


UNITED STATES GOVERNMENT
National Labor Relations Board
Office of Inspector General



Memorandum

October 14, 2016

To: Board and 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 seven management and performance challenges. We are retiring the challenges related to managing in the current political environment and reorganization. We are adding a new challenge related to general management.

CHALLENGES

Manage the Agency

Each year, I categorized the challenges into specific items and provided a brief explanation of the specific issues. Although this reporting method meets the statutory requirement, I am not sure that it is actually capturing an overarching management challenge.

With the exception of a few managers at Headquarters, the NLRB is generally managed by attorneys and examiners. They are generally very smart and well-intentioned public servants who time and again demonstrate a true commitment to enforcing the National Labor Relations Act. While the best of the NLRB's attorneys and examiners are often selected for key management positions, those individuals are not always effective managers or leaders.

Our audit reports and investigative activity over the last several years draw into focus a significant management challenge. In order for the Board or General Counsel, the NLRB's governance structure, to ensure that the Agency is properly managed, there must be sufficient internal controls and processes to ensure that the controls are implemented and that they are operating as intended. Our audits and investigations, however, have shown far too many instances of failures in the internal control processes at the NLRB that result from either the lack of a control, disregard for the implementation of established controls, or the failure to properly supervise employees. This lack of effective management puts at risk NLRB's ability to meet its basic mission.

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 (OCFO), implementing the final recommendation of the FY 2010 audit of the financial statements. That office now oversees the budget, procurement, and payment processes.

The *Audit of the NLRB Fiscal Year 2014 Financial Statements* found both a material weakness and significant deficiencies in internal controls and the *Audit of the NLRB Fiscal Year 2015 Financial Statements* found the matter identified as a material weakness was not fully remediated and continued as a significant deficiency in internal controls.

At the end of FY 2016's first quarter, the NLRB's first Chief Financial Officer (CFO) retired. A new CFO came on board at the end of the second quarter. During the FY 2016 audit fieldwork, the matter identified as a significant deficiency was again identified as continuing to require remedial action. Also, the recommendations made in the Management Letters for the both the FY 2014 and FY 2015 audits are not yet fully implemented. Although the OCFO is working to resolve audit findings, it is apparent that significant work remains.

Manage the NLRB's Human Capital and Maintain the Agency's Institutional Knowledge

These two challenges are interrelated. 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 reduced or flat appropriations and the loss of key personnel through retirements.

In our audit work we have, over an extended period of time, observed the loss of institutional knowledge in management practices as new personnel take over key positions. In some circumstances when information about historical practices is available, the context regarding why the practice was developed has been lost with personnel changes. The challenge is to

recruit qualified personnel who can improve management practices while understanding the NLRB's past practices.

Manage the Agency's Information Technology Security

Each year, the Office of the Chief Information Officer (OCIO) continues to devote significant resources to improving and upgrading information technology equipment and capability. In the last 2 fiscal years, the OCIO completed its migration of mission-related offices to the NxGen case processing system and began to implement a unified communications system.

The OCIO also devoted significant resources to securing and improving information technology networks. Likewise, the OIG also devotes 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 continues to be, and will likely remain, a long-term challenge.

Implement Audit Recommendations

In last year's Top Management and Performance Challenges memorandum, we reported that the Agency had 42 open audit recommendations. Since that time, we consolidated 12 recommendations into 1 recommendation that remains open, and we closed 15 other recommendations. To the group of 16 open prior year recommendations, we added 21 new recommendations. Of the 21 new recommendations, 4 have been closed.

At this time, there are a total of 33 open recommendations. The oldest of the open recommendations is from an audit report issued in FY 2013. A recommendation is not closed until we verify that the implementing action appropriately addressed the issue that necessitated the recommendation.