

#9

Federal Labor Relations Authority



SemiAnnual

Report

RECEIVED

JUL 12 1994

OFC. of Inspector General

to Congress

Office of the Inspector General

Covering

October 1, 1993 thru March 31, 1994

TABLE OF CONTENTS

	PAGE
Executive Summary.....	1
Introduction and Background.....	2
Audit Activity.....	5
Completed Reports.....	5
Prior Report Significant Recommendations.....	6
Other Reporting Requirements.....	8
Investigative Activity.....	9
Other OIG Activity.....	11
 Appendices	
1. TABLE I - Audit Reports with Questioned Costs.....	13
2. TABLE II - Audit Reports with Recommendations that Funds Be Put To Better Use.....	14
3. GLOSSARY.....	15-16

EXECUTIVE SUMMARY

This is the ninth semiannual report issued by the Office of the Inspector General (OIG) at the Federal Labor Relations Authority (FLRA). This report, submitted pursuant to Section 5 of the Inspector General Act of 1978 (Pub. L. 95-452), as amended by the Inspector General Act Amendments of 1988 (Pub. L. 100-504), summarizes the major activities and accomplishments of the Office during the period October 1, 1993 through March 31, 1994.

As defined in the above statutes, the mission of the OIG is to prevent and detect fraud, waste and abuse in agency programs and operations. At the same time, the OIG is charged with promoting economy, efficiency, and effectiveness in the same areas. The activities of the Office are planned to meet those objectives.

During this period, the OIG issued three (3) audit reports and followed up on three (3) significant recommendations outstanding as of the beginning of the reporting period.

Five (5) investigative cases from the previous reporting period were carried over to this period. One (1) remains open, and four (4) were investigated to closure.

Four (4) new cases were opened and continued under investigation during this period. One (1) case was opened and referred to other agencies (closed).

INTRODUCTION AND BACKGROUND

The Federal Labor Relations Authority (FLRA), an independent entity within the Executive Branch, was created to oversee the labor-management relations program of the Federal Service and provides leadership in establishing policies and guidance regarding labor-management relations in the Federal Service. It administers Title VII of the Civil Service Reform Act of 1978, the Federal Service Labor-Management Relations Statute (5 U.S.C. §§ 7101-7135) (the Statute). The Statute protects the rights of employees of the Federal Government to bargain collectively and to participate through labor organizations of their own choosing in decisions affecting many conditions of their employment. The FLRA ensures compliance with the statutory rights and obligations of Federal agencies, Federal employees, and the labor organizations that represent Federal employees in their dealings with Federal agencies. The agency is composed of the Authority, the Office of the General Counsel, and the Federal Service Impasses Panel.

The Authority is composed of three full-time members appointed for 5-year terms by the President with the advice and consent of the Senate. One Member is designated by the President to serve as Chairman of the Authority and is the chief executive and administrative officer of the agency. The Chairman and members adjudicate cases brought before them pursuant to the provisions of the Federal Service Labor-Management Relations Statute. The Authority is empowered by the Statute to determine the appropriateness of units for labor organization representation and to supervise and conduct elections to determine whether a labor organization has been selected as an exclusive representative by a majority of the employees in an appropriate unit. The Authority also prescribes criteria relating to the granting of consultation rights, and resolves disputes based on unfair labor practices, negotiability issues and arbitration awards.

The General Counsel of the Federal Labor Relations Authority is appointed by the President, with the advice and consent of the U.S. Senate, for a term of five years.

The General Counsel has independent authority to investigate all unfair labor practice charges pursuant to the Federal Service Labor-Management Relations Statute, the Panama Canal Act, and the Foreign Service Act. Working through Regional Directors in seven regional offices, the General Counsel issues and prosecutes complaints after conducting investigations and obtaining evidence on the charges. Parties are subsequently eligible to appeal to the General Counsel when a Regional Director declines not to issue a complaint. The Regional Directors also have delegated authority from the Authority Members to investigate representation petitions, supervise representation elections, and certify to the parties the results of such elections.

The Statute provides that the Federal Service Impasses Panel shall be composed of a Chairman and at least six other members who are appointed by the President from among individuals who are familiar with Government operations and knowledgeable in labor-management relations. The role of the Panel is to resolve impasses between Federal agencies and unions representing Federal employees arising from negotiations over conditions of employment. If bargaining between the parties and mediation assistance, usually from the Federal Mediation and Conciliation Service (FMCS), proves unsuccessful, the Panel, as an entity within the FLRA, has the authority under section 7119 of the Statute to recommend procedures or provide direct assistance to the parties using appropriate methods for resolution of the impasse. If these efforts do not lead to a settlement, the Panel may take whatever action it deems necessary to resolve the impasses. The Panel also has jurisdiction to resolve disputes under the Federal Employees Flexible and Compressed Work Schedules Act of 1982, 5 U.S.C. Section 6120, et seq. (Compressed Work Schedules Act) where an agency refuses to establish a flexible or compressed work schedule or decides to terminate one.

The Foreign Service Act of 1980 created a statutory labor-management relations program covering Foreign Service employees in the U.S. Information Agency, the Agency for International Development, and the Departments of State, Agriculture and Commerce. The Act is similar in many respects to the Federal Service Labor-Management Relations Statute. The Act established the Foreign Service Labor Relations Board within the FLRA. The Board administers the Act and is composed of three Members.

The Board has no separate staff; the staff of the Authority provides support for the Board. The General Counsel of the FLRA investigates alleged unfair labor practices and prosecutes unfair labor practice complaints.

In fiscal year 1994, the Federal Labor Relations Authority has an authorized total of 245 full-time equivalent positions and a total appropriation of \$21.3 million. The majority of the Authority's personnel are located in Washington, D.C. The General Counsel maintains Regional Offices in Boston, Washington, Atlanta, Dallas, Denver, Chicago and San Francisco. Sub-Regional Offices are located in New York, Philadelphia, Cleveland and Los Angeles.

OFFICE OF THE INSPECTOR GENERAL.

The Office of the Inspector General at the Federal Labor Relations Authority was established pursuant to Pub. L. 100-504, the Inspector General Act Amendments of 1988, which amended Pub. L. 95-452, the Inspector General Act of 1978. The Office was formally established on March 24, 1989, and the first Inspector General was appointed on September 25, 1989. The Inspector General reports directly to the Chairman.

As set forth in the creating legislation, under the authorizing legislation, the Office of the Inspector General is to:

- Conduct and supervise audits and investigations relating to the programs and operations of the FLRA.**
- Provide leadership and coordination, and recommend policies which (1) promote economy, efficiency and effectiveness in agency programs and operations; and (2) prevent and detect fraud and abuse in those same areas.**
- Keep the Chairman and the Congress fully informed regarding problems and deficiencies, as well as the necessity for and the progress of corrective action.**

The Office of the Inspector General at the FLRA is presently staffed at four (4) positions; the Inspector General, a Senior Auditor, an Attorney/Criminal Investigator, and an Inspection Assistant. For Fiscal year 1994, the total Office budget is \$274,000. This budget includes \$10,000 for the OIG to augment its own audit endeavors by contracting with private independent CPA firms. Such contracted audits are governed by the same stringent standards and guidelines which apply to IG performed audits.

Paul D. Miller, first Inspector General of the FLRA, left the agency in April 1994 to pursue interests in the private sector.

John D. Zielinski, Counsel and Director of Investigations, was appointed Acting Inspector General on April 15, 1994.

AUDIT ACTIVITY

The Office of Inspector General has issued three audit reports during this period. In addition, the Office has followed up on three significant recommendations, outstanding as of the beginning of this reporting period. We found the Authority needs to take some additional actions to implement these recommendations.

COMPLETED REPORTS.

The following is a description of the reports issued during this period.

"REVIEW OF CONSULTING SERVICES, LOBBYING ACTIVITY, AND EMPLOYEES DETAILED TO LEGISLATIVE COMMITTEES," REPORT NO. 94-01, FEBRUARY 4, 1994

This report was our third annual review of these areas. The current period involved little such activity and only one minor exception, which was corrected during the audit, was found. Our review consisted primarily of following up on the seven recommendations made in the prior reports.

Four of the prior recommendations were fully implemented and another was partially implemented. The unimplemented recommendations involve: appointment of a Senior Executive Service employee as the Authority's service contract oversight official, updating the Authority's existing directive by providing specific examples of consulting services, and inclusion of two additional procurement checklist items regarding the subject activities.

"FINANCIAL AUDIT OF THE FEDERAL LABOR RELATIONS AUTHORITY'S FISCAL YEAR 1992 FINANCIAL STATEMENTS, REPORT NO. 94-02, DATED FEBRUARY 10, 1994

The Authority received an unqualified opinion of its financial statements from the contracted Independent Certified Public Accounting (CPA) firm. The CPA firm found no instances of Authority noncompliance with those federal laws and regulations that materially affect financial reporting. In its report on the internal control structure, the CPA Firm identified one reportable condition which involved the lack of documented supervisory approval and supporting documentation of journal voucher entries. This condition was not classified as a material weakness, however.

While monitoring the CPA audit, the OIG reviewed the status of the Authority's implementation of the recommendations contained in the prior financial audit. We found that the Authority substantially improved their financial accounting and reporting procedures by implementing 9 of the 12 prior recommendations. In addition to those recommendations not implemented, we made three new recommendations for further improvement based upon the CPA Firm's recommendations and certain additional audit tests conducted by us. In response to our draft report, the Executive Director said that all three new recommendations have now been implemented.

"REVIEW OF THE FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT IMPLEMENTATION," REPORT NO. 94-03, DATED MARCH 25, 1994

This report presents the results of our review of the Federal Labor Relations Authority's implementation of the Federal Managers' Financial Integrity Act (FMFIA). Our review was made to determine the effectiveness of the Authority's process for implementing the Act's requirements.

Our review found that the Authority's process for implementing FMFIA was not effective. Due to an absence of specific guidance in the Authority's implementing directive, the existing process lacked sufficient formality and assurance that management was reviewing the Authority's internal control systems. Authority management was aware that its directive needed revision but lacked the resources to identify the necessary revisions.

We made 13 recommendations in our report primarily identifying those areas where specific criteria is needed in order to formalize the FMFIA process and to ensure that management is implementing the Act's requirements. The Executive Director agreed with the general findings and recommendations and plans to initiate corrective action later in fiscal year 1994 or in early fiscal year 1995.

PRIOR REPORT SIGNIFICANT RECOMMENDATIONS.

The three open recommendations all relate to computer security. These recommendations are listed below, followed by their status.

"REVIEW OF THE AUTHORITY'S ADP PROCUREMENT PLANS," REPORT NO. 92-01, MARCH 30, 1992

Recommendation:

Enlarge upon the recently established 5-year Strategic IRM Plan to include a summary of the security plan for the proposed computer system, and a descriptive listing of individual projects projected for the next 5-years.

"LIMITED REVIEW OF THE SECURITY OF THE LOCAL AREA NETWORK COMPUTER SYSTEM," REPORT NO. 93-03, JULY 29, 1993

Recommendation:

Eliminate user access rights to as many of the network operating programs as possible.

Recommendation:

Limit the Supervisor's [System Administrator's] log-on locations to a maximum of the four computer specialists' computer stations or establish additional preventive access controls if unlimited log-on locations are to be retained.

Status:

Management believes it has taken sufficient actions to implement these recommendations either through direct implementation or through implementation of other OIG recommendations as a substitute. Management has responded with upgrades to some specific problems raised by the OIG. According to our periodic review, however, certain security issues relating to these recommendations still exist on a systemic/strategic basis. Within the next reporting period, the OIG plans to issue management a letter detailing these issues and the additional steps that should be undertaken to close the recommendations.

The second half of the first recommendation (Report No. 92-01) is no longer applicable. According to a discussion with the Director of Information Resources and Research Services, the Authority has completed installation of its LAN/WAN system, except for the current conversion of a case tracking system, and has no plans for any major projects within the next five years. This project lull should allow the opportunity to broadly focus upon systemic security as an integral part of the overall operating system, such as that envisioned by the National Institute of Standards and Technology, U.S. Department of Commerce.

OTHER REPORTING REQUIREMENTS

SERIOUS OR FLAGRANT PROBLEMS REQUIRING REPORTING WITHIN 7 DAYS

No problems requiring such reporting were found during the reporting period.

ACCESS TO INFORMATION

The OIG was not denied any information requested during the reporting period.

SIGNIFICANT RECOMMENDATIONS OF PRIOR SEMIANNUAL REPORTS NOT IMPLEMENTED

Three significant recommendations from prior semiannual reports have not been implemented as of the end of this reporting period. See "Prior Report Significant Recommendations" section for details.

SIGNIFICANT REVISED MANAGEMENT DECISIONS

No significant management decision was revised during the reporting period.

OIG DISAGREEMENT WITH SIGNIFICANT MANAGEMENT DECISIONS

The OIG agrees with the management decisions made on the reports issued during the period.

INVESTIGATIVE ACTIVITY

Five (5) cases from the previous reporting period were carried over to this period. One (1) remains open, and four (4) were investigated to closure.

Four (4) new cases were opened and continue under investigation during this period. One (1) case was opened and referred to other agencies (closed).

A major fraud case previously referred to the Department of Justice and under active investigation by this Office directed by, the Public Integrity Section of the Criminal Division, for eighteen months, will apparently result in a declination of prosecution.

The first case involved multiple allegations of unethical and improper conduct by senior officials of an independent operating element of the agency. A review of the majority of the allegations to date has shown them to be without merit.

The second case involved an allegation of improper handling of matters under the jurisdiction of an independent operating element of the agency. This case was received from the Congress and awaits further development.

The third case involved an allegation of improper handling of matters under the jurisdiction of an independent operating element of the agency and a potential conflict of interest. This case awaits follow-up information from the complainant.

The fourth case opened involved possible falsification of government records. Initial action on the matter has been referred to management for appropriate action, and it remains under close tracking by the Inspector General.

The fifth case opened involved hotline allegations received of possible prohibited personnel practices and improper labor relations activity within another government agency. After careful review, it was determined that there was no basis for involvement of this Office, and the complainant and complaint were referred to the agency involved and the Office of Special Counsel.

The last case opened involved a matter referred from management that involves possible filing of false documents in support of a claim by an agency employee.

As a result of an investigation into allegations involving non-criminal fraud, misconduct, and other ethical infractions by an employee, a referral made to the General Counsel resulted in termination of the employee. The Inspector General continues to provide investigative support and assistance to the General Counsel and Solicitor on the matter.

As a result of this investigation, the General Counsel has made substantial managerial and operational changes within the Washington Regional Office.

The Inspector General tracked several thefts which occurred within the agency and has met with management to review possible changes in physical and operational security.

The Inspector General tracked an internal labor relations matter that had been alleged to involve improper personnel practices. An outside arbitrator reviewed and disposed of the allegations as unfounded.

OTHER OIG ACTIVITY

STRATEGIC DEVELOPMENT

The Director of Audit regularly participates in activities with the OIG Audit Community and other professional audit training programs.

The Legal Counsel/Director of Investigations actively participates in both the Council of Counsels to Inspectors General (CCIG) and the Association of Assistant Inspectors General for Investigation.

The Office continued to make strides in implementation of recommendations of the National Performance Review. The OIG already practiced a number of the recommendations as part of routine operations prior to NPR.

To move even more solidly into evaluation of programs, a formal request was submitted to add the responsibilities of a Director of Evaluation to the formal position description of a currently existing position.

PARTICIPATION IN THE EXECUTIVE COUNCIL ON INTEGRITY AND EFFICIENCY

The Executive Council on Integrity and Efficiency (ECIE), established by Executive Order in 1992 (by elevating the former Coordinating Conference of the President's Council on Integrity and Efficiency to Council status), is intended to coordinate and implement Government-wide activities to combat fraud, waste and abuse in Federal programs and operations. The FLRA's Inspector General is a member of the ECIE and participates on a number of committees established by that organization.

PEER REVIEW EVALUATION

As required for all Inspectors General by the Inspector General Act of 1978, our Office is undergoing a peer review of its compliance with the General Accounting Office's Government Auditing Standards.

The act requires that each Inspectors' General Office undergo a peer review every three years by another federal government audit entity, such as another Inspector General Office or the General Accounting Office. This review, which is our first, is being conducted by the Federal Communication Commission's Inspector General office.

Table I
AUDIT REPORTS
WITH QUESTIONED COSTS

	<u>NUMBER OF REPORTS</u>	<u>QUESTIONED COSTS</u>	<u>UNSUPPORTED COSTS</u>
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	
Subtotal (A plus B)	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	
E. Reports issued prior to the reporting period for which no management decision has been made by the end of the reporting period.	0	0	

Table II

AUDIT REPORTS
WITH RECOMMENDATIONS THAT
FUNDS BE PUT TO BETTER USE

	<u>NUMBER OF REPORTS</u>	<u>DOLLAR VALUE</u>
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
Subtotal (A plus B)	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 recommendations 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
<hr/>		
E. Reports issued prior to the reporting period for which no management decision has been made by the end of the reporting period.	0	0

GLOSSARY

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.

QUESTIONED COSTS

Expenditures questioned by the OIG due to:

-UNSUPPORTED COSTS which involve inadequate documentation.

-DISALLOWED COST which involve an alleged violation (concurring with Management Decision) of a law, regulation, grant, contract, or other agreement.

-Unnecessary or Unreasonable costs.

FUNDS BE PUT TO BETTER USE

The amount of savings estimated by the OIG that could be obtained by implementing report recommendations relating to more efficient management operations.

FINAL ACTION

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

GLOSSARY

SIGNIFICANT RECOMMENDATIONS

According to Section 5(a)3 of the Inspector General Act, the OIG is required to follow up and report on the implementation status of all open "significant recommendations" from prior Semiannual reports. The OIG has defined "significant recommendations" as those that pertain to deficiencies that could result in FLRA failure to accomplish mission functions or could result in additional costs or lost funds exceeding \$5,000.

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. They may also be used to expand on previously issued audit report recommendations.

REPORT: FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

TO:

**FLRA's
Office of the Inspector General**

**HOTLINE
800-331-FLRA
(800-331-3572)
Toll Free 24 Hour Answering Service**

or write

**FLRA
Office of the Inspector General
P.O. Box 27488
Washington, D.C. 20038-7488**

**INFORMATION IS CONFIDENTIAL
CALLER CAN BE ANONYMOUS**

However, each caller is encouraged to assist the Inspector General by supplying information as to how they may be contacted for additional information.

