

UNITED STATES GOVERNMENT
National Labor Relations Board
Office of Inspector General

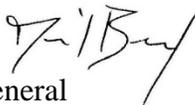


Memorandum

October 10, 2014

To: Mark Gaston Pearce
Chairman

Richard F. Griffin, Jr.
General Counsel

From: David Berry 
Inspector General

Subject: Top Management and Performance Challenges

As part of the Performance and Accountability Report, the Office of Inspector General (OIG) is required by section 3516 of title 31 to summarize what the Inspector General considers to be the most serious management and performance challenges facing the Agency and briefly assess its progress in addressing those challenges. This memorandum fulfills that requirement. The information provided in this report is based upon our reviews and investigations, as well as our general knowledge of the National Labor Relations Board's (NLRB or Agency) operations.

For the purpose of this report, an item can be noted as a management or performance challenge even though it is not a deficiency or within the control of the Agency. In our prior year's memorandum, we identified nine management and performance challenges. This year we are retiring two challenges and adding a challenge for a total of eight management or performance challenges.

Our overall assessment is that, during the past fiscal year, we generally observed significant efforts to meet the performance and management challenges and improve the management and performance of the Agency. A more detailed statement for each challenge is provided below.

CHALLENGES

Manage in the current political environment.

Without commenting on the merits of the issues, it is appropriate to highlight the politically charged debate regarding labor relations and the NLRB. Functioning in this environment is a challenge for both the political appointees who govern and the career personnel who manage. Although the confirmation of the five-Member Board and the General Counsel have been a stabilizing force, the mission-related functions of the Agency continue to attract active Congressional oversight and the prospect of litigation.

Reorganize and consolidate operations.

Starting in Fiscal Year 2011, the Office of the General Counsel initiated working groups to study the case processing of Regional Offices and certain Headquarters operations. At about the same time, the Board and the Office of the General Counsel began to reorganize the financial management of the Agency and other Headquarters operations.

Through these efforts 12 Regional Offices were consolidated into 6 Regions, resulting in a reduction of the number of Regions from 32 to 26. Additional consolidations are currently under consideration. Consolidation efforts were also undertaken at Headquarters that resulted in the creation of the Division of Legal Counsel and the Office of the Chief Financial Officer; restructuring of the Division of Administration; and adding functions to the Office of the Chief Information Officer. While these efforts may be nearing the end of the process of reorganizing and consolidating, the challenge remains for the NLRB management to leverage these efforts to improve productivity, efficiency, and internal control.

Relocate Headquarters.

The relocation of Headquarters is a significant challenge. Employees have a certain amount of productivity in a workday. The preparation for the move will challenge Headquarters managers to meet the mission-related work, while attending to a number of administrative matters associated with the move. Additionally, the financial, facilities, and information technology staffs have had a significant increase in work without a corresponding increase in workforce capacity. With a vacancy in the Director of Administration position, the Deputy General Counsel and Chief of Staff, in addition to all of their normal duties, must shoulder greater responsibility for the higher level management of the relocation efforts. Although we can quantify and allocate the fiscal costs of the relocation, the expenditure of the human capital is far more difficult to capture and quantify. As such, it is appropriate to highlight the Headquarters relocation as a significant management challenge.

Manage the Agency's financial resources.

Both the FY 2010 and FY 2011 audits of the financial statements contained a finding by the independent auditing firm that there was a significant deficiency in internal control.

Although the findings were largely related to problems in the procurement process, our audit of end-of-the-year spending demonstrated that there was a lack of sound budgeting and planning processes that are essential to proper fiscal management.

In July 2012, the Board created the Office of the Chief Financial Officer, implementing the final recommendation of the FY 2010 audit of the financial statements. That office now oversees the budget, procurement, and payment processes. In FY 2013, the Office of the Chief Financial Officer set about creating a new system of controls to effectively manage the Agency appropriation. At the end of FY 2013 and during FY 2014, three senior financial managers departed the Agency and left behind very few records of processes or procedures. Although the Board and Office of the General Counsel laid the foundation for a sound financial management system and the Chief Financial Officer has worked to remedy the deficiencies noted in past reviews, that work must continue to ensure that the necessary internal controls are firmly established.

Manage the NLRB's human capital.

The need to maintain a stable and productive workforce is key to the NLRB's ability to fulfill its statutory mission. Factors outside the NLRB's control that may directly affect its ability to maintain a stable and productive workforce include, but are not limited to, the prospect of hiring restrictions, reduced or flat appropriations, and the loss of key personnel through retirements.

The past uncertainty of the fiscal environment, along with the loss of key personnel to retirements and transfers, places a significant stress and burden upon the Agency's workforce. The threat of furloughs, curtailment of meaningful training opportunities, and loss of monetary awards and cost-of-living pay increases negatively affected the overall workforce morale. Combined, these factors degraded the Agency's ability to properly address its human capital needs and impeded its ability to maintain a stable workforce through retention and recruitment.

Although the fiscal environment is now more stable, the effects of the reduction of the Agency's workforce through attrition to meet the fiscal restraints are not eliminated. As of January 2014, the Agency had a reduction in its workforce of almost 10 percent from the FY 2011 workforce level, with over half of the reduction occurring in FY 2013. While the Agency was able to mitigate some of the effects of the reduction with targeted hiring for key positions, overall the loss of personnel and the administrative burdens of the hiring process created significant managerial challenges that are not necessarily evenly distributed across the Agency or mission functions.

Maintain the Agency's institutional knowledge.

The many changes in technology, laws and regulations, and management systems have altered the manner in which employees perform their official duties. As these changes occur, the policies and procedures are not always updated on a timely basis. Over time, individual offices come to rely upon the collective institutional knowledge of the staff. While this may be a short-term solution, it puts far too much reliance on the skills of individual employees while lacking the safeguards of well-documented processes. The fact that at an Agency of this size, specialized tasks are often performed by a limited number of employees compounds this problem.

With the loss of key employees because of retirement and other separations, the challenge of succession planning and capturing the knowledge and procedures for the Agency's processes by formalizing institutional knowledge with policies and procedures becomes even greater. Meeting that challenge is even more difficult when the NLRB is not able to hire or promote a successor prior to a key employee's departure. The loss of personnel and the consolidation and reorganization efforts also create additional opportunities for the loss of the Agency's institutional knowledge.

Manage the Agency's information technology resources in a manner that achieves efficiency and security.

Each year, the Agency continues to devote significant resources to improving and upgrading information technology equipment and capability. The OIG also devotes its resources to auditing, inspecting, and investigating information technology control and security issues. Despite these efforts, the Agency's information technology infrastructure and the information contained in it remain at risk because of the rapid evolution of information technology threats. Given this environment and the move to "Cloud" service providers, ensuring the security of the Agency's information in its information technology systems remains a long-term challenge.

Implement audit recommendations in a timely manner.

We added this challenge in FY 2008 because we observed that the Agency was not implementing audit recommendations in a timely manner, there was a recurrence of audit findings, and the Agency managers failed to state an adequate basis when disagreeing with an audit recommendation – including recommendations that would have resulted in cost savings. Also, from 2007 through 2013, we received yearly requests from the Committee on Oversight and Government Reform for detailed information on audit recommendations. In last year's Top Management and Performance Challenges memorandum, we reported that the Agency had 25 unimplemented audit recommendations. Since that time, we closed 19 recommendations and added 9, for a total of 15 unimplemented recommendations at the time of the issuance of this memorandum. The oldest of the unimplemented recommendations is from an audit report issued in FY 2011.

Retiring Challenges

Implement the Next Generation Case Management System and seize opportunities to create more productive and efficient procedures and organizations.

The system has been in place for almost 2 years, and the case processing appears to have adequately adapted. While there will always be room for improvement, the opportunities for achieving greater productivity and efficiency with the system are likely dwindling at this point. The focus now has appropriately shifted to the improvements and modifications to the system, rather than adapting the Agency's case processing to an entirely new system, and the challenge is more routine in nature.

Manage the Agency's procurement process to ensure compliance with the Federal Acquisition Regulation.

The procurement function at any agency is always going to be a challenge. At the NLRB, we have observed substantial improvement over the last 2 years in staffing, competence, and procedures. At this time, we believe that it is no longer necessary to highlight this challenge for Congress.