President has taken \$2,400.00 from the Union for personnel use.	6-23-05	Closed. Referred to Department of Labor Inspector General 6-23-05
2005 H-11	Social Security journeyman level employee alleges improper promotions and awards by management.	7-6-05	Closed. Referred to Social Security Inspector General 7-7-05
2005-H-12	U.S. Postal Service employee/Union Trustee found extensive misuse of funds by the Union and was threatened by Union leaders if she pursued or mentioned this issue.	7-13-05	Closed. Referred to U.S. Postal Service Inspector General 7-13-05.
2005-H-13	Former TVA employee alleged improper handling of his Federal Retirement plan complaint by OPM and IRS.	7-13-05	Closed. Referred to OPM and IRS Inspector General.

<u>TABLE I</u>		
INSPECTOR GENERAL AUDIT REPORTS WITH QUESTIONED COSTS		
	NUMBER OF REPORTS	DOLLAR VALUE
A. For which no management decision has been made by the commencement of the reporting period.	0	0
B. Which were issued during the reporting period.	0	0
C. For which a management decision was made during the reporting period.		
(i) Dollar value of disallowed costs.	0	0
(ii) Dollar value of costs not disallowed.	0	0
D. For which no management decision has been made by the end of the reporting period.	0	0

<u>TABLE II</u>		
INSPECTOR GENERAL AUDIT REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE		
	NUMBER OF REPORTS	DOLLAR VALUE
A. For which no management decision has been made by the commencement of the reporting period.	Currently being reviewed as part of the FY 2005 Financial Statement Audit	0
B. Which were issued during the reporting period.	0	0
C. For which a management decision was made during the reporting period.		
(i) Dollar value of recommendations that were agreed to by management.	0	0
(ii) Dollar value of costs that were not agreed to by management.	0	0
D. For which no management decision has been made by the end of the reporting period.	0	0

FEDERAL LABOR RELATIONS AUTHORITY

Office of the Inspector General

Oversight Activities Summary April 1, 2005-September 30, 2005

SUBJECT	STATUS
Audit of FLRA Financial Statements	In Process
Assessment of FLRA's Management and Performance	In Process
Internal Review of FLRA Administrative Policy	In Process
Evaluation of FLRA Compliance with FISMA Act	Completed
Internal Review of Administrative Policy	Preliminary in Process
Administrative Investigations	3 Completed 1 in Process 1 on Hold

FEDERAL LABOR RELATIONS AUTHORITY

Office of the Inspector General

CORRECTIVE ACTION SUMMARY April 1, 2005 – September 30, 2005

New Corrective Actions	0
Open Corrective Actions Carried Over	115
Total Actions Closed This Period	
Total to be Carried Over (16 Corrective Actions by CIO awaiting Management approval.)	115

Definitions

Action

Completion by management of either all actions necessary to implement report recommendations or a management decision that determines no action is necessary.

Funds Be Put To Better Use

The amount of savings estimated by the Inspector General that could be obtained by implementing report recommendations relating to more efficiency and effectiveness of programs and operations.

Management Decision

A final decision made by management in response to audit report recommendations that may include actions concluded to be necessary or a determination that no action is necessary.

Management Letter

This document brings to the attention of management any of a broad range of issues and subjects which should be addressed by management, but do not require formal audit or investigation. Management letters are generally unplanned and are issued to report on situations found in conjunction with an on-going or completed audit or investigation. These letters may also be used to expand on previously issued audit report recommendations.

Questioned Costs

Expenditures questioned by the Inspector General are usually due to the following:

Unsupported costs, which involve inadequate documentation; Disallowed costs, which involve an alleged violation concurred with by Managements Decision of a law, regulation, grant, contract, or another agreement; or unnecessary costs which involve unnecessary or wasteful spending.

REPORT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

TO

THE FEDERAL LABOR RELATIONS AUTHORITY

OFFICE OF THE INSPECTOR GENERAL

HOTLINE

1-800-331-3572 (24 hr. service)

202-218-7744

or write to

FLRA

Office of Inspector General

1400 K Street, NW

Suite 250

Washington, D.C. 20424