UNITED STATES GOVERNMENT
National Labor Relations Board
Office of Inspector General

FY 2013 Sequestration – Preparation, Implementation, and Impact

Report No. OIG-AMR-72-14-02

June 26, 2014

CONTENTS

EXECUTIVE SUMMARY

On March 1, 2013, the President ordered the sequestration of budgetary resources to achieve $85.3 billion in reductions across Federal government accounts in the remaining 7 months of the fiscal year. As a result of that action, the National Labor Relations Board's Fiscal Year 2013 appropriation level was $263,748,933, an amount that was approximately 5.2 percent, or $14,557,073, below the Fiscal Year 2012 funding level. We initiated this audit to review how the Agency planned for sequestration, how the Agency implemented sequestration, and the impact that sequestration could have on future years.

In general, we found that the National Labor Relations Board followed the guidance and directives of the Office of Management and Budget in preparing for the President's sequestration order. We observed that the Agency created and implemented the Final Sequestration Operating Plan that provided the necessary precision to achieve adequate budgetary guidance. We also observed that over one-third of the budgetary savings came from personnel expenses resulting from the attrition of employees and curtailing cash performance awards. Additional savings came from the curtailment of procurement actions, including delaying the acquisition of essential goods and services.

Determining the impact of sequestration on the National Labor Relations Board's future operations is not an exact science. We can, however, estimate that $4,251,977 in spending was shifted from Fiscal Year 2013 to a later fiscal year rather than being an elimination of operating costs. We also estimate that the substitution of time off awards for GS-ratings based cash awards could potentially result in the loss of 45,710 hours in productivity at a current value of $2,320,481. Each of these estimates is discussed in more detail in the body of the report.

A significant part of our efforts in conducting the audit was to review the periods of performance for all the procurement actions in Fiscal Year 2012 and 2013. Based on that review, we were able to determine the "reach" of the appropriation for those fiscal years in providing goods or services in future fiscal years. We can conclude from that review that the National Labor Relations Board was well-positioned by its Fiscal Year 2012 procurements to satisfy its basic operating needs in Fiscal Year 2013. Because of the deferment of acquiring essential goods and services during Fiscal Year 2013, however, the National Labor Relations Board is not heading into the future in that same position.

Additionally, as noted above, a significant savings in budgetary resources was achieved through the reduction of personnel expenses. That savings resulted in part from a 5.2 percent reduction in personnel. While the strategy of limited hiring to achieve reduction in operating expenses worked well in the short term, it cannot be implemented as a long-term solution to address across-the-board Government budget cuts imposed by sequestration without a significant impact on the mission of the National Labor Relations Board.

Based upon our audit work, we concluded that although the National Labor Relations Board effectively implemented short-term actions to meet the requirements of sequestration, not all of those actions could be repeated to achieve the same outcome in the future. If that conclusion is correct and additional budgetary restraints of a magnitude of the Fiscal Year 2013 sequestration are again imposed, the National Labor Relations Board would likely be required to implement employee furloughs and/or further reduce its workforce. Either action would directly impact the ability of the National Labor Relations Board to fulfill its statutory mission.

The Chief Financial Officer commented that he agreed with the draft report's conclusions and that the short-term actions, including severely limiting hiring, which in turn resulted in not backfilling critical positions, almost certainly cannot be repeated. The Chief Financial Officer also noted that a significant amount of time was expended by many senior Agency executives who were required to devote their efforts to planning for and responding to the challenges posed by sequestration and that such time could not be applied to mission-related work. Thus, the effect of sequestration on the Agency and the public was not limited to the effect of the budget cuts themselves. A copy of the Chief Financial Officer's comments is included with the report as an appendix.

BACKGROUND

During most of the first half of Fiscal Year (FY) 2013, the National Labor Relations Board (NLRB or Agency), along with the other Federal agencies, faced uncertainty about funding levels associated with the automatic, across-the-board cancellation of budgetary resources, known as sequestration. Sequestration was first established in the Balanced Budget and Emergency Deficit Control Act of 1985 to enforce discretionary spending limits and control the deficit. This budgetary enforcement mechanism was revived by the Budget Control Act of 2011, which provided the legal basis for the FY 2013 sequestration. Accordingly, on March 1, 2013, the President ordered the sequestration of budgetary resources to achieve $85.3 billion in reductions across Federal government accounts. The cuts were to be achieved during the remaining 7 months of the fiscal year.

After the permanent reduction due to sequestration, the NLRB's FY 2013 appropriation level was $263,748,933, which was approximately 5.2 percent, or $14,557,073, below the FY 2012 appropriation of $278,306,006. Because the reduction from sequestration occurred with only 7 months remaining in the fiscal year, the effective reduction in the NLRB's budgetary resources was 8.9 percent.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this audit was to review the NLRB's implementation of the March 1, 2013 across-the-board spending cuts, known as sequestration. Specifically, we reviewed how the Agency planned for sequestration, how the Agency implemented sequestration, and the impact the sequestration could have on future years.

The audit scope was the NLRB's actions in preparation for and in response to the March 1, 2013 sequestration order, and the impact of those actions on FY 2013 and future years. We conducted this audit at NLRB Headquarters in Washington, D.C.

We reviewed Governmentwide policy documents that provided guidance and direction for preparation and implementation of sequestration. We interviewed Agency management officials and bargaining unit representatives. We obtained and reviewed the Agency's planning and implementation documents. We also obtained the Agency's Sequestration Operating Plan from the Budget Branch and compared the planned obligations to the Agency's actual obligations for FY 2013.

As part of our evaluation of the implementation of sequestration, we compared the FY 2012 and FY 2013 obligations. We also reviewed the information that we gathered when we monitored the rate of obligations on a daily basis for the last month and a half of FY 2012 and FY 2013. To evaluate the impact beyond FY 2013, we used the obligations and period of performance data from the financial management systems and the Acquisitions Management Branch to determine the extent to which the FY 2012 and FY 2013 appropriations extended beyond the end of those fiscal years.

To evaluate the impact of the Agency's decision to issue time off awards in lieu of cash awards as a cost savings measure, we obtained time off awards data as of March 13, 2014, from the Office of Human Resources. We also obtained new hire and separation data to measure the savings from the Agency's reduction in payroll expenses.

We conducted this performance audit in accordance with generally accepted government auditing standards during the period July 2013 through June 2014. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

SEQUESTRATION PREPARATION

Prior to the President's sequestration order, the Office of Management and Budget (OMB) issued memoranda that provided guidance and direction to agencies for preparation for sequestration. We determined that the NLRB planned for sequestration in accordance with the OMB guidance. The tables below provide a crosswalk between OMB's guidance and direction and the NLRB's preparation:

Requirement		**Meets Requirement**	**NLRB Actions**
OMB M-12-17 issued 7/31/12	Agencies should continue normal spending and operations since more than 5 months remain for Congress to act.	Yes	We did not observe any deviations in Agency actions from previous periods of funding by a Continuing Resolution.

Requirement		**Meets Requirement**	**NLRB Actions**
OMB M-13-03 issued 1/14/13	Agencies directed to generally adhere to the following guiding principles in preparing plans to operate with reduced budgetary resources:		
	1) Use any available flexibility to reduce operational risks and minimize impacts on the agency's core mission.	Yes	The Agency reconstituted the Cost Savings Work Group and the Contingency Planning Work Group. The Cost Savings Work Group produced plans for reduced budgetary resources that considered available cost saving flexibilities to reduce operational risks and minimize impacts on the mission.
	2) Identify and address operational challenges that could potentially have a significant deleterious effect on the agency's mission.	Yes	The Cost Savings Work Group identified contracts to cancel, curtail, or delay. The contract determinations were made to avoid furloughs and minimize the negative impact on the Agency's mission.
	3) Identify the most appropriate means to reduce civilian workforce costs where necessary.	Yes	Both the Cost Savings Work Group and the Contingency Planning Work Group produced plans that identified the means to reduce civilian workforce costs.
	4) Review grants and contracts to determine where cost savings may be achieved, remaining mindful of the manner in which individual contracts advance the core mission.	Yes	The Cost Savings Work Group produced plans that documented the review of contracts to determine where cost savings may be achieved, remaining mindful of the impact on the mission. The requirement regarding grants is not applicable to the NLRB.
	Work with OMB on the appropriate timing to submit draft contingency plans for operating under sequestration.	Yes	The Office of the Chief Financial Officer (OCFO) drafted the sequestration plan and narrative, then submitted them to OMB, and maintained ongoing communications with OMB.

Requirement		Meets Requirement	NLRB Actions
OMB M-13-05 issued 2/27/13	***Agency Planning Activities***		
	Planning efforts should be done with sufficient detail to determine specific actions that will be taken to operate with lower budgetary resources.	Yes	The Cost Savings Work Group produced plans for specific actions to be taken to operate with lower budgetary resources. Specifically, the plans proposed various cost saving measures in order to address the approximate deficit to the Agency as a result of sequestration.
	Agencies should identify any major contracts they plan to cancel, re-scope or delay as well as grants to cancel, delay, or for which they plan to change the payment amount.	Yes	The Cost Savings Work Group produced plans that identified the major contracts to cancel, re-scope or delay. The portion of the requirement regarding grants is not applicable to the NLRB.
	Identify the number of employees who will be furloughed, the length of expected furloughs, the timing of when furlough notices will be issued, and the manner in which furloughs will be administered.	Yes	The Contingency Planning Work Group produced plans for the administrative approach, timing of furlough notices, as well as the length, timing, and number of furlough days to be taken if necessary.
	Communications		
	Agencies should inform their partners and stakeholders of the impact of sequestration and provide specific detail to be helpful in understanding its implication.	Yes	On 2/26/2013, the Agency issued a notice of proposed furlough to employees. On 3/4/2013, the issued a notice of sequestration impact to contractors. On 3/18/2013, Memorandum OM 13-37, Casehandling Cost Saving Instructions for FY 2013, was posted on the NLRB's public Web site.
	With regard to any planned personnel actions to reduce its workforce costs, agencies must allow employees' exclusive representatives to have pre-decisional involvement.	Yes	The Agency's bargaining units representatives were members of both the FY 2013 Cost Savings Work Group and the Contingency Planning Work Group.

Requirement		Meets Requirement	NLRB Actions
OMB M-13-05 issued 2/27/13 (continued)	When considering potential furloughs, agencies have a duty to notify their exclusive representatives and, upon request, bargain over negotiable impact and implementation proposals, unless the matter of furloughs is already covered by a CBA.	Yes	The Agency negotiated with the unions over the impact and implementation proposals for potential furloughs.
	Acquisition		
	Ensure that any contract actions are both cost-effective and minimize negative impact on the agency's mission.	Yes	The Cost Savings Work Group identified contracts to cancel, curtail, or delay that were not critical or essential to the Agency mission.
	Program, acquisition, financial/budget management, IT, and legal personnel should work together to make determinations regarding contracts in light of sequestration.	Yes	The Cost Savings Work Group, which identified contracts to cancel, curtail, or delay, included representatives involved in program, acquisition, financial/budget management, IT, and legal personnel.
	Agencies should only enter into new contracts or exercise options when they support high-priority initiatives or where failure to do so would expose significantly greater costs to the government in the future.	Yes	In the effort to avoid furloughs, the focus of the Agency was to review contracts and eliminate, reduce, or delay those that were not critical or essential to the Agency mission.
	Increased Scrutiny of Certain Activities		
	Have risk management and internal controls in place that provide heightened scrutiny of hiring new personnel (including increased use of contractors due to hiring restrictions).	Yes	Hiring requests were reviewed by the Deputy General Counsel and the Chairman's Chief of Staff. Hiring decisions were then authorized by the General Counsel or Chairman.

Requirement		Meets Requirement	NLRB Actions
OMB M-13-05 issued 2/27/13 (continued)	Have risk management and internal controls in place that provide heightened scrutiny of issuing discretionary monetary awards (only if legally required).	Yes	After 3/1/13, the Agency authorized one cash award that was required by statute to maintain the Agency's SES certification. After that date, no other cash performance awards were authorized.
	Have risk management and internal controls in place that provide heightened scrutiny of incurring obligations for new training, conferences, and travel (including travel for non-agency personnel).	Yes	A travel coordinator was to be designated by each office to manage travel. Their responsibility was to cluster travel assignments, avoid nonessential travel, and ensure that alternative investigative techniques were employed in lieu of travel whenever possible. The Agency canceled/curtailed new training and conferences after March 2013.

SEQUESTRATION IMPLEMENTATION

Comparison of Budget Planning to Actual Obligations

To determine how the NLRB implemented its sequestration plan, we compared the Final Sequestration Operating Plan to the NLRB's actual obligations. The Final Sequestration Operating Plan was approved on April 10, 2013 with less than 6 months remaining in the fiscal year. Our general observation was that the plan achieved a degree of precision in its estimates for fixed spending for items such as compensation and rent. In the remaining areas, savings in one category was generally offset by greater than the budgeted expenses of another. Nevertheless, given the NLRB's lack of control over the intake of mission-related work, the Final Sequestration Operating Plan appears to have provided the necessary precision to achieve adequate budgetary guidance.

Overall, the plan budgeted $263,758,933 for spending and the NLRB actually obligated $263,023,099, a difference of $735,834, or 0.28 percent. The chart below shows the budgeted amount in the Final Sequestration Operating Plan and the actual amount obligated.

Description	Planned Obligations	Actual Obligations	Difference
Compensation	$161,831,873.00	$161,898,945.16	$67,072.16
Cash Awards	9,000.00	48,220.00	39,220.00
Lump Sum Payment (Separated Employees)	1,700,000.00	1,364,524.52	(335,475.48)
Overtime	20,000.00	7,349.10	(12,650.90)
Witness Fees	50,000.00	41,163.98	(8,836.02)
Benefits	43,360,200.00	43,619,226.96	259,026.96
FECA	251,430.00	251,428.36	(1.64)
Subsidies for Commuting Costs	1,250,000.00	1,141,009.09	(108,990.91)
Transfer Costs	187,300.00	137,888.00	(49,412.00)
Professional Liability Insurance	10,000.00	3,030.55	(6,969.45)
Unemployment Compensation	60,000.00	37,795.34	(22,204.66)
Travel	1,921,700.00	1,651,445.64	(270,254.36)
Witness Travel	50,000.00	30,492.66	(19,507.34)
Transportation of Things	321,230.00	99,067.87	(222,162.13)
Space Rent	29,720,000.00	29,147,444.85	(572,555.15)
Rental (Equipment, Room)	746,000.00	951,012.44	205,012.44
Communication	3,544,000.00	2,777,516.93	(766,483.07)
Postage	415,000.00	671,674.80	256,674.80
Printing	126,000.00	298,229.44	172,229.44
Interpreter Fee	300,000.00	248,807.29	(51,192.71)
Reporting	0.00	34,937.40	34,937.40
Other Services	16,733,300.00	16,965,323.84	232,023.84
Supplies	444,500.00	502,334.58	57,834.58
Subscriptions	59,600.00	16,321.38	(43,278.62)
Equipment/Books	447,800.00	898,033.47	450,233.47
Claims/EEO Grievance/No Fear Act	200,000.00	201,075.80	1,075.80
Reimbursements		(21,200.18)	(21,200.18)
Total	$263,758,933.00	$263,023,099.27	$(735,833.73)

Impact of the Final Sequestration Operating Plan on FY 2013

To determine the impact of the Final Sequestration Operating Plan on the FY 2013 spending, we compared the final obligated balances of the FY 2012 and FY 2013 budget object classes. For purposes of presentation, we then grouped the budget object classes into logical categories.

Overall, there was a decrease in obligations in FY 2013 in the amount of $14,492,614.53. The greatest decrease occurred in object classes for employee salaries, benefits, and awards. Together, the savings from those expenses represented over one-third of the total savings necessary to fall within the budgetary limits that were set by sequestration. We observed that those savings largely resulted from a hiring "freeze" and the curtailment of employee cash awards. The charts below show decreases and increases in spending between the two fiscal years.

FY 2013 Decreases in Spending as Compared to FY 2012:		**OIG Observations:**
Employee Salaries and Benefits	($3,435,768.33)	Agency instituted a hiring freeze. Vacant positions were not filled unless the position was determined to be critical to the mission of the Agency.
LASB Databases and Other Subscriptions	(2,337,090.45)	Agency procured Westlaw for $2,703,533.64 in FY 2012 with a POP: 10/1/12 to 9/30/15. $901,177.88 of that procurement can be allocated to FY 2013. Other database subscriptions were canceled.
Cash Awards	(2,114,260.08)	Agency canceled/curtailed cash awards after March 1, 2013.
Software, Hardware, Equipment, Furniture and Books	(1,619,910.57)	Agency canceled/curtailed procurement actions.
Travel	(1,115,444.51)	Agency canceled/curtailed non-critical administrative travel during FY 2013 and provided travel related cost savings instructions for case processing.
Training	(1,088,934.70)	Agency canceled/curtailed training.
Court Reporting	(1,052,344.81)	Agency delayed court reporting procurement actions in the amount of $1,400,000 until FY 2014 funds were available.
Shared Governmental IT Services	(909,462.23)	

FY 2013 Decreases in Spending as Compared to FY 2012:		**OIG Observations:**
Other Miscellaneous Services	(478,207.39)	
Supply Inventories	(415,239.55)	
Office Relocations and Alterations	(362,225.96)	
Software Maintenance	(287,248.29)	
Health Units and Services	(220,907.09)	
Computer Desktop Support (Helpdesk)	(196,745.25)	OCIO eliminated the technical writing and asset management positions from the helpdesk contract and reduced NxGen support down to one person.
Judgments - Lost Court Cases	(140,895.14)	
Rental of Copiers	(106,456.09)	Agency canceled/curtailed copier contracts during FY 2013.
Telecommunications and Rental of Other Equipment	(62,341.82)	
Telephone Equipment Repair/Maintenance	(60,896.85)	
Interpreter and Translations	(51,184.43)	
Messenger Services	(47,424.82)	
Security Investigations	(40,548.75)	

FY 2013 Increases in Spending as Compared to FY 2012:	
Agency Space Rent, Security, Parking, and Utilities	$741,824.50
OCIO Hardware Maintenance	289,204.60
Professional/Consulting Services	179,227.20
EEO Grievance Settlements	163,295.10
Postage	163,086.65
Printing and Production	93,296.13
WAN (Wide Area Network)	73,134.35
Arbitration and Mediation	48,966.12

SEQUESTRATION'S IMPACT BEYOND FY 2013

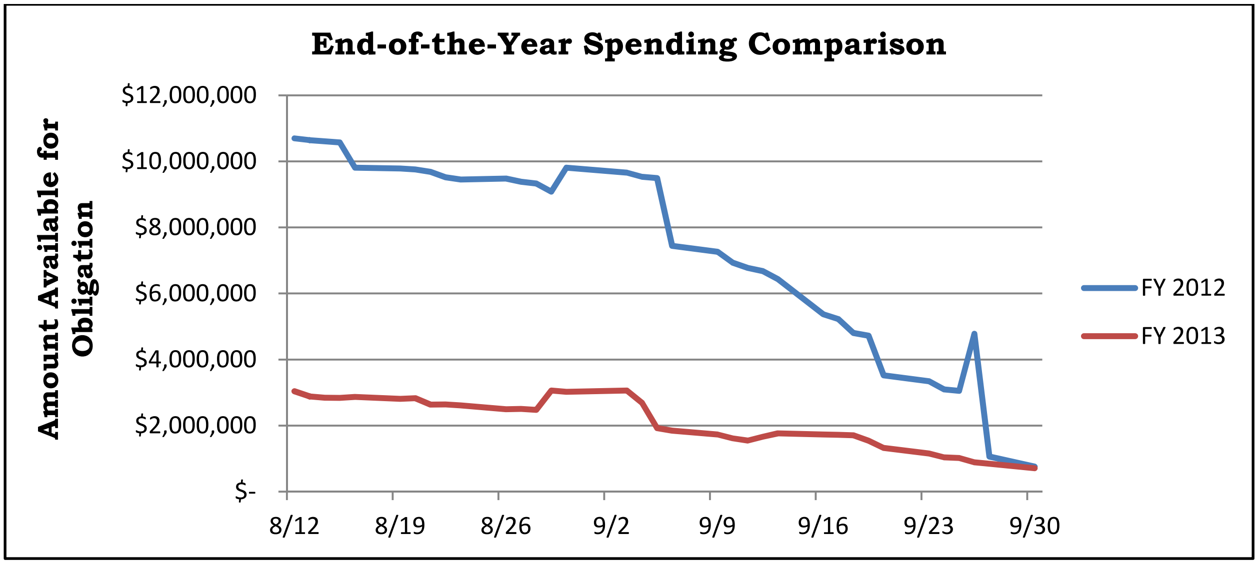
Impact of End-of-the-Year Spending

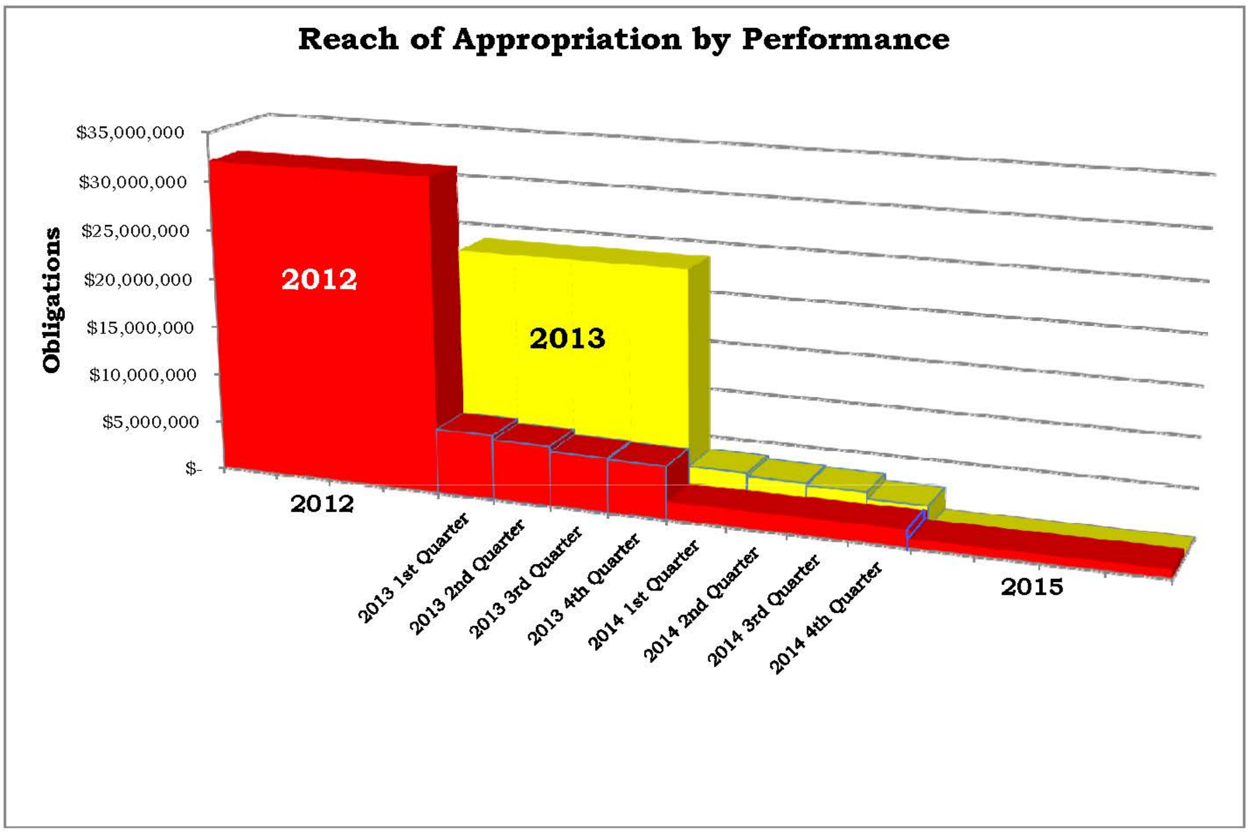
Federal procurement statutes and regulations provide some flexibility to agencies by allowing them, under certain circumstances, to extend the reach of an appropriation beyond the particular fiscal year for which it was authorized. Generally, for the NLRB, this flexibility falls into two categories: severable services with a period of performance that crosses fiscal years but does not exceed 12 months in duration and multiple year subscriptions for, among other things, databases. In both cases, an agency is authorized to record the obligation for the entire period of performance against the current year's appropriation. Additionally, obligations that are created by procurement actions for nonseverable services are funded by the appropriation that is available at the time the obligation is created without regard to the length of the period of performance.

Historically, the NLRB has used this flexibility for severable services and subscriptions to fund the following year's needs out of the current year's appropriation. For example, in FY 2012 the NLRB had just over $32,000,000 in procurement actions for goods and services other than rent. Just under $10,000,000 of those procurement actions occurred in the final month and a half of the fiscal year, and approximately $6,500,000 of those procurement actions were for some form of services that were used or completed after the end of the fiscal year.

When this flexibility is used appropriately, an Agency can leverage one year's appropriation to ease the burden of reduced budgetary authority in the following or later years. To determine how the end-of-the-year procurements impacted the NLRB during the period of sequestration, we compared the rates of the obligations for the last month and half of FY 2012 and FY 2013 and the reach of the periods of performance services procured during each fiscal year.

The following charts show the comparison. The first chart shows the amount of funds available for the obligation for goods or services for the last month and a half of each fiscal year. The second chart shows the amount of obligated funds for the indicated period of time. For the second chart, the decline in the amount of obligated funds represents the expiration of the periods of performance.





Based upon our comparison, we determined that not only were the amounts of the obligations for goods and services lower in FY 2013 than in 2012, as expected, but that the NLRB had a significantly smaller amount of funds available towards the end of FY 2013 than it did at the end of FY 2012. Although we expected that amount to be less, the difference was approximately $7,500,000, or about half of the NLRB's reduction in funding from sequestration. The reduction in available funds at the end of the fiscal year impacted the procurement of services that crossed over into FY 2014 by a reduction of $3,052,669.55 from the FY 2012 level.

Curtailment of Procurement Actions

The curtailment of procuring non-essential or non-recurring goods, services, or other expenses represents an actual savings if they are not procured in the future because the specific need or opportunity has passed. Examples of these types of items are training and travel.

The curtailment of procuring essential goods and services, however, creates a delay in obtaining those goods and services. For those goods and services, the funding is shifted from one fiscal year to a future fiscal year. The delay in fulfilling the need then further extends the impact of sequestration.

The extent of the impact on the future fiscal years for the procurement of essential goods and services is shown in the table comparing the decreases in obligations between FY 2012 and FY 2013. For example, in prior fiscal years, court reporting services were procured at the end of one fiscal year for the following fiscal year with a period of performance that crossed between the 2 years. In FY 2013, the court reporting contracts were not renewed, and procurement of those services was delayed until they could be obligated against the FY 2014 appropriation. As of April 7, 2014, the shift in the amount of obligations for court reporting services from FY 2013 to FY 2014 was $1,400,000. A similar shifting from FY 2013 to a later year occurred when the NLRB canceled or curtailed procurements for essential items such as computer replacements, software, furniture, supplies, and other equipment. Eventually, these items will need to be procured to maintain the NLRB's operations. Based upon the comparison of FY 2012 and FY 2013 obligations and the cause of the decreases, we estimated that $4,251,977.31 in spending was shifted from FY 2013 to a later fiscal year rather than being an elimination of operating costs. That amount represents approximately 29 percent of the reduction in funding that was imposed by sequestration.

Impact of Time Off Awards by Cost and Productivity

As part of planning and implementing sequestration, the NLRB curtailed all cash awards with the exception of one cash award in the amount of $9,000 for a Senior Executive Service (SES) employee. By statute, the NLRB was required to have an SES awards program in FY 2013 to maintain Office of Personnel Management's certification of its SES appraisal system. The single award was to one SES employee and was the minimum amount that the NLRB needed to meet the requirement for an SES awards program. Additionally, prior to the President's sequestration order, the NLRB paid $39,220.00 in non-SES cash awards.

On April 4, 2013, OMB issued M-13-11, stating that agencies should not issue discretionary monetary awards and that agencies should limit the use of foreign language and time off awards to situations that were necessary to maintain the agency's mission. The ability of the NLRB to follow that guidance was impacted by its negotiations with the National Labor Relations Board Union (NLRBU) to use time off awards in lieu of cash awards and an October 21, 2013, Federal Service Impasses Panel decision that set the amount of each of the award levels for the NLRBU. The NLRB also provided for ratings based time off awards for managers, supervisors, and other GS-level employees outside of the NLRBU. Most career SES employees also received a time off award, but the award was based upon a special act rather than a performance rating. Additionally, employees who provide bilingual services received time off awards in lieu of cash awards.

The chart below shows the amount of hours and the value of the time off awards by employee group. The value of the time off award was the value assigned to the award hours by the NLRB's payroll system at the employee's current pay rate.

Employee Group	Award Hours	Payroll System Value
SES	2,420	$197,515.80
GS	49,430	$2,549,031.61
Bilingual Awards	1,359	$56,015.44

The impact to the NLRB of cash awards and time off awards can be different. Cash awards obligate, and therefore affect, only the funds of the fiscal year in which they are effective. Because time off awards do not obligate any funds and do not expire, the awards impact the year in which the time off is taken.

To determine the impact of the FY 2013 GS-ratings based time off awards that were made in lieu of cash awards, we reviewed the effective date of each award. For the time off awards that were approved in the last month of FY 2013, 12,860 hours, or in FY 2014, 32,850 hours, we allocated the value of those awards to the years after FY 2013. Given the short period of time that an employee would have to use the time off award in the last month of the fiscal year, we believe that it is fair to characterize those awards as impacting the productivity of the following year or years. We acknowledge that there is no certainty of when the time off awards would be used as they do not expire. Based upon that allocation, we concluded that the potential impact of the GS-ratings based time off awards on the years after FY 2013 is a loss of approximately 45,710 hours in productivity at a current value of $2,320,481.77. [1] Additionally, all of the SES and Bilingual time off awards were processed in either the last month of FY 2013 or in FY 2014.

We can also look at the impact of sequestration on the NLRB's awards program by comparing the value of FY 2013's rating based, bilingual, and SES awards to the value of FY 2012's cash awards. In FY 2012, the NLRB paid $2,162,480.08 in cash awards. When we combined the estimated value of the FY 2013 time off awards, the cash awards prior to sequestration, and the one SES cash award, the total potential monetary value of the 2013 awards program was $2,850,782.85. That amount represents a

[1] During our analysis of time off awards, we observed that 51 employees apparently received duplicate time off awards. The duplicate awards totaled 1,005 hours at a value of $49,612.66. This finding was communicated to the Division of Administration, and the error was corrected. This finding will also be reported in the Semiannual Report as a questioned cost.

31.83 percent difference from the FY 2012 cash awards program.

The difference between FY 2012 and 2013 appears to be directly related to a portion of a Federal Service Impasses Panel decision that addressed a contractual dispute between the NLRB and NLRBU involving the use of time off awards in lieu of ratings based cash awards. That decision increased the amount of time off awards for each summary ratings category over the amount proposed by the NLRB. The NLRB then increased the time off awards for the non-NLRBU employees in a similar manner. As a result of the implementation of that decision, the total amount of time off hours awarded to the employees increased by 21,386 hours, at a value of $1,040,719.79.

Rates of New Hires and Separations

In FY 2013, the NLRB had a reduction in payroll expenses of $3,435,768.33. To determine the impact of that savings, we compared the rate of new hires to the rate of separations for FY 2009 through 2013. To perform the analysis we used the NLRB's personnel system to generate reports showing the employees who were hired and separated between October 1, 2008 and September 30, 2013. Using the number of employees on board as of October 2013, we calculated the net change in number of employees.[2] The chart below shows that comparison:

FY	Beginning Number of Employees	Hires	Separations	Rate of Hires	Rate of Separations	Net Change
2009	1,698	110	102	6.5%	6.0%	0.5%
2010	1,706	198	140	11.6%	8.2%	3.4%
2011	1,764	151	146	8.6%	8.3%	0.3%
2012	1,769	141	190	8.0%	10.7%	(2.7%)
2013	1,720	65	155	3.8%	9.0%	(5.2%)
2014	1,630					

It is difficult to draw conclusions based upon the data that is currently available. The fact that senior level managers exercised discretion to fill positions rather than instituting a rigid freeze on hiring should mitigate the impact of the loss

[2] The NLRB's Office of Human Resources does not maintain data on vacant positions.

of employees without a replacement. Nevertheless, reducing the number of employees by attrition rather than workforce planning is probably not advantageous to any organization. We also observed that for the first 6 months of FY 2014, the NLRB had a net loss of employees by a rate of 2 percent.

CONCLUSION

The full effects of sequestration on the NLRB are still unknown. We do believe, however, that the short-term actions that were taken to meet the requirements of sequestration cannot be implemented as long-term strategies to meet budgetary restraints without a significant impact on the mission of the NLRB. As noted in the United States Government Accountability Office report on sequestration, GAO-14-244, there is simply a limit to the ability of an agency to achieve efficiencies and budget reductions by doing more with less.

APPENDIX

UNITED STATES GOVERNMENT
National Labor Relations Board

Memorandum

Date: June 24, 2014

To: David P. Berry
Inspector General

From: Ronald E. Crupi
Chief Financial Officer

Subject: Response to Audit of the National Labor Relations Board FY 2013 Sequestration - Preparation, Implementation and Impact Report No. OIG-AMR-72

I have reviewed the above referenced audit report and agree with your assessment. I appreciate the Inspector General's recognition of the Agency's extraordinary efforts to comply with OPM and OMB directives prior to, during, and after sequestration and to responsibly plan for and implement cost-cutting measures to address our substantial budgetary shortfall without furloughing employees. However, our short-term actions, including severely limiting hiring, which in turn resulted in not backfilling critical positions, almost certainly cannot be repeated in the future. As the Inspector General recognized, repeated across-the-board budget cuts would likely require furloughs and/or permanent reductions in our workforce, both of which would detrimentally impact our ability to fulfill our statutory mission and to provide effective and efficient service to the public.

I also wish to note the significant amount of time that many senior Agency executives were required to devote to planning for and responding to the challenges posed by sequestration, time which could not be applied to mission-related work. Thus, the effect of sequestration on the Agency and the public was not limited to the effect of the budget cuts themselves.

Ronald E Crupi

Ronald E. Crupi, Chief Financial Officer

cc: Chairman
General Counsel
Deputy General Counsel