*Thirty-six years – promoting and protecting labor-management relations for effective, efficient government.*

# U.S. FEDERAL LABOR RELATIONS AUTHORITY
## PERFORMANCE AND ACCOUNTABILITY REPORT


# 2015

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# UNITED STATES
# FEDERAL LABOR RELATIONS AUTHORITY

# Performance and Accountability Report
# Fiscal Year 2015

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# MESSAGE FROM THE CHAIRMAN

I am pleased to submit the FY 2015 Performance and Accountability Report for the Federal Labor Relations Authority (FLRA). Overall, FY 2015 was an extremely productive and successful year for the FLRA. The agency faced head-on the challenges that FY 2015 brought, and it identified and pursued opportunities to achieve the goal of improved and sustainable performance excellence throughout the FLRA.

The FLRA encompasses, in one small agency, the investigator, prosecutor, adjudicator, and interest arbitrator for labor-management disputes involving 1.2 million federal employees. And we are committed to fostering a productive and effective federal government, providing leadership in establishing policies and guidance related to federal-sector labor-management relations, and ensuring compliance with the Federal Service Labor-Management Relations Statute (the Statute).

With respect to mission performance, FY 2015 was a strong year for the FLRA. I am proud to report that the Authority completely eliminated its backlog of overage cases in FY 2015. It also issued 24 percent more merits decisions than it did in FY 2014, and it experienced a 22 percent increase in case filings. The Office of the General Counsel again exceeded all of its strategic and performance goals for the timely resolution of both unfair-labor-practice (ULP) charges and representation cases, and it continued to close more cases than it has in previous years. The Federal Service Impasses Panel also exceeded all of its strategic and performance goals. And the FLRA delivered over 300 training, outreach, and facilitation sessions to over 8,000 customers, continuing not only its commitment to the success of President Obama's Executive Order 13,522, *Creating Labor-Management Forums to Improve Delivery of Government Services*, but also to more training regarding rights and responsibilities under the Statute.

Alternative-dispute resolution (ADR) activities throughout the agency also continued to be extremely successful. ADR is deeply embedded in the way that all cases are processed throughout the agency. Indeed, in the OGC, the sheer volume of ULP charges filed (approximately 4,600 in FY 2015) would overwhelm that component without the voluntary settlement of so many by the highly regarded employees in the Regional Offices where they are processed. In the Authority component, additional ADR is available in every ULP complaint filed with the Office of Administrative Law Judges (OALJ), as well as in every negotiability case and every arbitration case before the Authority. Of course, making ADR available and making it work are two different things. And I am pleased to report that throughout the FLRA, we do *both*. In the OGC, for example, approximately 96 percent of the ULP cases and 95 percent of the representation cases in which the parties agree to use ADR settled as a result. And, in the OALJ, over 89 percent of the cases in which the parties agree to use ADR provided through the Settlement Judge Program settle. As another example, 100 percent of the negotiability cases in which the parties mutually agreed to use ADR services provided by the Authority's Collaboration and Alternative Dispute Resolution Office (CADRO) resulted in full resolution of the underlying dispute and closure of the pending case. And 100 percent of the CADRO arbitration cases resulted in at least partial resolution of the underlying dispute.

I also proudly note – on behalf of us all – that in FY 2015 the FLRA captured the rank of #2 on three important indexes in the Office of Personnel Management's Federal Employee Viewpoint Survey (FEVS) – Employee Engagement, Global Satisfaction, and New IQ. We also experienced impressive positive-ratings increases from 2014 in 66 items, and OPM identified all 68 items on the survey as strengths for the FLRA. We also achieved an all-time high employee-response rate of 84 percent, demonstrating that employees value the survey process and use the FEVS as a tool to communicate their interests and concerns to agency leadership and managers. Further, the FLRA's Human Capital Assessment and Accountability Framework index scores again increased in *every* category – by as much as 8 percent over 2014. Moreover, the FLRA captured the rank of #5 in the Partnership for Public Service's 2014 Best Places to Work in the Federal Government rankings, reflecting an impressive and unprecedented improvement of over 300 percent in the FLRA's overall engagement score since 2009. This sustained progress over the six and a half years reflects the commitment of agency leadership at all levels to manage the agency with transparency and accountability, and to truly and meaningfully engage our employees. And, consistent with the President's Management Agenda (PMA) Cross Agency Priority (CAP) Goal on People and Culture, the FLRA continues to be a leader in creating a culture of excellence and engagement that fosters higher mission performance.

Finally, in FY 2015, with the agency's existing 2010-2015 Strategic Plan nearing its expiration, the FLRA engaged in a comprehensive strategic-planning initiative to develop and implement a 2015-2018 Strategic Plan. Through a collaborative review by agency leadership and employees – at all levels and throughout the agency – of its operations, staffing, work processes, resource allocations, and performance, the FLRA established strategies and goals that are designed to maximize the delivery of agency services throughout the federal government.

These accomplishments, which were achieved through the dedication, collaboration, and engagement of employees at all levels, enabled the FLRA to fulfill its statutory mission to promote stable, constructive labor-management relations for an effective and efficient government.

As Chairman of the FLRA, I certify that no material weaknesses were found in the design or operation of our internal controls and financial systems, as discussed in more detail beginning on page 31 of this report. I have also made every effort to verify the accuracy and completeness of the performance data presented in this report.

Carol Waller Pope

Carol Waller Pope
Chairman
Federal Labor Relations Authority
November 16, 2015

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## BACKGROUND AND MISSION

The U.S. Federal Labor Relations Authority (FLRA) is responsible for establishing policies and guidance regarding the labor-management-relations program for 2.1 million non-Postal, federal employees worldwide, approximately 1.2 million of whom are represented in 2,200 bargaining units. The FLRA was created by Title VII of the Civil Service Reform Act of 1978, also known as the Federal Service Labor-Management Relations Statute (the Statute). The agency's genesis dates from the issuance of Executive Order 10,988 by President Kennedy in 1962. In 2012, the FLRA celebrated the 50th anniversary of the Order, which established the first government-wide, labor-management-relations program within the federal government. In 1970, President Nixon established the Federal Labor Relations Council, by Executive Order 11,491, to administer the federal labor-management-relations program and to make final decisions on policy questions and major disputes arising under Executive Order 10,988. Executive Order 11,491, as amended, was the basis for President Carter's proposal to Congress to create the FLRA as an independent agency.

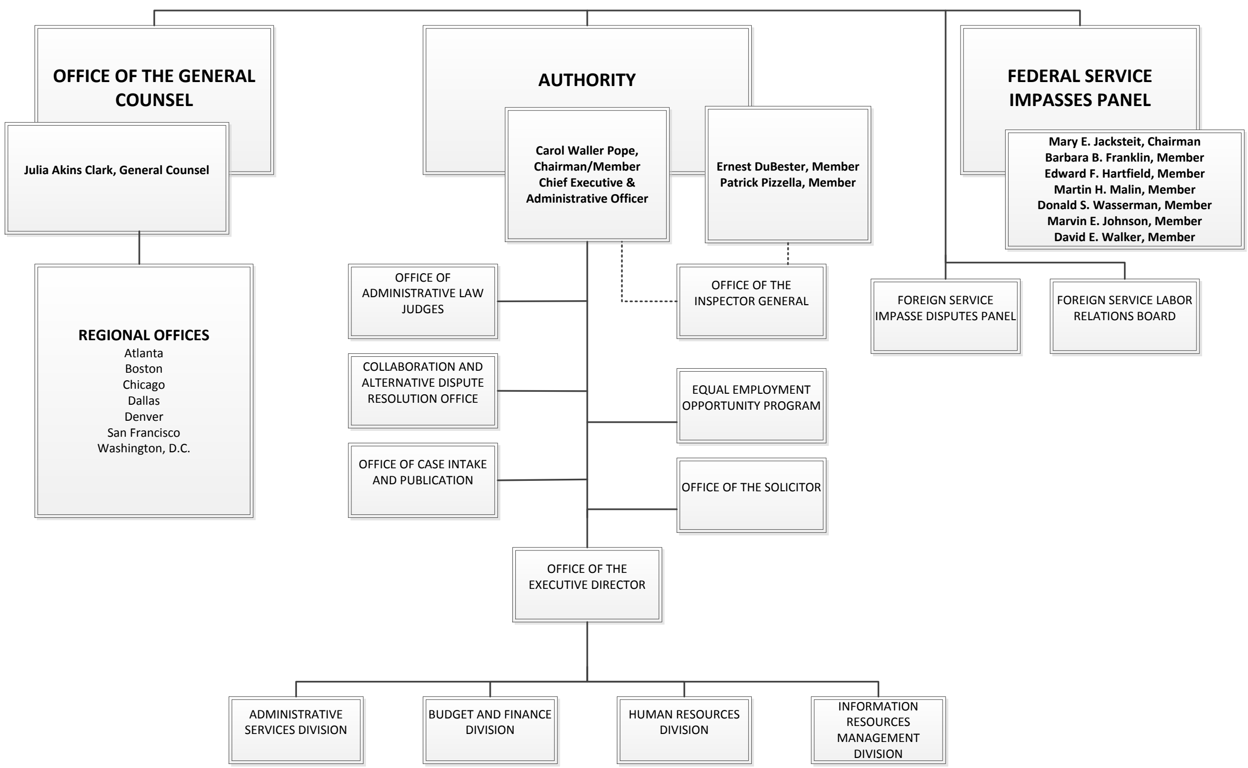
The Statute protects the rights of federal employees to form, join, or assist a labor organization, or to refrain from such activity, freely and without fear of penalty or reprisal. These rights include acting for a labor organization as a representative and, in that capacity, presenting the views of the organization. Employees also have the right to engage in collective bargaining with respect to conditions of employment through representatives chosen by the employees.

The mission of the FLRA is to promote stable, constructive labor-management relations through the resolution and prevention of labor disputes in a manner that gives full effect to the collective-bargaining rights of employees, unions, and agencies. Although the FLRA is a small agency, accomplishing its mission – including timely, quality, and impartial resolution of labor-management disputes – is essential for program performance government-wide. If a labor-management dispute remains unresolved for too long, then mission accomplishment at the affected agencies likely will suffer.

## ORGANIZATIONAL STRUCTURE

The FLRA is organized into three statutory components – the Authority, the Office of the General Counsel (OGC), and the Federal Service Impasses Panel (FSIP) – each with unique adjudicative or prosecutorial roles. The agency also provides full program and staff support to two other organizations – the Foreign Service Impasse Disputes Panel and the Foreign Service Labor Relations Board.

# U.S. FEDERAL LABOR RELATIONS AUTHORITY




## The Authority

The Authority comprises three full-time, presidentially nominated and Senate-confirmed Members who are appointed for fixed, five-year, staggered terms. The President designates one Member to serve as Chairman. The Chairman acts as the agency's chief executive and administrative officer.

The Authority is responsible for adjudicating unfair-labor-practice (ULP) complaints, determining whether to grant exceptions to arbitrators' awards, resolving disputes over the negotiability of proposals and provisions made during collective bargaining, and reviewing representation decisions of Regional Directors in representation disputes over union elections and unit determinations.

Other program offices under the jurisdiction of the Authority include the Office of the Solicitor, the Office of Administrative Law Judges (OALJ), the Office of Case Intake and Publication, and the Collaboration and Alternative Dispute Resolution Office (CADRO).

The Office of the Solicitor represents the FLRA in court proceedings before all U.S. courts, including the U.S. Supreme Court, the U.S. Courts of Appeals, and the Federal District Courts. In this connection, parties aggrieved by certain Authority orders may institute an action for judicial review within 60 days after the order issues. The Authority may also seek enforcement of its orders, temporary relief, or restraining orders in the appropriate U.S. Courts of Appeals or Federal District Courts. The Office of the Solicitor also serves as the agency's in-house counsel, providing legal advice to all FLRA components, and performs various functions under the Freedom of Information Act and the Privacy Act. The Solicitor also serves as the Designated Agency Ethics Official.

The Authority Members appoint Administrative Law Judges (ALJs) to hear and prepare recommended decisions in cases involving ULP complaints, as well as decisions involving applications for attorney fees filed pursuant to the Back Pay Act or the Equal Access to Justice Act. The OALJ – through its Settlement Judge Program administered by the CADRO – also provides alternative-dispute resolution (ADR) services in all ULP cases. Decisions of the ALJs may be appealed to the Authority.

## The Office of the General Counsel

The General Counsel, who is appointed by the President with the advice and consent of the Senate, has separate and independent responsibilities from the Authority. Under the Statute, the General Counsel has sole responsibility – independent of the Authority – over the investigation and prosecution of ULP cases. The General Counsel's determinations in these matters are final and unreviewable. The General Counsel has direct authority over, and responsibility for, all employees in the OGC, including those in the FLRA's Regional Offices. Approximately 50 percent of the FLRA's staff is employed in the regions, where all ULP charges and representation petitions are filed. The Regional Offices, on behalf of the General Counsel, investigate and resolve alleged ULPs, file and prosecute ULP complaints, effectuate compliance with settlement agreements and Authority Orders, and provide training and ADR services. In addition, through delegation by the Authority, the Regional Offices investigate and resolve representation cases and conduct secret-ballot elections.

The General Counsel has a small staff at FLRA Headquarters, located in Washington, D.C. Headquarters management provides administrative oversight; develops policies, guidance, procedures, and manuals that provide programmatic direction for the Regional Offices and training and education for the parties; and processes appeals from the Regional Offices' dismissals of ULP charges. Each Regional Office is headed by a Regional Director who provides leadership and management expertise for the respective region.

Atlanta Regional Office

Boston Regional Office

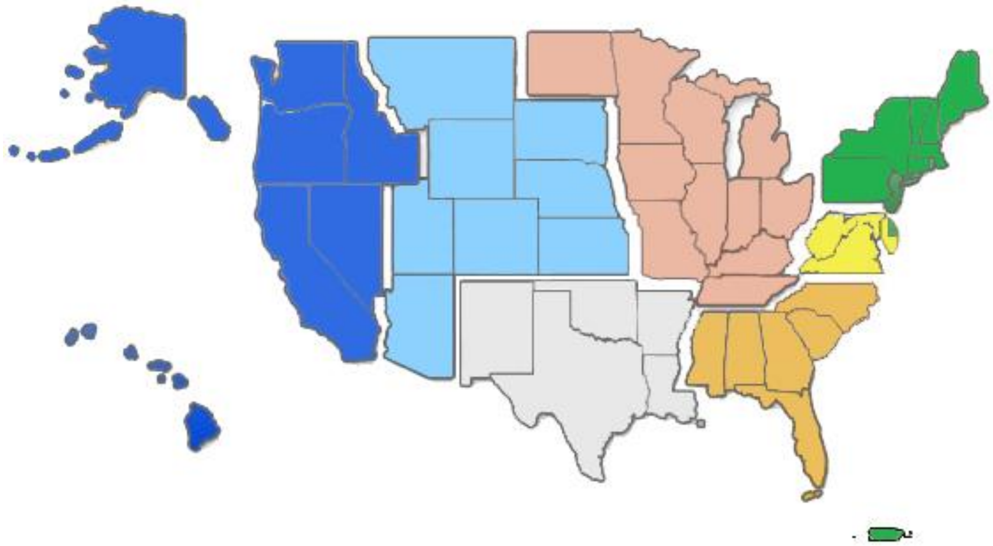
Chicago Regional Office

Dallas Regional Office

Denver Regional Office

San Francisco Regional Office

Washington DC Regional Office



## The Federal Service Impasses Panel

The FSIP resolves 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. The FSIP normally comprises seven part-time Presidential appointees – a Chairman and six other Members – who are appointed for five-year terms.

If bargaining between the parties, followed by mediation assistance, does not result in a voluntary agreement, then either party or the parties, jointly, may request the FSIP's assistance. Following a preliminary investigation by its staff, the FSIP may determine to assert jurisdiction over the request. If the FSIP asserts jurisdiction, then it has the authority to recommend or direct the use of various ADR procedures, including informal conferences, additional mediation, fact-finding, written submissions, and mediation-arbitration by FSIP Members, the FSIP's staff, or private arbitrators. If the parties are still unable to reach a voluntary settlement, then the FSIP may take whatever action it deems necessary to resolve the dispute, including imposition of contract terms through a final action. Parties may not appeal the merits of the FSIP's decision to any court.

# STRATEGIC AND PERFORMANCE-PLANNING FRAMEWORK

The FLRA has established strategies and goals that are designed to maximize the delivery of agency services throughout the federal government through a comprehensive review – by leadership at all levels throughout the agency – of its operations, staffing, work processes, resource allocations, and performance. Throughout FY 2015, the FLRA has engaged in a continuous assessment of performance and other data to ensure that it is accomplishing its mission, effectively and efficiently, and that it is promoting innovation throughout the agency.

The FLRA's FY 2015 performance-planning framework is based on the agency's FY 2010 - 2015 Strategic Plan, and it is supported by the agency's Annual Performance Plan, which establishes the agency's annual performance goals. The Annual Performance Plan reflects the agency's commitment to establishing meaningful measures that will assist in assessing performance outcomes, aligning resources, and effectively identifying staffing and training needs. The Annual Performance Plan also demonstrates the FLRA's ongoing commitment to organizational excellence.

Consistent with the government-wide initiative to leverage existing data to facilitate agencies' programmatic work and enhance the value of data set forth in Office of Management and Budget (OMB) Memorandum No. 14-06, *Guidance for Providing and Using Administrative Data for Statistical Purposes*, the FLRA continually and strategically monitors its progress in accomplishing the goals and measures set forth in the Annual Performance Plan. This ongoing, agency-wide review is conducted on a monthly basis with distribution of the Monthly Analysis of Performance and Status (MAPS) Report, which contains statistical case and performance data derived from the FLRA's Case Management System (CMS) and agency management. The agency examines the data contained in the MAPS Report in a variety of forums, and it shares the agency's status toward meeting its case-processing performance goals with all employees through the weekly, agency-wide newsletter. At the component and office levels, there are also daily performance assessments using a variety of reports, including: case-filing reports, which track the number and age of cases; case-status reports, which track the status of all assigned *pending* cases within the Authority, the OGC, and the FSIP; and monthly disposition reports, which track the number, age, and resolution type of every *closed* case within the Authority and the OGC.

The analysis and assessment of these reports drive, among other things: decisions to target services (including training, facilitations, and on-site investigations) to certain parties or geographical locations; adjustments in workload through case transfers at the national, regional, and office levels; and reallocation of resources, including use of details, contract support, and temporary hires. As to the latter point, in FY 2015, after identifying a backlog of cases awaiting decision in the OALJ, the FLRA utilized internal details; created and filled an additional, temporary not-to-exceed, six-month attorney appointment; contracted for time-specific paralegal support; established detail opportunities; and sought assistance from re-employed annuitants on a temporary, part-time basis to increase mission performance and eliminate the backlog of cases in that office.

| **FLRA Strategic Goals** |
|---|
| **1.** Achieve superior customer service. |
| **2.** Develop leaders at every level to meet goals and position the agency for the future. |
| **3.** Advance performance through organizational and management excellence. |
| **4.** Develop, empower, and engage FLRA employees to meet program needs and improve job satisfaction. |

The FLRA seeks to achieve its strategic goals primarily through the timely review and disposition of cases. The agency supplements these efforts with a focus on reducing litigation and its attendant costs by helping parties to resolve their own disputes through collaboration, ADR, and labor-management-cooperation activities. These efforts are further supported by the FLRA's focus on internal improvements in information technology (IT) and more effective and efficient use of human capital.

| **FY 2015 Performance Goals** |
|---|
| **1.** Provide timely review and disposition of unfair-labor-practice cases. |
| **2.** Provide timely review and disposition of representation cases. |
| **3.** Provide timely review and disposition of arbitration cases. |
| **4.** Provide timely review and disposition of negotiability cases. |
| **5.** Provide timely review and disposition of bargaining-impasse cases. |
| **6.** Use collaboration techniques and alternative-dispute-resolution services to minimize and/or resolve labor-management disputes. |
| **7.** Modernize agency information-technology business systems to support and enhance program achievement. |
| **8.** Develop, manage, and utilize the FLRA's human capital to meet program needs. |

***2015-2018 Strategic Plan***

With the agency's existing 2010-2015 Strategic Plan nearing its expiration, in FY 2015, the FLRA engaged in a comprehensive strategic-planning initiative to develop and implement a 2015-2018 Strategic Plan. Through a collaborative review by agency leadership and employees – at all levels and throughout the agency – of its operations, staffing, work processes, resource allocations, and performance, the FLRA established strategies and goals that are designed to maximize the delivery of agency services throughout the federal government.

The FLRA focused a great deal of dedicated effort into the entire strategic-planning endeavor. It was an important opportunity for everyone – senior leaders, the employees' representative organization, and staff throughout the agency – to shape a shared vision for the future of the FLRA. The draft plan was developed through one-on-one interviews and focus groups with FLRA leadership, staff, and external stakeholders. Agency employees worked collectively to establish shared goals, objectives, and strategies, as well as the supporting performance goals that will help the agency to accomplish its mission and drive improvements in daily operations. The process was highly participatory, and it served as an opportunity for leadership, staff, and external stakeholders to share ideas about the FLRA's strategy. Everyone was asked for their best thinking and creativity – no ideas were off the table. This was a transparent effort, and there was continuous communication with agency employees – at all levels throughout the agency – for the duration of the project.

In addition, the FLRA identified performance goals that will allow the agency to both monitor progress towards achieving its strategic goals and to recalibrate strategies, as necessary, for maximum mission performance. This continues the FLRA's increasing focus on targeted data collection and data-driven leadership and decision-making. In developing this strategic plan, the

FLRA referenced evidence-based performance and resource trends, and it intends to use data collected to measure progress against this strategic plan and overall mission performance and effectiveness.

## Timeliness

Continued improvements in the timeliness of case disposition further the FLRA's critical role in facilitating orderly, effective, and efficient change within the federal government. In large part, the FLRA exists to promote effective labor-management relations that, in turn, permit improved employee performance and government operations. Timely resolution – or avoidance – of FLRA cases is critical to this endeavor. And effective case resolution includes not only timeliness, but also: effective process execution; clear communication with the parties around case processes; and the issuance of well-written and understandable decisions that provide deliberate, impartial, and legally sound analyses and consideration of the issues in dispute.

The agency facilitates improvements in performance, government-wide, that have inevitable effects on employee working conditions and that implicate the bargaining rights of the more than 1.2 million employees represented by labor organizations. Unless management and labor can collaboratively resolve their disputes and avoid litigation or – failing that – have their disagreements adjudicated expeditiously by the FLRA, mission performance will suffer. This is particularly relevant now as federal agencies are making significant adjustments and changes in how they perform their missions in response to the budgetary and policy challenges that they are facing.

## Alternative Dispute Resolution and Education

Throughout the years, the Authority, the OGC, and the FSIP have not only recognized the many benefits associated with using ADR to resolve workplace disputes, but they have also integrated ADR techniques into all aspects of case processing. Put simply, offering ADR services in every case, at every step, results in faster, more effective outcomes for the parties and the FLRA. For this reason, the agency continues to leverage existing staff and resources to increase its ADR reach. This includes partnering with other agencies – such as the Federal Mediation and Conciliation Service (FMCS), the Department of Veterans Affairs, and the General Services Administration (GSA) – to train large numbers of practitioners, and supporting labor-management forums, pursuant to Executive Order 13,522, *Creating Labor-Management Forums to Improve Delivery of Government Services.*

In addition, the FLRA's training initiatives are intended to make case processing more effective and efficient, and to better serve the FLRA's customers by providing meaningful and clear guidance on statutory rights and responsibilities. Timely and efficient case processing is furthered by FLRA customers being knowledgeable about their rights and obligations under the Statute, as well as FLRA case law, regulations, and case-processing procedures. The FLRA delivers its educational materials through a variety of means, such as: in-person training sessions; comprehensive, web-based training modules; and case outlines, manuals, and subject-matter guides that are easily accessible on www.FLRA.gov. All of these materials have been developed to assist members of the federal labor-management-relations community with issues and cases arising under the Statute. Using collaboration and ADR techniques – alone or in conjunction with other training, outreach, and facilitation services – to assist parties in minimizing or resolving labor-management disputes significantly reduces the need for litigation and its attendant costs, and it gets the parties back to work accomplishing their missions and delivering effective and efficient government services.

## Information Technology

Throughout FY 2015, IT and automation of agency processes continued to be key areas of focus for the agency. Both are fundamental for ensuring the effectiveness and efficiency of the FLRA, as measured by the agency's ability to meet its annual performance goals. The agency continues to improve its overall effectiveness and efficiency, as well as the customer-service experience, by engaging in new and innovative ways to conduct business, such as through electronic case filing (eFiling). In addition, the agency has placed significant emphasis on IT modernization to ensure that its IT equipment and infrastructure enable it to maximize gains in efficiency that can be achieved through use of technology.

The FLRA continued to work in FY 2015 towards implementing the agency's long-term goal of sharing end-to-end electronic case files throughout the FLRA, as well as the OMB-mandated target of having fully electronic files by 2019. Increasing eFiling is critical to achieving this goal. In this regard, the more case-related information that the FLRA receives electronically – rather than in hard copy – from the outset, the easier it is to convert that information into an electronic case file, without the need for FLRA staff to manually scan documents. In recognition of this, in FY 2015, the agency developed and began implementing a plan to accomplish the transition to fully electronic case files in 4 agile phases over the next 4 years.

Phase 1 is completion of the implementation of an eFiling System – eFiling 1.0 – for all FLRA offices that accept case filings, and the refinement and improvement of that system – based on user experience and feedback – through implementation of eFiling 2.0. The FLRA's eFiling System is an important E-Government initiative that was developed to provide easier and more user-friendly access to the FLRA and its services. Heading into FY 2015, the agency had already developed and implemented eFiling 1.0 for all but one of the four FLRA offices that accepts case filings. In early FY 2015, the agency completed development and implementation of eFiling 1.0 for the remaining office, thus every FLRA office that receives case filings – the FSIP, the Authority, the OGC, and the OALJ – is now capable of receiving those filings electronically.

During Phase 1, the agency recognized that users were slow to adopt the new eFiling system, and the agency began actively seeking feedback regarding the eFiling interface and its usability. Based on that user feedback, the agency spent much of FY 2015 focusing on developing, testing, and implementing eFiling 2.0 with a new interface that was more intuitive, user-friendly, and visually appealing. FLRA eFiling 2.0 is now available in beta for parties to file cases with certain FLRA offices, and is scheduled to be completed for all FLRA offices during the first quarter of FY 2016.

The new and improved eFiling 2.0 interface also serves as the catalyst for Phase 2, which – using the same eFiling 2.0 technology – will provide a similar user-friendly and simpler interface for the agency's electronic Case-Management System. Phase 2 also includes the implementation of an agency Document Management System, which provides the storage capacity and platform for the eventual integration of all electronic case-processing systems. Phase 2 is expected to be completed by the end of FY 2017. Phase 3, which is targeted for completion in FY 2018, is the integration of the automated connection between the Case Management System, the eFiling System, and the Document Management System. And Phase 4 is the complete transition to 100 percent electronic case files throughout the agency, with a goal of FY 2019 for completion.

In addition, in FY 2015, the FLRA implemented a new Video Teleconferencing (VTC) System and transitioned to business cable, gaining efficiencies and cost savings in network and travel costs. The VTC System has already begun to return value, saving agency travel funds and offering alternative methods for achieving agency-wide training, outreach, and intervention goals. And with the transition to business cable, the agency is estimated to achieve 5 to 10 percent savings annually for network services. It has also yielded faster connections for the FLRA's Regional Offices, increasing network speeds by 50 to 80 percent. Both initiatives are key components in the agency's effort to achieve efficiencies through use of innovations in technology.

Finally, in FY 2015, the FLRA began the process of redesigning the FLRA's website – www.FLRA.gov. This effort, which includes input from key internal and external stakeholders, is highly collaborative, engaging employees across the agency to develop improvements in the FLRA's website and promote innovative change in how the FLRA delivers its online information and services to customers. The new site will be more user friendly, allowing visitors to find the information that they need more quickly – with fewer mouse clicks. And it will be more intuitive through improved organization of content. By refocusing the website's organization on case types – rather than on office functions – it will provide users with more comprehensive, integrated information regarding the FLRA's mission-related, case-processing work. The new site will also provide users with integrated access to all FLRA training information and other educational materials in one, centralized location. As part of this initiative, the agency is also seizing the opportunity to comprehensively review and update all of its website content agency-wide. The new website should be available by the second quarter of FY 2016.

## Human Capital

In FY 2015, the FLRA continued its overall success and improvement as measured by the Federal Employee Viewpoint Survey (FEVS), leaving no doubt that the FLRA continues to have a highly engaged workforce that is dedicated to the accomplishment of its mission. It not only captured the rank of #2 on three important indexes – Employee Engagement, Global Satisfaction, and New IQ (which relates to the inclusivity of the work environment) – but it also achieved an all-time high employee response rate of 84 percent (which is significantly higher than the government-wide average of 50 percent). The latter demonstrates that employees value the survey process and use the FEVS as a tool to communicate their interests and concerns to agency leadership and managers. In addition, the FLRA's Human Capital Assessment and

Accountability Framework index scores again increased in *every* category for the third straight year – by as much as 8 percent over 2014. Specifically, the agency scored 86 percent in "Leadership and Knowledge Management," 78 percent in "Results-Oriented Performance Culture," 85 percent in "Talent Management," and 82 percent in "Job Satisfaction" – exceeding the government-wide average in each. And the FLRA realized positive-ratings increases from 2014 in 66 items, and it has 68 identified strengths and no identified challenges. Moreover, the agency's scores are above the government-wide average in 82 out of 84 questions, with: 99% of FLRA respondents reporting that they are willing to put in extra effort to get a job done; 98% indicating that they are being held accountable for achieving results; 98% positively rating the overall quality of the work done by their work unit; 96% indicating that employees in their work unit share job knowledge with each other; 95% believing that the workforce has the job-relevant knowledge and skills to accomplish organization goals; 94% believing that the agency is successful at accomplishing its mission; 94% knowing how their work relates to the agency's goals and priorities; 94% finding that supervisors in their unit support employee development; 94% believing that managers review and evaluate the organization's progress toward meeting its goals and objectives; and 94% saying that senior leaders support work/life programs.

These results show that employees at all levels understand the mission of the FLRA, understand their role in achieving the mission, and see themselves as an integral part of achieving agency-wide success. The agency continues to credit its mission performance successes to its high level of employee engagement. Moreover, the agency's values of transparency, open dialogue, and pre-decisional involvement allow for effective collaboration, communication, and continuous feedback around mission performance and agency operations.

Consistent with OPM's Recruitment, Engagement, Diversity, and Inclusion (REDI) Roadmap, in FY 2015, the FLRA used the FEVS to develop and implement a data driven, forward-looking human capital management strategy that reflects a commitment to the People and Culture pillar of the President's Management Agenda (PMA). Focusing on key drivers of employee engagement, the FLRA has developed strategies for employees to build and cultivate key skills that lead to greater individual and organizational performance and job satisfaction. In this connection, in FY 2015, the FLRA continued to invest in its employees through classroom training, rotational details, cross-component learning, challenging assignments, and leadership-development trainings and opportunities to enhance and broaden employees' skills. Employees at all levels – both professional and administrative-support staff – delivered positive agency outcomes and led numerous mission-related initiatives, including: the development and implementation of the FLRA's eFiling System; the FLRA website refresh; the streamlining of internal case processing procedures; and the development and regular updating of Authority and OGC training materials, guides, and manuals – many of which are web-based – to educate the FLRA's customers about the Statute, applicable legal standards and FLRA precedent, and the agency's case-processing procedures.

Again in FY 2015, internal developmental details have accomplished two strategic objectives: (1) development of future leaders to facilitate succession planning; and (2) cross-training to allow for the reassignment of employees to positions that are more closely matched to their career interests – and to the agency's needs. Position descriptions have continued to be updated and now allow for greater growth and advancement opportunities within the agency, and employees readily volunteered for collateral-duty assignments, new initiatives, and projects. In FY 2015, The agency also renewed its agreement with a local university to offer discounted tuition to FLRA employees for self-directed study.

In order to further fulfill the FLRA's mission, the agency focuses on succession planning by identifying its future human-resources needs, potential organizational and skills gaps, and vulnerabilities, and then setting goals to address them. With respect to succession planning, in FY 2015, the FLRA continued a training initiative designed to assist senior, high-potential employees identify and strengthen critical leadership skills in preparation for eventually transitioning to formal leadership positions. To strengthen and support the FLRA's new cadre of first-time managers and supervisors, the agency identified a series of trainings geared towards developing strategic thinking and other critical skills in preparation for effective leadership at the FLRA. And the FLRA continued to develop and provide high-level, mission-based training for its attorneys – nearly 20 percent of whom are new to the FLRA in FY 2014 and FY 2015 – that built upon their existing legal, technical, and ADR skills to improve and maximize performance. These training initiatives crossed components, bringing together future agency leaders from all offices to enhance their skills and encourage ongoing collaboration among peers.

In FY 2015, the FLRA has continued to engage its workforce around improving its work processes, resulting in the FLRA continuing to climb nearly 5 percent in its "Innovation" rankings. The innovation category measures employee perceptions of efforts to improve the way work is done, including their own personal motivation to promote change, and the support and rewards that they receive for promoting new ideas. The FLRA's commitment to rewarding creativity and provision of forums for employees to share and promote learning and coordination between components and offices have clearly demonstrated that learning more about the work going on across the agency, sparks creativity and collaboration. These efforts have produced real results.

The FLRA is committed to fostering a workplace where employees from all backgrounds are recruited, retained, and developed for successful performance and career progression. The agency achieved greater diversity in its workforce in both FY 2014 and FY 2015 by increasing strategic and targeted recruitment and posting job opportunities with career-planning and placement services, local colleges and universities, and professional affinity-group organizations. Consistent with the REDI Roadmap, the FLRA is using data to help identify and eliminate barriers to recruiting and hiring the diverse talent that it needs. The FLRA also continued to utilize both Student Pathways and summer-externship programs to accomplish mission-related initiatives throughout the agency. Serving as one of three Small-Agency Representatives on the Diversity and Inclusion in Government Council, the FLRA is participating in government-wide discussions concerning the implementation of President Obama's Executive Order 13,583, *Establishing a Coordinated Government-Wide Initiative to Promote Diversity and Inclusion in the Federal Workforce*, to develop a path forward for federal agencies to create and foster a workforce that includes and engages federal employees and reflects all segments of society.

Further, as noted above, based on employee feedback provided through the 2015 FEVS, the FLRA again received a top ranking in terms of "New IQ Performance," which measures the results of 20 separate survey questions related to inclusive environments. The FLRA showed increases in 17 of those 20 questions. In particular, 83 percent of FLRA respondents – up from 81 percent in 2014 – reported that supervisors work well with employees of different backgrounds. And 81 percent of respondents – an 8 percent increase from 2014 – stated that the FLRA's policies and programs promote diversity in the workplace (e.g., recruiting minorities and women, training in awareness of diversity issues, mentoring). Both of these statistics show that the FLRA is well above the government-wide average with respect to both questions – 20 percent higher for each.

## PERFORMANCE SUMMARY

The FLRA's mission is to promote stable, constructive labor-management relations through the resolution and prevention of labor disputes in a manner that gives full effect to the collective-bargaining rights of employees, unions, and agencies. Accomplishing its mission in an effective and efficient manner is key to enabling the federal government, as a whole, to adapt to changing circumstances, as necessary, to continue delivering the highest quality services to the American public, consistent with President Obama's Management Agenda to deliver a more nimble, more innovative, and more accountable federal government.

***Mission – Case Processing & ADR***

With respect to its mission accomplishments, the FLRA as a whole has continued its significant improvement over the last six and a half years in providing customers with timely and quality adjudication and dispute-resolution services. But the FLRA has had to overcome significant obstacles in meeting its mission requirements. In addition to increased case filings in certain components of the agency, the agency experienced a wave of key employee retirements and departures starting in FY 2013 and continuing into FY 2015. This left well over 10 percent of the FLRA's already small workforce vacant to start FY 2014, and the agency has devoted significant effort to rebuilding its workforce throughout FY 2014 and FY 2015.

*Authority (including OALJ, CADRO)*

In FY 2014, the Authority faced a backlog of cases that accrued when the Authority lacked a quorum of Members necessary to issue decisions for more than a 10-month period. And while the Authority devoted much of FY 2014 to issuing its oldest cases and eliminating that backlog, some of those overage cases remained, and a large number of newer cases went overage in the process – resulting in the Authority beginning FY 2015 with 63 percent of its cases already being overage. In addition, during FY 2015, the Authority experienced a 22 percent increase in case filings over FY 2014. There were also several key retirements and departures, and a budget lapse that precluded backfilling those vacancies for 90 days or more. All together, these factors have posed a challenge for the Authority in terms of meeting its performance goals in FY 2015.

Despite these challenges, the Authority is poised to begin FY 2016 in a significantly better position than when it began FY 2015. As the result of a case-issuance strategy (an action plan) that the Authority adopted in early FY 2015, as well as the use of temporary assistance from other offices, the Authority eliminated all of its remaining overage-case backlog in FY 2015. And, compared with the 133 cases that the Authority closed on the merits in FY 2014, the

Authority closed 165 cases on the merits in FY 2015 – a nearly 25 percent increase. As a result of these efforts, the Authority began FY 2016 well-positioned to meet its performance goals for timely, quality case adjudication.

Moreover, the Authority continued in FY 2015 to yield performance dividends from ongoing arbitration and negotiability case-processing initiatives. As a result of a comprehensive review of arbitration case processing and implementation of associated regulatory changes several years ago – along with the development and periodic updating of a *Guide to Arbitration under the Statute* – the Authority continues to experience reduced numbers of procedural deficiencies in the parties' filings, which leads to reduced overall case-processing times. Additionally, the Authority continued to review and make regular updates to its Comprehensive Arbitration Training program, which it presented to its parties several times throughout the year. Further, as a result of its review of negotiability law and practice in recent years ago, the Authority developed a *Guide to Negotiability under the Statute*, and the accompanying Comprehensive Negotiability Training program, which it continued to review, revise, and deliver to its customers on an ongoing, consistent basis. The currency of these materials and the provision of up-to-date, relevant training have yielded real performance-improvement outcomes. The parties are better educated about the Authority's law and case-processing requirements, which has resulted in fewer procedural deficiency orders and procedural dismissals. For example, there has been an over 37 percent reduction in procedural dismissals in arbitration cases from FY 2012 to FY 2015. In addition, the Authority is receiving higher-quality, better-drafted briefs. That, in turn, enables the Authority to more efficiently and expeditiously process those cases.

The OALJ resolved cases in FY 2015 at a dramatic pace, issuing nearly 80 decisions and more than doubling the substantial improvement in case processing delivered in FY 2014 – a 160% productivity increase. In response to a backlog of cases awaiting decision, the agency reallocated resources to the OALJ – through use of details, a temporary-attorney hire, contract paralegal support, and two re-employed-annuitant ALJs – to assist in resolving cases more expeditiously. With nearly 1,000 new cases on the docket in the last four years, the OALJ has successfully resolved cases without the need for costly litigation involving a hearing or written decision through use of the OALJ Settlement Judge Program – with ADR services administered by the CADRO. In FY 2015, in over 87 percent of cases in which the parties participated in the Settlement Judge Program, they reached agreement and fully resolved their dispute. This is real evidence that the delivery of ADR services at all stages of case processing results in more effective and cost-efficient program performance for the FLRA, as well as the timely resolution of disputes for its customers. As a result, the OALJ has seen a decrease in demand for hearings even though the number of complaints issued by the OGC alleging ULPs remains high, exceeding 200 in FY 2015. For those cases that cannot be settled without a hearing, the ALJs continue to encourage the parties to request a bench decision, where appropriate under the facts of the case, to reduce the need for final written decisions.

In addition to its highly successful work with the OALJ Settlement Judge Program, the CADRO continues to have great success in helping parties before the Authority to resolve significant disputes in pending cases, most significantly in negotiability cases, but also increasingly expanding to include arbitration cases. In fact, in FY 2015, 100 percent of CADRO negotiability cases resulted in full resolution of the underlying dispute and closure of the pending case. And

100 percent of CADRO arbitration cases resulted in at least partial resolution of the underlying dispute.

Noteworthy CADRO cases in FY 2015 include a case in which, following more than two years of bargaining over subjects that included wages, the parties obtained an interest-arbitration award intended to resolve all remaining disputes in their national term contract.  Both parties filed arbitration exceptions with the Authority to more than a dozen contract articles ruled on by the arbitrator.  This would most likely have resulted in additional years of resource-intensive litigation and a less-than-satisfying result.  Instead, the parties engaged in several days of CADRO mediation that resolved all of the exceptions in the case pending before the Authority, and that even assisted the parties in reaching voluntary agreement on contract articles that the arbitrator had failed to resolve.  In another case involving a term contract, an agency and a union bargained for years, followed by agency-head disapproval of the resulting contract.  The parties returned to the bargaining table, again reached agreement, and again submitted the agreement for agency-head review.  This time, the agency head disapproved 44 contract provisions, after which the union filed a negotiability petition with the Authority.  The parties agreed to use CADRO's mediation services, through which they were able to completely resolve all 44 provisions in only two days of mediation, resulting in withdrawal of the case before the Authority.  Given the large volume of issues in dispute, formal adjudication by the Authority would have consumed an enormous amount of staff resources, and final resolution of the dispute would have taken far longer to achieve.

CADRO was also successful in resolving a dispute in which $80M of an agency's FY 2015 budget was tied to implementing a single career track (SCT) for a nationwide group of employees.  Due to implementation delays, the agency risked losing the implementation funds.  The parties jointly requested CADRO assistance to engage in pre-decisional involvement (PDI) pursuant to Executive Order 13,522, *Creating Labor-Management Forums to Improve Delivery of Government Services*.  CADRO facilitated two very long days of outreach with 15 party representatives from around the nation.  The parties met their implementation deadline and thereby achieved critical mission-related results that also improved the quality of employee work life and fostered a better labor-management relationship between the parties.

The parties universally reported that these ADR services improve their ability to resolve important problems, make critical decisions, and develop more successful problem-solving relationships.  And CADRO's efforts serve the dual purpose of preventing unnecessary and costly litigation before the FLRA and making case processing more effective and efficient.  Moreover, the CADRO also delivers "prevention" services, teaching parties techniques for effectively resolving labor-management issues on their own, without the need for third-party involvement.  These types of services have helped the parties develop constructive workplace relationships that promote better mission performance, as well as quality of work life – real evidence that the program works.

*OGC*

The OGC continued delivering strong results in FY 2015. The OGC exceeded its strategic performance goals for the timely resolution of both ULP and representation cases, and it continued closing cases at increased rates. The OGC closed over 4,600 ULP cases and 220 representation cases. In addition, the OGC conducted over 70 secret-ballot representation elections.

In conjunction with the OGC's emphasis on resolving cases in a timely and high-quality manner, the OGC has expanded its use of voluntary ADR services to resolve cases. This is particularly important as the OGC has the largest case intake and inventory among all of the FLRA components (handling over three quarters of the FLRA's total case intake), and it is the FLRA component with which the parties have the most direct contact. The beneficial effects of voluntary ULP settlements and representation agreements are obvious, and the OGC pursues both aggressively.

In FY 2015, the OGC resolved over 1,000 ULP cases by voluntary adjustment during the investigative process. In addition, the OGC resolved over 96 percent of the ULP cases in which merit was found and 95 percent of the representation cases in which the parties agreed to use the OGC's ADR services. These successful, voluntary ADR efforts resulted in significant savings of governmental staff and budgetary resources.

For example, in early 2015 an agency and a union requested that the OGC assist them in clarifying their existing bargaining-unit certification in light of significant organizational and personnel changes. The scope of the project was nationwide and involved large numbers of employees. Realizing that resolving these issues in the traditional formal investigation and hearing manner would be time consuming and expensive, the parties asked that the OGC to provide ADR services. After working closely with the OGC over several days, the parties reached voluntary stipulations clarifying the scope of the unit and the status of many categories of employees. In another example, an agency and an exclusive representative had several ULP cases involving disputes over information that the union had requested. This was a recurring issue for the parties, and it was having a negative effect on their relationship. At the OGC's suggestion, the parties agreed to use the OGC's ADR services and jointly develop a new strategy for handling information requests. After working closely with the OGC and jointly attending an educational workshop presented by the OGC on the Statute, the parties developed a new protocol that provides a streamlined process for requesting and providing necessary information. This new approach has resolved an issue that was causing friction between the parties, and it has prevented them from filing additional ULP cases. By using the OGC's ADR services, the parties avoided the time-consuming and expensive formal-hearing process and gained valuable experience and expertise to resolve future issues in an effective and efficient manner.

*FSIP*

With respect to the FSIP, a significant number of requests for assistance in FY 2015 involved impasses over successor collective-bargaining agreements. Such impasses typically are complex in nature, involving many contract articles and issues over which the parties have been negotiating for considerable lengths of time. Among others, the FSIP resolved voluntarily – during mediation-arbitration proceedings or informal conferences conducted by FSIP Members – successor-agreement impasses between the Internal Revenue Service and the National Treasury Employees Union, the Department of Veterans Affairs and the National Association of Government Employees, and the General Services Administration and the National Federation of Federal Employees (NFFE). This is consistent with the FSIP's guiding philosophy that the voluntary settlement of bargaining impasses using mediation-arbitration techniques is the most effective and efficient form of dispute resolution. In fact, in cases where the FSIP used mediation-arbitration or informal conferences to resolve federal-sector impasses, it obtained complete, voluntary settlements over 78 percent of the time, surpassing the 60-percent settlement rate that it achieved in FY 2014. As a result of this high percentage of voluntary settlements, in FY 2015, FSIP Members issued only 6 Arbitration Opinions and Decisions imposing contract terms on the parties.

In FY 2015, the FSIP also continued to prioritize case processing to minimize disruption to government operations and costs to taxpayers. One example of this prioritization was an impasse that arose as a result of Administration initiatives requiring agencies to ensure that their total physical space (i.e., square footage) remains at their FY 2012 baseline levels and to dispose of excess real properties. In this regard, the National Science Foundation decided to relocate its headquarters from Arlington, Virginia to Alexandria, Virginia, affecting approximately 935 bargaining-unit employees represented by the American Federation of Government Employees (AFGE). When the parties could not reach a voluntary settlement of their impasse, the FSIP Member designated to resolve the dispute through mediation-arbitration issued a timely Arbitrator Opinion and Decision permitting the relocation to proceed in accordance with the agency's timetable. Another example of prioritization of case processing involves disputes over the termination of compressed work schedules (CWS) under the Federal Employees Flexible and Compressed Work Schedules Act. In such cases, the FSIP has 60 days to determine whether an agency has met its burden of proof by demonstrating through the totality of the evidence that the CWS is causing an adverse agency impact. In one such impasse involving the Federal Bureau of Prisons and AFGE, the FSIP scheduled the parties to appear before the FSIP's Chairman for a mediation-arbitration proceeding on a timetable allowing for timely issuance of a decision in the event that the parties cannot reach a voluntary settlement.

***Mission Accomplishment – Providing Training across the Federal Government***

Further, in FY 2015, the FLRA continued to provide web-based and in-person training nationwide to members of the federal-sector labor-management community – union representatives, agency representatives, and neutrals – in all aspects of its case law and processes. In FY 2015, the FLRA, as a whole, provided over 300 training, outreach, and facilitation sessions to over 8,000 participants. Over the last 5 years, the FLRA has provided nearly 1,400 such sessions to over 40,000 participants worldwide.

The Authority, the OGC, and the FSIP provided training at several nationwide, annual conferences, including the Society of Federal Labor and Employee Relations Professionals symposium and the Federal Dispute Resolution conference. These sessions included presentations of newly prepared materials of current relevance, as well as updated materials for more standard sessions. In addition, the Authority sponsored its own training programs, including several, full-day sessions of Comprehensive Arbitration Training and Comprehensive Negotiability Training. In particular, because negotiability cases have the highest rate of procedural dismissals of any type of case filed with the Authority, the negotiability training is intended to meet the goals of helping the parties to: comply with the Authority's regulatory procedural requirements (thus reducing case-processing time); file their cases in a different, appropriate forum when necessary; and use ADR to avoid costly litigation. The overwhelmingly positive feedback received from participants in these sessions indicates that these trainings produced the desired results and will further the above goals in future cases.

The OGC continued to focus its training efforts on where labor-relations issues arise. By bringing its training services directly to the parties, the OGC educated management and labor representatives on their rights and responsibilities under the Statute, thereby empowering them to more effectively and efficiently avoid – and, if necessary, resolve – workplace disputes at the lowest level.

Additionally in FY 2015, the OGC, in support of OMB's ongoing "Reduce the Footprint" initiative, led cross-component (OGC, Authority, FSIP) and inter-agency (FMCS and GSA) development of a specialized, two-day workshop on office moves, space allocations, and the labor-relations and collective-bargaining implications. The registrations for the workshop quickly reached capacity, and there was a large waiting list. The workshop focused on resolving labor-relations issues associated with the "Reduce the Footprint" policy in a cooperative and collaborative manner and featured cross-component and inter-agency presentations by the FMCS, the FSIP, the Authority, the GSA, and the OGC. Because the program was so successful and demand is so great, the OGC plans to expand the program in FY 2016. Moreover, this training program supports Executive Order 13,522, *Creating Labor-Management Forums to Improve Delivery of Government Services*, and the work of the National Council on Federal Labor-Management Relations.

The OGC's training initiatives are intended to make case processing more effective and efficient and to better serve the parties by providing meaningful and clear guidance on statutory rights and responsibilities. Ensuring that OGC customers are knowledgeable about their rights and obligations under the Statute, as well as FLRA case law, regulations, and case-processing procedures furthers timely and efficient case processing. In FY 2015, the OGC issued a comprehensive *Guidance on Meetings*, providing the parties with clear explanations of their rights and responsibilities in this important area so that they can operate in a manner that promotes cooperative labor-management relations and prevent disputes.

***Employee Engagement***

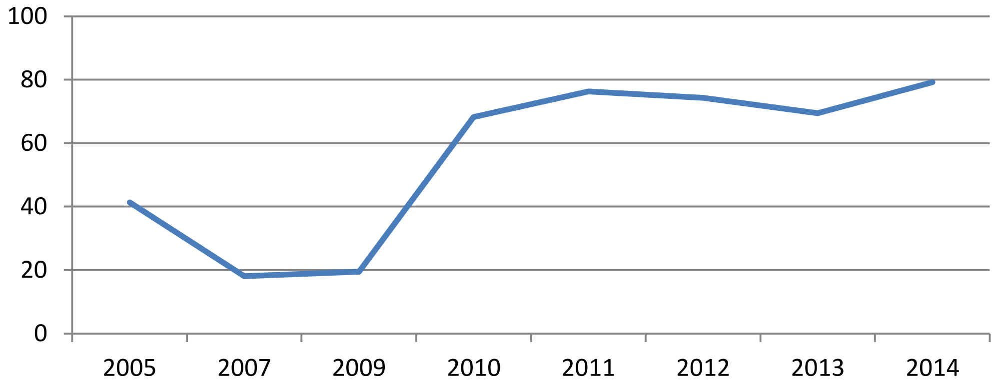
Consistent with the PMA Cross-Agency Priority (CAP) Goal on People and Culture, the FLRA is a leader in creating a culture of excellence and engagement to enable higher performance.

As noted above, in FY 2015, the FLRA continued its overall success and improvement as measured by the FEVS, capturing the rank of #2 on three important indexes – Employee Engagement, Global Satisfaction, and New IQ (which relates to the inclusivity of the work environment). It also achieved an all-time high employee response rate of 84 percent –

significantly higher than the government-wide average of 50 percent. The FLRA's 2015 positive ratings increased from 2014 in 64 items, and it had 68 identified strengths and no identified challenges. In addition, the FLRA's Human Capital Assessment and Accountability Framework index scores again increased in *every* category for the third consecutive year – by as much as 8 percent over 2014. Specifically, the agency scored 86 percent in "Leadership and Knowledge Management," 78 percent in "Results-Oriented Performance Culture," 85 percent in "Talent Management," and 82 percent in "Job Satisfaction" – exceeding the government-wide average in by 20 percent on average. These responses reflect the FLRA's progress toward meeting government-wide human-capital objectives and demonstrating the relationship to improved organizational performance. And, consistent with an agency-wide focus on targeting areas of weakness identified in the survey, the FLRA addresses areas of weakness or concern in full collaboration with employees at all levels through its own Labor-Management Forum. As an example, the FLRA placed special emphasis in FY 2015 on strengthening supervisory skills and improving the supervisor-employee relationship, especially as it relates to giving and receiving feedback on performance. The agency also sought to improve scores relating to the reasonableness of workloads. In this connection, the agency gathered information to identify the source of the issue – through use of pulse surveys, analysis of caseload data, and constant communication. And then it used that information to make data-driven decisions about where to allocate additional, permanent, temporary, or detail staffing. As a result of these efforts, in FY 2015, the agency increased its positive responses to that question by over 23% increase from FY 2014

In addition, in 2014, the FLRA captured the rank of #5 in the Partnership for Public Service's 2014 Best Places to Work in the Federal Government rankings – up from #8 in 2013 with a remarkable 10-point increase in its index score. With an overall employee-satisfaction score of 79.2 percent, the FLRA exceeded a key objective of the People and Culture CAP Goal of the PMA to improve employee engagement government-wide to 67 percent by 2016. This extraordinary accomplishment reflects a dramatic and unprecedented improvement of over 300 percent since 2009 – the year in which the FLRA placed last in the survey. And it reflects the ongoing and sustained commitment of agency leadership at all levels to improving employee satisfaction and morale – as measured by OPM's FEVS – on an ongoing basis by comprehensively analyzing FEVS data and using additional internal surveys to target selected areas for improvement, develop and implement solutions, and review progress. This commitment, which began in 2009, resulted first in the FLRA being named the 2010 Most Improved Small Agency. Building on that success in 2011, the agency once again placed among the top of the most improved small agencies, and in 2012 and 2013, it captured the #7 and #8 small-agency rankings, respectively, before being named #5 in 2014. Most notable for 2014 were the FLRA's rankings for certain *Best in Class* categories: #1 in "Effective Leadership - Leaders, Pay," and "Strategic Management"; #2 in "Overall Effective Leadership and Training & Development"; and #3 in "Effective Leadership – Supervisors"; "Teamwork"; and "Performance-Based Rewards & Advancement."

### *Best Places to Work* Score




The FLRA's dramatic and sustained improvement with respect to employee engagement and satisfaction over the last six and a half years reflects the commitment of leadership – at all levels and throughout the agency – to manage the agency with transparency and accountability and to engage employees. It also demonstrates the commitment and dedication of FLRA employees. Concurrent with the agency's significant increase in employee morale and satisfaction since 2009, there has been a marked improvement in the FLRA's mission performance and the delivery of services to its customers.

And although the FLRA already has a highly engaged workforce, the agency continued to look for ways to improve upon its successes in this area in FY 2015. In this connection, a small, diverse, cross-component group of managers participated in an *Employee Engagement Sprint Initiative*. The team is in the process of developing an agency-wide action plan – in conjunction with the 2015-2018 Strategic Plan – that will serve as the framework for sustaining, embedding, and continuing to improve upon the FLRA's impressive employee-engagement scores and the associated mission results.

| Performance Outcome Measures | FY 2015 Target | FY 2015 Actual | Result |
|---|---|---|---|
| **Strategic Goal 1:** Achieve superior customer service. | | | |
| **Performance Goal 1:** Provide timely review and disposition of unfair-labor-practice (ULP) cases. | | | |
| **Measure 1.1:** The percentage of ULP charges resolved by the OGC by complaint, withdrawal, dismissal, or settlement within 120 days of filing of the charge. | 68% | 72% | Exceeded |

| Performance Outcome Measures | FY 2015 Target | FY 2015 Actual | Result |
|---|---|---|---|
| **Measure 1.2:** The percentage of decisions on an appeal of a Regional Director's dismissal of a ULP charge issued within 60 days of the date filed, and in no case more than 120 days. | 95%/100% | 98%/100% | Exceeded/ Met |
| **Measure 1.3:** The percentage of ULP complaints issued by the General Counsel resolved or decided in the OALJ within 180 days of the complaint being issued. | 90% | 77% | Not Met |
| **Measure 1.4:** The percentage of ULP cases decided within 180 days of assignment to an Authority Member. | 65% | 57% | Not Met |
| **Performance Goal 2:** Provide timely review and disposition of representation cases. | | | |
| **Measure 2.1:** The percentage of representation cases resolved by the OGC through withdrawal, election, or issuance of a Decision and Order within 120 days of the filing of a petition. | 60% | 72% | Exceeded |
| **Measure 2.2:** The percentage of representation cases in which the Authority issued a decision whether to grant review within 60 days of the filing of an application for review. | 100% | 100% | Met |

| Performance Outcome Measures | FY 2015 Target | FY 2015 Actual | Result |
|---|---|---|---|
| **Performance Goal 3:** Provide timely review and disposition of arbitration cases. | | | |
| **Measure 3.1:** The percentage of arbitration cases decided within 180 days of assignment to an Authority Member. | 65% | 40% | Not Met |
| **Performance Goal 4:** Provide timely review and disposition of negotiability cases. | | | |
| **Measure 4.1:** The percentage of negotiability cases decided within 180 days of assignment to an Authority Member. | 65% | 50% | Not Met |
| **Performance Goal 5:** Provide timely review and disposition of bargaining-impasse cases. | | | |
| **Measure 5.1:** The percentage of bargaining-impasse cases in which jurisdiction is declined closed within 140 days of the date filed. | 80% | 100% | Exceeded |
| **Measure 5.2:** The percentage of bargaining-impasse cases voluntarily settled after jurisdiction has been asserted within 160 days of the date filed. | 70% | 100% | Exceeded |
| **Measure 5.3:** The percentage of bargaining-impasse cases resolved through a final action closed within 200 days of the date filed. | 70% | 100% | Exceeded |
| **Performance Goal 6:** Use collaboration techniques and alternative-dispute-resolution services to minimize and/or resolve labor-management disputes. | | | |
| **Measure 6.1:** The percentage of ULP cases in the OGC in which an offer of ADR services is accepted by the parties that are partially or totally resolved. | 95% | 96% | Exceeded |

| Performance Outcome Measures | FY 2015 Target | FY 2015 Actual | Result |
|---|---|---|---|
| **Measure 6.2:** The percentage of ULP cases in the OALJ in which an offer of Settlement Judge services is accepted by the parties that are partially or totally resolved. | 80% | 87% | Exceeded |
| **Measure 6.3:** The percentage of representation cases in the OGC in which an offer of ADR services is accepted by the parties that are partially or totally resolved. | 95% | 96% | Exceeded |
| **Measure 6.4:** The percentage of arbitration cases in which an offer of ADR services is accepted by the parties that are partially or totally resolved. | 80% | 43% | Not Met |
| **Measure 6.5:** The percentage of negotiability cases in which an offer of ADR services is accepted by the parties that are partially or totally resolved. | 90% | 100% | Exceeded |
| **Measure 6.6:** The percentage of bargaining-impasse cases in which an offer of ADR services is accepted by the parties that are partially or totally resolved. | 30% | 39% | Exceeded |
| **Measure 6.7:** The number of training, outreach, and facilitation activities conducted. | 200 | 306 | Exceeded |
| **Measure 6.8:** The number of participants involved in training, outreach, and facilitation activities. | 5,000 | 8,294 | Exceeded |
| **Strategic Goal 3:** Advance performance through organizational and management excellence. | | | |

| Performance Outcome Measures | FY 2015 Target | FY 2015 Actual | Result |
|---|---|---|---|
| **Performance Goal 7:** Modernize agency IT business systems to support and enhance program achievement. | | | |
| **Measure 7.1:** The percentage of cases filed electronically with the FLRA. | 35% | 17% | Not Met |
| **Strategic Goal 4:** Develop, empower, and engage FLRA employees to meet program needs and improve job satisfaction. | | | |
| **Performance Goal 8:** Develop, manage, and utilize FLRA's human resources to meet program needs. | | | |
| **Measure 8.1:** Program managers ensure that the right employees are in the right place to achieve results. | Implement a fully automated and integrated electronic system for personnel actions, as well as a learning-management system. Develop a more robust onboarding process through increased use of technology and implementation of an Employee Onboarding Handbook. Update significant human-resources policies and procedures. Build internal capacity for handling the major human-resources functional areas. Improve office customer service by improving the quality of advice provided to managers and employees. Work with managers to educate them about and increase diversity and inclusion when seeking new agency | Implemented a fully automated and integrated electronic system for personnel actions. Developed a more robust onboarding process through increased use of technology and piloted implementation of an Employee Onboarding Handbook. Updated certain human-resources policies and procedures. Continued to build internal capacity for handling the major human-resources functional areas. Position descriptions continued to be updated and now allow for greater growth and advancement opportunities within the agency, and employees readily volunteered for collateral-duty | Met |

| Performance Outcome Measures | FY 2015 Target | FY 2015 Actual | Result |
|---|---|---|---|
| | talent. | assignments, new initiatives, and projects. The agency also renewed its agreement with a local university to offer discounted tuition to FLRA employees for self-directed study. Improved office customer service by improving the quality of advice provided to managers and employees. Worked with managers to educate them about and increase diversity and inclusion when seeking new agency talent. The agency achieved greater diversity in its workforce in FY 2015 by increasing strategic and targeted recruitment and posting job opportunities with career-planning and placement services, local colleges and universities, and professional affinity-group organizations. With respect to succession planning, the FLRA continued to offer cross-component developmental details and its training initiative designed to | |

| Performance Outcome Measures | FY 2015 Target | FY 2015 Actual | Result |
|---|---|---|---|
| | | assist higher-graded employees identify and strengthen critical leadership skills in preparation for eventually transitioning to formal leadership positions. To strengthen and support the FLRA's new cadre of first-time managers and supervisors, the agency identified a series of trainings geared towards developing strategic thinking and other critical skills in preparation for executive leadership at the FLRA. These training initiatives crossed components, bringing together future agency leaders from all offices to enhance their skills and encourage collaboration among peers. | |

## FINANCIAL ANALYSIS

The FLRA's principal financial statements have been prepared to report the financial position and results of operations of the agency, pursuant to the requirements of 31 U.S.C. § 3515(b). While the statements have been prepared from the books and records of the FLRA in accordance with U.S. Generally-Accepted Accounting Principles for federal entities and the formats prescribed by the OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity.

### Balance Sheet

The Balance Sheet presents the FLRA's financial position through the identification of agency assets, liabilities, and net position. The FLRA's fund balance with the Department of the Treasury (the Treasury) is its largest asset, accounting for nearly 90 percent of total assets in both FY 2014 and FY 2015. The FLRA does not maintain any cash in commercial bank accounts or foreign currency balances, nor does it have any revolving or trust funds. The agency's second largest asset is its furniture, equipment, and IT hardware and software, which is recorded at original acquisition cost, and then depreciated using the straight-line method over the estimated useful life of the asset.

Total assets decreased from $4.3 million at the end of FY 2014 to $3.9 million at the end of FY 2015. The agency did not make any new fixed asset purchases in FY 2015, while the net book value of property and equipment already owned experienced further depreciation.

| Assets as of September 30, | 2015 | 2014 |
|---|---|---|
| Fund balance with the Treasury | $3,479,882 | $3,626,652 |
| General property and equipment | 448,644 | 588,076 |
| Prepaid expenses | 0 | 46,494 |
| Accounts receivable | 18,964 | 3,634 |
| **Total** | **$3,947,490** | **$4,264,856** |

Totals may not add due to rounding.

Funds held with the Treasury are available to pay agency liabilities, which represent the amount of monies or other resources likely to be paid by the FLRA as a result of transactions or events that have already occurred. Accrued employee leave, payroll, and benefits costs, along with accrued workers' compensation under the Federal Employees Compensation Act (FECA), accounted for 85 percent of total liabilities at the end of FY 2015. The remaining 15 percent reflects the amount owed by the FLRA to vendors and other federal agencies for purchased goods and services. Agency liabilities totaled $3.5 million in FY 2014, and $3.8 million in FY 2015.

| Liabilities as of September 30, | 2015 | 2014 |
|---|---|---|
| Unfunded leave | $1,374,235 | $1,511,241 |
| FECA liability | 1,288,603 | 1,342,635 |
| Accrued payroll and benefits | 588,753 | 510,906 |
| Accounts payable | 572,313 | 171,800 |
| **Total** | **$3,823,904** | **$3,536,582** |

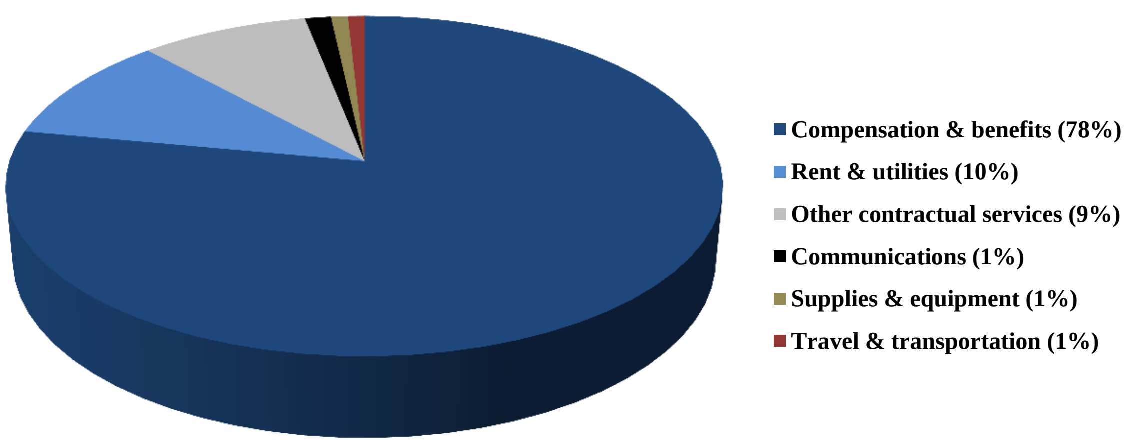
Totals may not add due to rounding.

The FLRA's total net position at the end of FY 2015 was $124 thousand, a $605 thousand decrease from the previous year.

## Statement of Net Cost

The Statement of Net Cost presents the gross cost of operating the FLRA's three major programs, less any reimbursable revenue earned from those activities. The net cost of operations in FY 2015 was $27.1 million, a $1.6 million increase over the agency's FY 2014 cost of operations. In FY 2015, 52 percent of the agency's direct resources were dedicated to the Authority, which includes central administrative services provided to the entire agency; 44 percent were dedicated to the OGC; and the remaining 4 percent were devoted to the FSIP.

**FY 2015 Financial Obligations by Budget Object Class**



## Statement of Changes in Net Position

The Statement of Changes in Net Position reflects the changes that occurred within the cumulative results of operations and any unexpended appropriations. The cumulative results of operations represent the net results of operations since inception, the cumulative amount of prior-period adjustments, the remaining book value of capitalized assets, and future funding requirements. Cumulative results remained relatively constant from FY 2014 to FY 2015, totaling $2.2 million.

Unexpended appropriations include undelivered orders and unobligated balances. Undelivered orders reflect the amount of goods and services ordered that have yet to be received. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. The FLRA had a decrease of $670 thousand in total, unexpended agency appropriations in FY 2015.

## Statement on Budgetary Resources

The Statement on Budgetary Resources reports the budgetary resources available to the FLRA during FY 2014 and FY 2015 to carry out the activities of the agency, as well as the status of those resources at the end of each year. The primary source of FLRA funding is its annual Salaries and Expenses appropriation from the Congress. The agency also receives reimbursements, pursuant to the Economy Act, for travel expenses associated with training provided by agency employees on the Statute, the FLRA mission, Executive Order 13,522, etc.

The FLRA had $27.3 million in total budgetary resources available to it in FY 2015. The agency incurred obligations of $25.6 million in FY 2015, while recording outlays of $25.4 million. Total budgetary resources increased by $1 million in FY 2015, due primarily from recovery of unpaid, prior-year obligations.

## MANAGEMENT ASSURANCES

The Federal Managers Financial Improvement Act (FMFIA) of 1982 requires agencies to establish internal-control and financial systems that provide reasonable assurance that the integrity of federal programs and operations are protected.  The FMFIA also requires the Chairman to annually assess and report on the effectiveness of internal controls and to provide an annual Statement of Assurance on whether the agency has met this requirement.

### Annual FMFIA Statement of Assurance

In accordance with the requirements of OMB Circular A-123, *Management's Responsibility for Internal Control,* the FLRA conducted an assessment of the effectiveness of the organization's internal controls to support effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations, and to determine whether the financial management system conforms to applicable financial requirements.

Based on the results of this assessment, the FLRA provides reasonable assurance that its internal controls over the effectiveness and efficiency of operations, reliable financial reporting, and compliance with applicable laws and regulations as of September 30, 2015, were operating effectively and that no material weaknesses were found in the design or operation of our internal controls.

Further, based on our assessment, we determined that the FLRA financial-management system conforms to applicable financial-systems requirements.

Carol Waller Pope
Chairman
November 16, 2015

# PERFORMANCE GOALS AND RESULTS

## GOAL 1: PROVIDE TIMELY REVIEW AND DISPOSITION OF UNFAIR-LABOR-PRACTICE CASES.

The General Counsel has independent responsibility for the investigation, settlement, and prosecution of all ULP charges. ULP cases originate with the filing of a charge in a Regional Office by an employee, labor organization, or agency. Once a charge has been filed, the Regional Office will investigate the charge to determine whether it has merit. If the Regional Director determines that the charge has merit, then he or she will, absent settlement, issue and prosecute a complaint before an Administrative Law Judge (ALJ). If the Regional Director determines that the charge lacks merit, then the charging party is entitled to a written explanation, and, if not satisfied, may appeal the decision to the General Counsel in Washington, D.C. If the dismissal is upheld, then the case is closed. The Authority has appointed ALJs to hear ULP cases prosecuted by the General Counsel. Decisions of the ALJs are transmitted to the Authority and may be affirmed, modified, or reversed in whole or in part. If no exceptions are filed to an ALJ's decision, then the Authority adopts that decision without precedential significance.

| OGC | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|---|
| Cases pending, start of year | 1,811 | 1,453 | 1,488 | 1,570 | 1,415 |
| Charges filed | 4,094 | 4,375 | 4,659 | 4,696 | 4,418 |
| **Total caseload** | **5,905** | **5,828** | **6,147** | **6,266** | **5,833** |
| Charges withdrawn/settled | 3,425 | 3,377 | 3646 | 3789 | 3,662 |
| Charges dismissed | 812 | 732 | 673 | 809 | 800 |
| Complaints issued | 215 | 231 | 258 | 253 | 203 |
| **Total cases closed** | **4,452** | **4,340** | **4,577** | **4,851** | **4,665** |
| **Cases pending, end of year** | **1,453** | **1,488** | **1,570** | **1,415** | **1,168** |
| **OALJ** | **FY 2011** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** |
| Cases pending, start of year | 54 | 72 | 115 | 120 | 105 |
| Cases received from the OGC | 234 | 240 | 271 | 260 | 222 |
| **Total caseload** | **288** | **312** | **386** | **380** | **327** |
| Settlements before decision | 191 | 177 | 223 | 245 | 187 |
| Cases closed by decision | 25 | 20 | 43 | 30 | 78 |
| **Total cases closed** | **216** | **197** | **266** | **275** | **265** |
| **Cases pending, end of year** | **72** | **115** | **120** | **105** | **62** |

| Authority | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|---|
| Cases pending, start of year | 14 | 6 | 2 | 12 | 13 |
| Exceptions filed | 17 | 20 | 27 | 27 | 62 |
| **Total caseload** | **31** | **26** | **29** | **39** | **75** |
| Cases closed procedurally | 13 | 16 | 16 | 18 | 37 |
| Cases closed based on merits | 12 | 8 | 1 | 8 | 14 |
| **Total cases closed** | **25** | **24** | **17** | **26** | **51** |
| **Cases pending, end of year** | **6** | **2** | **12** | **13** | **24** |

**Measure1.1:** The percentage of ULP charges resolved by the Office of the General Counsel (OGC) by complaint, withdrawal, dismissal, or settlement within 120 days of filing of the charge.

| FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | |
|---|---|---|---|---|---|
| Actual | Actual | Actual | Actual | Target | Actual |
| 54% | 61% | 68% | 67% | 68% | 72% |

Data Source: Case Management System (CMS)

**Target: Exceeded.**

**Measure 1.2:** The percentage of decisions on an appeal of a Regional Director's dismissal of a ULP charge issued within 60 days of the date filed, and in no case more than 120 days.

| FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | |
|---|---|---|---|---|---|
| Actual | Actual | Actual | Actual | Target | Actual |
| 97%/100% | 99%/100% | 100/100% | 98%/100% | 95%/100% | 98%/100% |

Data Source: CMS

**Target: Exceeded/Met.**

**Measure 1.3:** The percentage of ULP complaints issued by the General Counsel resolved or decided in the Office of the Administrative Law Judges (OALJ) within 180 days of the complaint being issued.

| FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | |
|---|---|---|---|---|---|
| Actual | Actual | Actual | Actual | Target | Actual |
| 95% | 90% | 86% | 91% | 90% | 77% |

Data Source: CMS

**Target: Not Met.** In FY 2015, the OALJ developed an increased backlog of "overage" cases – defined by the OALJ as cases in its inventory that had already exceeded the 180-day performance goal. The OALJ successfully focused its efforts in FY 2015 on eliminating that backlog, becoming nearly current by the end of FY 2015. Necessarily, the OALJ issued a greater percentage of decisions in FY 2015 that exceeded the 180-day performance goal.

| **Measure 1.4:** The percentage of ULP cases decided within 180 days of assignment to an Authority Member. | | | | | |
|---|---|---|---|---|---|
| **FY 2011** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | |
| **Actual** | **Actual** | **Actual** | **Actual** | **Target** | **Actual** |
| 31% | 75% | 100% | 50% | 65% | 57% |
| Data Source: CMS | | | | | |
| **Target: Not Met.** For more than 10 months of FY 2014, the Authority lacked a quorum of Members necessary to issue decisions. When the Authority regained its quorum, it immediately focused its efforts on addressing and issuing decisions in its backlog of "overage" cases – defined by the Authority as those cases in its inventory that had already exceeded the 180-day performance goal. This backlog continued into FY 2015 and led to the development of a case-issuance strategy – which the Authority successfully completed – to eliminate the backlog by the end of FY 2015. Necessarily, the Authority issued a greater percentage of decisions in FY 2015 that exceeded the 180-day performance goal. | | | | | |

## GOAL 2: PROVIDE TIMELY REVIEW AND DISPOSITION OF REPRESENTATION CASES.

The Statute sets out a specific procedure for employees to petition to be represented by a labor union and to determine which employees will be included in a "bargaining unit" that a union represents. Implementing this procedure, the FLRA conducts secret-ballot elections for union representation and resolves a variety of issues related to questions of union representation of employees. These issues include, for example, whether particular employees are managers or "confidential" employees excluded from union representation, whether there has been election misconduct on the part of agencies or unions, and whether changes in union and agency organizations affect existing bargaining units. Representation cases are initiated when an individual, a labor organization, or an agency files a petition with a Regional Office. After a petition is filed, the Regional Director conducts an investigation to determine the appropriateness of a unit or other matter related to the petition. After concluding such investigation, the Regional Director may conduct a secret-ballot election or hold a hearing to resolve disputed factual matters. After a hearing, the Regional Director issues a Decision and Order, which is final unless an application for review is filed with the Authority.

| OGC | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|---|
| Cases pending, start of year | 102 | 82 | 89 | 89 | 65 |
| Petitions filed | 267 | 290 | 253 | 235 | 225 |
| **Total caseload** | **369** | **372** | **342** | **324** | **290** |
| Petitions withdrawn | 126 | 115 | 106 | 118 | 95 |
| Cases closed based on merits | 161 | 168 | 147 | 141 | 125 |
| **Total cases closed** | **287** | **283** | **253** | **259** | **220** |
| **Cases pending, end of year** | **82** | **89** | **89** | **65** | **70** |

| Authority | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|---|
| Cases pending, start of year | 6 | 6 | 0 | 9 | 7 |
| Applications for review | 12 | 6 | 11 | 13 | 16 |
| **Total caseload** | **18** | **12** | **11** | **22** | **23** |
| Cases closed procedurally | 0 | 0 | 1 | 2 | 2 |
| Cases closed based on merits | 12 | 12 | 1 | 13 | 19 |
| **Total cases closed** | **12** | **12** | **2** | **15** | **21** |
| **Cases pending, end of year** | **6** | **0** | **9** | **7** | **2** |

**Measure 2.1:** The percentage of representation cases resolved by the OGC through withdrawal, election, or issuance of a Decision and Order within 120 days of the filing of a petition.

| FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | |
|---|---|---|---|---|---|
| **Actual** | **Actual** | **Actual** | **Actual** | **Target** | **Actual** |
| 60% | 62% | 60% | 66% | 60% | 72% |
| Data Source: CMS | | | | | |
| **Target: Exceeded.** | | | | | |

**Measure 2.2:** The percentage of representation cases in which the Authority issued a decision whether to grant review within 60 days of the filing of an application for review.

| FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | |
|---|---|---|---|---|---|
| **Actual** | **Actual** | **Actual** | **Actual** | **Target** | **Actual** |
| 100% | 100% | 100% | 100% | 100% | 100% |
| Data Source: CMS | | | | | |
| **Target: Met.** | | | | | |

## GOAL 3: PROVIDE TIMELY REVIEW AND DISPOSITION OF ARBITRATION CASES.

Either party to grievance arbitration may file with the Authority an exception to (or an appeal of) an arbitrator's award. The Authority will review an arbitrator's award to which an exception has been filed to determine whether the award is deficient because it is contrary to any law, rule, or regulation, or on grounds similar to those applied by federal courts in private-sector, labor-management relations.

| Authority | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|---|
| Cases pending, start of year | 173 | 66 | 40 | 123 | 90 |
| Exceptions filed | 110 | 107 | 124 | 89 | 99 |
| **Total caseload** | **283** | **173** | **164** | **212** | **189** |
| Cases closed procedurally | 22 | 24 | 19 | 16 | 15 |
| Cases closed based on merits | 195 | 109 | 22 | 106 | 124 |
| **Total cases closed** | **217** | **133** | **41** | **122** | **139** |
| **Cases pending, end of year** | **66** | **40** | **123** | **90** | **50** |

**Measure 3.1:** The percentage of arbitration cases decided within 180 days of assignment to an Authority Member.

| FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | |
|---|---|---|---|---|---|
| Actual | Actual | Actual | Actual | Target | Actual |
| 33% | 58% | 91% | 34% | 65% | 40% |

Data Source: CMS

**Target: Not Met.** For more than 10 months of FY 2014, the Authority lacked a quorum of Members necessary to issue decisions. When the Authority regained its quorum, it immediately focused its efforts on addressing and issuing decisions in its backlog of "overage" cases – defined by the Authority as those cases in its inventory that had already exceeded the 180-day performance goal. This backlog continued into FY 2015 and led to the development of a case-issuance strategy – which the Authority successfully completed – to eliminate the backlog by the end of FY 2015. Necessarily, the Authority issued a greater percentage of decisions in FY 2015 that exceeded the 180-day performance goal.

## GOAL 4: PROVIDE TIMELY REVIEW AND DISPOSITION OF NEGOTIABILITY CASES.

A federal agency bargaining with a union may claim that a particular union proposal cannot be bargained because it conflicts with federal law, a government-wide rule or regulation, or an agency regulation for which there is a compelling need. In both of these situations, a union may petition the Authority to resolve the negotiability dispute. Additionally, agency heads may disapprove collective-bargaining agreements if those agreements are contrary to law, and a union may petition the Authority to resolve the negotiability dispute.

| Authority | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|---|
| Cases pending, start of year | 22 | 15 | 8 | 9 | 17 |
| Petitions filed | 39 | 45 | 30 | 43 | 54 |
| **Total caseload** | **61** | **60** | **38** | **52** | **71** |
| Cases closed procedurally | 33 | 38 | 27 | 29 | 40 |
| Cases closed based on merits | 13 | 14 | 2 | 6 | 8 |
| **Total cases closed** | **46** | **52** | **29** | **35** | **48** |
| **Cases pending, end of year** | **15** | **8** | **9** | **17** | **23** |

**Measure 4.1:** The percentage of negotiability cases decided within 180 days of assignment to an Authority Member.

| FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | |
|---|---|---|---|---|---|
| **Actual** | **Actual** | **Actual** | **Actual** | **Target** | **Actual** |
| 29% | 50% | 100% | 17% | 65% | 50% |

Data Source: CMS

**Target: Not Met.** For more than 10 months of FY 2014, the Authority lacked a quorum of Members necessary to issue decisions. When the Authority regained its quorum, it immediately focused its efforts on addressing and issuing decisions in its backlog of "overage" cases – defined by the Authority as those cases in its inventory that had already exceeded the 180-day performance goal. This backlog continued into FY 2015 and led to the development of a case-issuance strategy – which the Authority successfully completed – to eliminate the backlog by the end of FY 2015. Necessarily, the Authority issued a greater percentage of decisions in FY 2015 that exceeded the 180-day performance goal.

## GOAL 5: PROVIDE TIMELY REVIEW AND DISPOSITION OF BARGAINING-IMPASSE CASES.

In carrying out the right to bargain collectively, it is not uncommon for a union representative and a federal agency to simply not agree on certain issues, and for the bargaining to reach an impasse. Several options are available by which the parties may attempt to resolve the impasse. The parties may: decide, on their own, to use certain techniques to resolve the impasse, but may proceed to private, binding arbitration only after the FSIP approves the procedure; seek the services and assistance of the FMCS; or seek the assistance of the FSIP in resolving the negotiation impasse, but only after the previous options have failed.

| FSIP | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|---|
| Cases pending, start of year | 36 | 53 | 38 | 40 | 28 |
| Impasses filed | 152 | 176 | 194 | 134 | 139 |
| **Total caseload** | **188** | **229** | **232** | **174** | **167** |
| **Cases closed** | **135** | **191** | **192** | **146** | **134** |
| **Cases pending, end of year** | **53** | **38** | **40** | **28** | **33** |

**Measure 5.1:** The percentage of bargaining-impasse cases in which jurisdiction is declined closed within 140 days of the date filed.

| FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | |
|---|---|---|---|---|---|
| **Actual** | **Actual** | **Actual** | **Actual** | **Target** | **Actual** |
| 64% | 92% | 95% | 89% | 80% | 100% |
| Data Source: CMS | | | | | |
| **Target: Exceeded.** | | | | | |

**Measure 5.2:** The percentage of bargaining-impasse cases voluntarily settled after jurisdiction has been asserted within 160 days of the date filed.

| FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | |
|---|---|---|---|---|---|
| **Actual** | **Actual** | **Actual** | **Actual** | **Target** | **Actual** |
| 79% | 86% | 97% | 68% | 70% | 100% |
| Data Source: CMS | | | | | |
| **Target: Exceeded.** | | | | | |

**Measure 5.3:** The percentage of bargaining-impasse cases resolved through a final action closed within 200 days of the date filed.

| FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | |
|---|---|---|---|---|---|
| **Actual** | **Actual** | **Actual** | **Actual** | **Target** | **Actual** |
| 65% | 77% | 87% | 61% | 70% | 100% |
| Data Source: CMS | | | | | |
| **Target: Exceeded.** | | | | | |

## GOAL 6:  USE COLLABORATION TECHNIQUES AND ALTERNATIVE-DISPUTE-RESOLUTION SERVICES TO MINIMIZE AND/OR RESOLVE LABOR-MANAGEMENT DISPUTES.

The FLRA has integrated ADR and consensus decision-making into virtually all of its case processes, and it has significantly expanded its training, outreach, and facilitation activities since FY 2011.  ADR is an informal process that allows parties to discuss and develop their interests in order to resolve the underlying issues and problems in their relationships.  This includes interest-based conflict resolution and intervention services in pending ULP cases, representation cases, arbitration cases, negotiability appeals, and bargaining-impasse disputes.  The agency also provides facilitation and training to help labor and management develop collaborative relationships.  Many of the FLRA's training programs are now available as web-based training modules, bringing educational tools and resources directly to agency customers at their desks to further assist them in resolving labor-management disputes.

| **Measure 6.1:** The percentage of ULP cases in the OGC in which an offer of ADR services is accepted by the parties that are partially or totally resolved. | | | | | |
|---|---|---|---|---|---|
| **FY 2011** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | |
| **Actual** | **Actual** | **Actual** | **Actual** | **Target** | **Actual** |
| 87% | 97% | 98% | 98% | 95% | 96% |
| Data Source:  CMS | | | | | |
| **Target:  Exceeded.** | | | | | |

| **Measure 6.2:** The percentage of ULP cases in the OALJ in which an offer of Settlement-Judge services is accepted by the parties that are partially or totally resolved. | | | | | |
|---|---|---|---|---|---|
| **FY 2011** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | |
| **Actual** | **Actual** | **Actual** | **Actual** | **Target** | **Actual** |
| 88% | 80% | 78% | 96% | 80% | 87% |
| Data Source:  CMS | | | | | |
| **Target:  Exceeded.** | | | | | |

| **Measure 6.3:** The percentage of representation cases in the OGC in which an offer of ADR services is accepted by the parties that are partially or totally resolved. | | | | | |
|---|---|---|---|---|---|
| **FY 2011** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | |
| **Actual** | **Actual** | **Actual** | **Actual** | **Target** | **Actual** |
| 93% | 91% | 100% | 100% | 95% | 96% |
| Data Source:  CMS | | | | | |
| **Target:  Exceeded.** | | | | | |

| **Measure 6.4:** The percentage of arbitration cases in which an offer of ADR services is accepted by the parties that are partially or totally resolved. | | | | | |
|---|---|---|---|---|---|
| **FY 2011** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | |
| **Actual** | **Actual** | **Actual** | **Actual** | **Target** | **Actual** |
| 100% | N/A | 100% | 80% | 80% | 43% |
| Data Source: CMS | | | | | |
| **Target: Not Met.** In FY 2012, there was only one arbitration case in which an offer of ADR services was accepted by the parties, and ADR in that case was still ongoing at the end of the fiscal year. As a result, this performance measure did not apply in FY 2012. For FY 2015, the 80% target assumed a universe of cases in which at least one party requested ADR. In FY 2015, the Authority more aggressively targeted arbitration cases in which no party had requested ADR – cases in which it is generally much harder to achieve a voluntary resolution – and, in another case, a party that initially accepted ADR withdrew before ADR efforts even began. These factors negatively affected the ability to reach this goal. While in some cases the parties did not "resolve" issues pending before the Authority, in nearly all cases, ADR resulted in parties moving closer together on issues and improving their relationships. | | | | | |

| **Measure 6.5:** The percentage of negotiability cases in which an offer of ADR services is accepted by the parties that are partially or totally resolved. | | | | | |
|---|---|---|---|---|---|
| **FY 2011** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | |
| **Actual** | **Actual** | **Actual** | **Actual** | **Target** | **Actual** |
| 87% | 100% | 100% | 100% | 90% | 100% |
| Data Source: CMS | | | | | |
| **Target: Exceeded.** | | | | | |

| **Measure 6.6:** The percentage of bargaining-impasse cases in which an offer of ADR services is accepted by the parties that are partially or totally resolved. | | | | | |
|---|---|---|---|---|---|
| **FY 2011** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | |
| **Actual** | **Actual** | **Actual** | **Actual** | **Target** | **Actual** |
| 29% | 32% | 28% | 27% | 30% | 39% |
| Data Source: CMS | | | | | |
| **Target: Exceeded.** | | | | | |

| **Measure 6.7:** The number of training, outreach, and facilitation activities conducted. | | | | | |
|---|---|---|---|---|---|
| **FY 2011** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | |
| **Actual** | **Actual** | **Actual** | **Actual** | **Target** | **Actual** |
| 332 | 221 | 302 | 225 | 200 | 306 |
| Data Source: CMS | | | | | |
| **Target: Exceeded.** | | | | | |

| **Measure 6.8:** The number of participants involved in training, outreach, and facilitation activities. | | | | | |
|---|---|---|---|---|---|
| **FY 2011** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | |
| **Actual** | **Actual** | **Actual** | **Actual** | **Target** | **Actual** |
| 11,975 | 8,933 | 5,976 | 5,114 | 5,000 | 8,294 |
| Data Source: CMS | | | | | |
| **Target: Exceeded.** | | | | | |

## GOAL 7: MODERNIZE AGENCY INFORMATION-TECHNOLOGY BUSINESS SYSTEMS TO SUPPORT AND ENHANCE PROGRAM ACHIEVEMENT.

The FLRA began accepting eFilings in FY 2013, and, as of FY 2015, eFiling is available for all FLRA offices that receive case filings. The FLRA is continuing to work towards implementing the agency's long-term goal of sharing end-to-end electronic case files throughout the FLRA, as well as the OMB-mandated target of having fully electronic files by 2019. Increasing eFiling is critical to achieving this goal. In this regard, the more case-related information that the FLRA receives electronically – rather than in hard copy – from the outset, the easier it is to convert that information into an electronic case file, without the need for FLRA staff to manually scan documents. In recognition of this, in FY 2015, the agency developed and began implementing a plan to accomplish the transition to fully electronic case files in 4 agile phases over the next 4 years.

| **Measure 7.1:** The percentage of cases filed electronically with the FLRA. | | |
|---|---|---|
| **FY 2011** | **Actual** | Began developing an eFiling solution. Completed development of customer registration and FSIP eFiling capability. |
| **FY 2012** | **Actual** | Completed development of Authority and OGC eFiling capability. Began testing eFiling capability with customers. |
| **FY 2013** | **Actual** | 10% |
| **FY 2014** | **Actual** | 12% |
| **FY 2015** | **Target** | 35% |
| | **Actual** | 17% |
| Data Source: CMS | | |
| **Target: Not Met.** Although the FLRA did not meet its FY 2015 performance target as an agency, with the rollout of eFiling for the OALJ in early FY 2015, 100 percent of the cases filed with the OALJ were filed electronically. | | |

| **Measure 7.2:** The percentage of cases processed electronically end-to-end. | | |
|---|---|---|
| **FY 2011** | **Actual** | N/A |
| **FY 2012** | **Actual** | Enhanced the CMS to provide the structure that supports end-to-end electronic case processing. |
| **FY 2013** | **Actual** | Conducted a pilot program on end-to-end case processing. |
| **FY 2014** | **Actual** | Migrated the CADRO to an end-to-end electronic case file. |
| **FY 2015** | **Target** | Complete full integration of the CMS and eFiling systems, enabling end-to-end electronic case processing throughout the agency. |
| | **Actual** | Made eFiling available for OALJ cases, resulting in eFiling being available for all offices that accept case filings. As a result, completed full integration of the CMS and eFiling systems, enabling end-to-end electronic case processing throughout the agency. |
| Data Source: FLRA Information Resources Management Division | | |
| **Target: Met.** This measure was established in FY 2012 to serve as an indicator of success in developing and implementing an end-to-end electronic case file. | | |

## GOAL 8: DEVELOP, MANAGE, AND UTILIZE THE FLRA'S HUMAN CAPITAL TO MEET PROGRAM NEEDS.

Over the last six-and-a-half years, the FLRA has demonstrated significant and marked improvement in its performance and service delivery, and it has consistently ranked among the top small agencies in both OPM's FEVS and the Best Places to Work in the Federal Government rankings. These results demonstrate the agency's commitment to empowering and developing a highly engaged and effective workforce. The success of FLRA employees is instrumental to its success as an agency. It is within this spirit that the FLRA actively manages its human-capital programs.

| **Measure 8.1:** Program managers ensure that the right employees are in the right place to achieve results. | | |
|---|---|---|
| **FY 2011** | **Actual** | Continued to focus on employee engagement. Through its Labor-Management Forum (LMF), updated the agency's Alternative Work Schedule policy, which increased flexibility within the program; began work on recognizing diversity through special-emphasis programs; and initiated efforts to update employee-awards programs. Formed a joint labor-management workgroup to design a new Performance-Management System for General Schedule employees for OPM approval and agency implementation. Through an employee workgroup, designed and submitted to OPM for approval a revised Senior Executive Service (SES) appraisal system. Consistent with the agency's Human Capital Strategic Plan, developed a training-needs assessment, which will be used to create individual-development plans to address areas needing skills improvement and to further increase mission-critical competencies. Supported employee ideas, initiatives, and employee-focused programs, such as "Bring Your Child to Work" day, Public-Service Recognition Week, a health-benefits fair, and a blood drive. Initiated brown-bag programs and an educational series to inform and develop employees in a casual setting. Continued human capital e-initiatives with the successful implementation of USAStaffing, NBC's DataMart reporting tool, and employee eOPFs. |
| **FY 2012** | **Actual** | Enhanced development offerings, to include competency-based training, career-ladder developmental programs, and continuation of HR workshops and educational brown-bags. Drafted and implemented a five-year Diversity and Inclusion Strategic Plan to make the agency a more inclusive and inviting workplace for all of its employees. Increased diversity by hiring summer student interns, in some cases using targeted minority-hiring strategies. Expanded developmental offerings, to include attorney details. |
| **FY 2013** | **Actual** | Implemented a web-based T&A system to increase efficiency and accuracy of reporting. Obtained provisional certification of the FLRA's SES Performance-Management System from OPM. Established an ADR process for resolving performance-management issues. As part of its strategic workforce planning efforts, continued employee development, including attorney details to other offices; ADR-facilitator training; and leadership-development and other workforce training. Established a Student Pathways Policy for student internships and partnered with the University of Maryland's Federal Semester Program to offer unpaid internships to students. |
| **FY 2014** | **Actual** | Focused on succession planning by increasing targeted attorney recruitment. Renewed agreement with the University of Maryland for discounted tuition for agency employees. Increased agency resources through recruitment, staffing, and placement. Utilized the Student Pathways and Summer Externship programs to increase resources for |

| | | |
|---|---|---|
| | | casework and administrative initiatives throughout the agency. Realigned functions within the agency's Office of the Executive Director to allow for improved efficiencies and customer service to agency employees. Worked extensively with managers to hold employees accountable for performance and development. Updated Attorney Recruitment Policy in order to allow managers greater hiring flexibility of the agency's mission-critical occupation and to streamline the recruitment process. In collaboration with the Partnership for Public Service's Excellence in Government Fellows program, developed and piloted an Employee Onboarding Handbook to improve the onboarding process and increase employee engagement. |
| **FY 2015** | **Target** | Implement a fully automated and integrated electronic system for personnel actions, as well as a learning-management system. Develop a more robust onboarding process through increased use of technology and implementation of an Employee Onboarding Handbook. Update significant human-resources policies and procedures. Build internal capacity for handling the major human-resources functional areas. Improve office customer service by improving the quality of advice provided to managers and employees. Work with managers to educate them about and increase diversity and inclusion when seeking new agency talent. |
| | **Actual** | Implemented a fully automated and integrated electronic system for personnel actions. Developed a more robust onboarding process through increased use of technology and piloted implementation of an Employee Onboarding Handbook. Updated certain human-resources policies and procedures. Continued to build internal capacity for handling the major human-resources functional areas. Position descriptions continued to be updated and now allow for greater growth and advancement opportunities within the agency, and employees readily volunteered for collateral-duty assignments, new initiatives, and projects. The agency also renewed its agreement with a local university to offer discounted tuition to FLRA employees for self-directed study. Improved office customer service by improving the quality of advice provided to managers and employees. Worked with managers to educate them about and increase diversity and inclusion when seeking new agency talent. The agency achieved greater diversity in its workforce in FY 2015 by increasing strategic and targeted recruitment and posting job opportunities with career-planning and placement services, local colleges and universities, and professional affinity-group organizations. With respect to succession planning, the FLRA continued to offer cross-component developmental details and its training initiative designed to assist higher-graded employees identify and strengthen critical leadership skills in preparation for eventually transitioning to formal leadership positions. To strengthen and support the FLRA's new cadre of first- |

| | | |
|---|---|---|
| | | time managers and supervisors, the agency identified a series of trainings geared towards developing strategic thinking and other critical skills in preparation for executive leadership at the FLRA. These training initiatives crossed components, bringing together future agency leaders from all offices to enhance their skills and encourage collaboration among peers. |
| Data Source: FLRA Human Resources Division | | |
| **Target: Met** | | |

## VERIFICATION AND VALIDATION OF PERFORMANCE DATA

The CMS is used by FLRA offices to track and manage caseload. Each office enters information on case filings into the CMS, and is accountable for quality control of the data entered into the system. Case-performance data verification and validation was performed using information from the CMS.

# PRINCIPAL FINANCIAL STATEMENTS

## MESSAGE FROM THE CHIEF FINANCIAL OFFICER

The FLRA's FY 2015 Performance and Accountability Report reflects the correlation between the financial and programmatic aspects of the agency's work.  The report bridges these two areas by presenting FLRA performance with the financial results of agency operations.  The principal financial statements and notes that follow explain the FLRA's financial position as of September 30, 2015, and how the agency's financial resources were expended to achieve performance results.  For the eleventh consecutive year, the FLRA has received an unqualified audit opinion on its financial statements.  Along with the unqualified opinion, the report of independent auditors found no material weaknesses in the design and operation of the agency system of internal controls over financial reporting.

With FY 2016 expected to be another challenging year, we will continue to focus on identifying solutions to maintain our financial stability, ensure transparency and accountability, and maintain our high levels of mission performance and employee satisfaction and morale.  We will also continue to work with the Administration and the Congress in seeking ways to strengthen and improve the agency's system for the administrative control of funds.  We are confident that the FLRA's financial and performance data are complete, accurate, and reliable.

Carol Waller Pope
Chairman and Chief Financial Officer
November 16, 2015

**Federal Labor Relations Authority**
**BALANCE SHEET**
(in dollars)

**As of September 30, 2015 and 2014**

| | **2015** | **2014** |
|---|---|---|
| **Assets:** | | |
| Intragovernmental: | | |
| Fund balance with the Treasury (Note 2) | $3,479,882 | $3,626,652 |
| Accounts receivable (Note 3) | 16,903 | 0 |
| Prepaid expenses | 0 | 46,494 |
| Total intragovernmental | 3,496,785 | 3,673,146 |
| Accounts receivable, net (Note 3) | 2,061 | 3,634 |
| Property, equipment and software, net (Note 4) | 448,644 | 588,076 |
| **Total Assets** | **$3,947,490** | **$4,264,856** |
| **Liabilities:** | | |
| Intragovernmental: | | |
| Accounts payable | $267,290 | $18,265 |
| Accrued payroll and benefits | 118,387 | 0 |
| FECA unfunded (Note 5) | 219,897 | 216,609 |
| Total intragovernmental | 605,574 | 234,874 |
| Accounts payable | 305,023 | 153,535 |
| Unfunded leave (Note 5) | 1,374,235 | 1,511,241 |
| FECA actuarial liability (Note 5) | 1,068,706 | 1,126,026 |
| Accrued payroll and benefits | 470,366 | 510,906 |
| **Total Liabilities** | **$3,823,904** | **$3,536,582** |
| **Net Position:** | | |
| Unexpended appropriations – other funds | $2,321,812 | $2,991,329 |
| Cumulative results of operations – other funds | (2,198,226) | (2,263,055) |
| **Total Net Position** | **$123,586** | **$728,274** |
| **Total Liabilities and Net Position** | **$3,947,490** | **$4,264,856** |

The accompanying notes are an integral part of these statements.
Totals may not add due to rounding.

**Federal Labor Relations Authority**
**STATEMENT OF NET COST**
(in dollars)

**For the Years Ended September 30, 2015 and 2014**

| | **2015** | **2014** |
|---|---|---|
| **Gross Program Costs:** | | |
| Authority: | | |
| Intragovernmental costs | $6,104,434 | $4,346,447 |
| Public costs | 7,952,340 | 10,412,911 |
| Total program costs | 14,056,774 | 14,759,358 |
| Less: Earned revenue | (10,537) | (2,851) |
| **Net Program Costs** | **$14,046,237** | **$14,756,507** |
| Office of the General Counsel: | | |
| Intragovernmental costs | $2,451,572 | $0 |
| Public costs | 9,536,749 | 9,942,518 |
| Total program costs | 11,988,321 | 9,942,518 |
| Less: Total earned revenue | (16,477) | (20,039) |
| **Net Program Costs** | **$11,971,844** | **$9,922,479** |
| Federal Service Impasses Panel: | | |
| Intragovernmental costs | $181,752 | $0 |
| Public costs | 868,353 | 763,268 |
| Total program costs | 1,050,105 | 763,268 |
| Less: Total earned revenue | (756) | 0 |
| **Net Program Costs** | **$1,049,349** | **$763,268** |
| Total gross program costs | $27,095,200 | $25,465,144 |
| Less: Total earned revenue | (27,770) | (22,890) |
| **Net Cost of Operations** | **$27,067,430** | **$25,442,254** |

The accompanying notes are an integral part of these statements.
Totals may not add due to rounding.

**Federal Labor Relations Authority**
**STATEMENT OF CHANGES IN NET POSITION**
(in dollars)

**For the Years Ended September 30, 2015 and 2014**

| | **2015** | **2014** |
|---|---|---|
| **Cumulative Results of Operations:** | | |
| Beginning balance | $(2,263,055) | $(2,587,087) |
| Budgetary financing sources: | | |
| Appropriations used | 25,917,906 | 24,365,987 |
| Other financing sources (non-exchange): | | |
| Imputed financing | 1,215,100 | 1,400,299 |
| FOIA collections | (747) | 0 |
| Total financing sources | 27,132,259 | 25,766,286 |
| Net cost of operations | (27,067,430) | (25,442,254) |
| Net change | 64,829 | 324,032 |
| **Cumulative Results of Operations** | **$(2,198,226)** | **$(2,263,055)** |
| **Unexpended Appropriations:** | | |
| Beginning balance | $2,991,329 | $2,071,393 |
| Budgetary financing sources: | | |
| Appropriations received | 25,548,000 | 25,500,000 |
| Other adjustments | (299,611) | (214,077) |
| Appropriations used | (25,917,906) | (24,365,987) |
| Total budgetary financing sources | (669,517) | 919,936 |
| **Total Unexpended Appropriations** | **$2,321,812** | **$2,991,329** |
| **Net Position** | **$123,586** | **$728,274** |

The accompanying notes are an integral part of these statements.
Totals may not add due to rounding.

## Federal Labor Relations Authority
## STATEMENT OF BUDGETARY RESOURCES
(in dollars)

### For the Years Ended September 30, 2015 and 2014

| | 2015 | 2014 |
|---|---|---|
| **Budgetary Resources:** | | |
| Unobligated balance, brought forward, October 1 | $778,379 | $903,324 |
| Recoveries of prior year unpaid obligations | 1,213,338 | 33,362 |
| Other changes in unobligated balance | (299,611) | (214,077) |
| Unobligated balance from prior year budget authority, net | 1,692,106 | 722,609 |
| Appropriation | 25,548,000 | 25,500,000 |
| Spending authority from offsetting collections | 31,199 | 43,086 |
| **Total budgetary resources** | **$27,271,305** | **$26,265,695** |
| | | |
| **Status of Budgetary Resources:** | | |
| Obligations incurred (Note 9) | $25,627,780 | $25,487,316 |
| Unobligated balance, end of year: | | |
| Apportioned | 45,212 | 107,618 |
| Unapportioned | 1,598,313 | 670,761 |
| Total obligated balance, end of year | 1,643,525 | 778,379 |
| **Total budgetary resources** | **$27,271,305** | **$26,265,695** |
| | | |
| **Change in Obligated Balance:** | | |
| Unpaid obligations: | | |
| Unpaid obligations, brought forward, October 1 | $2,850,934 | $2,587,584 |
| Obligations incurred | 25,627,780 | 25,487,316 |
| Outlays (gross) | (25,425,919) | (25,190,604) |
| Recoveries of prior year unpaid obligations | (1,213,338) | (33,362) |
| Unpaid obligations, end of year | 1,839,457 | 2,850,934 |
| Uncollected payments: | | |
| Uncollected payments, federal sources, brought forward, October 1 | (2,661) | (3,085) |
| Change in uncollected payments, federal sources | (439) | 424 |
| Uncollected payments, federal sources, end of year | (3,100) | (2,661) |
| Memorandum (non-add) entries: | | |
| **Obligated balance, start of year** | **$2,848,273** | **$2,584,500** |
| **Obligated balance, end of year** | **$1,836,357** | **$2,848,273** |
| | | |
| **Budget Authority and Outlays, Net:** | | |
| Budget authority, gross | $25,579,199 | $25,543,086 |
| Actual offsetting collections | (30,760) | (43,510) |
| Change in uncollected payments, federal sources | (439) | 424 |
| **Budget authority, net (total)** | **$25,548,000** | **$25,500,000** |
| | | |
| Outlays, gross | $25,425,919 | $25,190,604 |
| Actual offsetting collections | (30,760) | (43,510) |
| Outlays, net (total) | 25,395,159 | 25,147,094 |
| **Agency Outlays, Net** | **$25,395,159** | **$25,147,094** |

The accompanying notes are an integral part of these statements.
Totals may not add due to rounding.

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: Significant Accounting Policies

(a) ***Reporting Entity –*** The FLRA is an independent administrative Federal agency created by Title VII of the Civil Service Reform Act of 1978, with a mission to carry out five statutory responsibilities: (1) determining the appropriateness of units for labor organization representation; (2) resolving complaints of unfair labor practices; (3) adjudicating exceptions to arbitrators' awards; (4) adjudicating legal issues relating to duty to bargain; and (5) resolving impasses during negotiations. The agency consists of three components: the Authority, the Office of the General Counsel, and the Federal Service Impasses Panel.

(b) ***Basis of Accounting and Presentation*** – The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and budgetary resources of the FLRA in accordance with the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, and the Accountability of Tax Dollars Act of 2002. The statements have been prepared from agency financial records in accordance with U.S. Generally Accepted Accounting Principles (GAAP), in accordance with guidance issued by the Federal Accounting Standards Advisory Board (FASAB) and the OMB, as prescribed in OMB Circular A-136, *Financial Reporting Requirements*, and pursuant to the requirements of 31 U.S.C. § 3515(b). These financial statements include all funds and accounts under the control of the FLRA.

The accounting structure of federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned, and expenses are recognized when incurred, without regard to the receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases occurs before an accrual-based transaction takes place. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of federal funds. The accompanying financial statements are prepared on the accrual basis of accounting.

(c) ***Budget Authority –*** The Congress passes appropriations annually that provide the FLRA with authority to obligate funds for necessary salaries and expenses to carry out mandated program activities. These funds are available until expended, subject to OMB apportionment and to Congressional restrictions on the expenditure of funds. Also, the FLRA places internal restrictions on fund expenditures to ensure the efficient and proper use of all funds.

(d) ***Fund Balance with the Treasury*** – FLRA receipts and disbursements are processed by the Department of the Treasury. Fund balances with the Treasury consist of appropriated funds that are available to pay current liabilities and to finance authorized purchase commitments. No cash is held in commercial bank accounts.

(e) ***Accounts Receivable*** – Accounts receivable consists of amounts owed to the FLRA by other federal agencies and the public. Amounts due from federal agencies are considered fully collectible and consist of interagency agreements. An allowance for uncollectible accounts receivable from the public is established when either: (1) management determines that collection is unlikely to occur after a review of outstanding accounts and the failure of all collection efforts; or (2) an account for which no allowance has been established is submitted to the Treasury for collection, which occurs when it becomes 120 days delinquent. Based on historical experience, all receivables are considered collectible and no allowance is provided.

***(f) General Property and Equipment (P&E)*** – This category consists of equipment and internal use software. The basis for recording purchased P&E is full cost, including all costs incurred to bring FLRA P&E to and from a location suitable for its intended use. P&E is depreciated using the straight-line method over the estimated useful life of the asset. Statement of Federal Financial Accounting Standards (SFFAS) No. 10, Accounting for Internal Use Software, provides accounting standards for internal use software used by each agency. The standards provide for capitalized property to continue to be reported on the Balance Sheet. P&E that are not capitalized because they are under the capitalization threshold are expensed in the year of acquisition.

The FLRA's capitalization threshold for individual purchases is $25,000. Bulk purchases of similar items that individually are worth less than $25,000, but collectively are worth more than $100,000, are also capitalized using the same general P&E categories and useful lives as capital acquisitions. Major building alterations and renovations are capitalized, while maintenance and repair costs are charged to expense as incurred.

| General P&E Category | Service Life |
|---|---|
| Software | 3 years |
| Computer equipment | 5 years |
| Office equipment | 7 years |
| Office furniture | 15 years |
| Leasehold improvements | Life of lease |

***(g) Liabilities*** – Liabilities represent the amount of monies or other resources likely to be paid by the FLRA as a result of transactions or events that have already occurred. Liabilities are recognized when they are incurred, regardless of whether they are covered by available budgetary resources. The FLRA reports its liabilities under two categories – "Intragovernmental" and "With the Public." Intragovernmental liabilities represent funds owed to another government agency. Liabilities with the public represent funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources. No liability can be paid, however, absent an appropriation. Liabilities for which an appropriation has not been enacted are, therefore, classified as not covered by budgetary resources, since there is no certainty that the appropriation will be enacted. Liabilities that are covered by budgetary resources consist of intragovernmental and public accounts payable and accrued funded payroll. Liabilities not covered by budgetary resources in FY 2014 and FY 2015 consist of accrued and actuarial Federal Employees Compensation Act (FECA) compensation and unfunded employee leave. The federal government, acting in its sovereign capacity, can abrogate liabilities other than contracts.

*(h)* ***FECA Liabilities*** – An accrued FECA liability is recorded for actual and estimated future payments to be made for workers' compensation pursuant to the FECA. The actual costs incurred are reflected as a liability because agencies reimburse the Department of Labor (DoL) two years after the actual payment of expenses. Future revenues are used for reimbursement to the DoL. The liability consists of: (1) the unreimbursed cost paid by the DoL for compensation to recipients under the FECA; and (2) the net present value of estimated future payments calculated by the DoL.

An estimated actuarial liability for future workers' compensation benefits is included. The liability estimate is based on the DoL's FECA actuarial model that takes the amount of benefit payments over the last twelve quarters and calculates the annual average of payments for medical expenses and compensation. This average is then multiplied by the liabilities-to-benefits paid ratios for the whole FECA program. The ratios may vary from year to year as a result of economic assumptions and other factors, but the model calculates a liability approximately twelve times the annual payments.

*(i)* ***Annual, Sick, and Other Leave*** – Amounts associated with the payment of annual leave are accrued while leave is being earned by employees, and this accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent that current- or prior-year appropriations are not available to finance annual leave, future financing sources will be used. Sick leave and other types of non-vested leave are expensed as taken.

Any liability for sick leave that is accrued, but not taken, by a Civil Service Retirement System (CSRS)-covered employee is transferred to the OPM upon the retirement of that individual. Federal Employees Retirement System (FERS)-covered employees were not entitled to use unused sick leave for additional service credit until October 28, 2009. For retirements effective between October 28, 2009, and December 31, 2013, 50 percent of unused sick leave can be used for additional service credit. For retirements effective after December 31, 2013, 100 percent of unused sick leave can be credited.

*(j)* ***Net Position*** – The components of net position are unexpended appropriations and cumulative results of operations. Unexpended appropriations include undelivered orders and unobligated balances. Undelivered orders reflect the amount of goods and services ordered that have yet to be actively or constructively received. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. The cumulative results of operations represent the net results of operations since inception, the cumulative amount of prior-period adjustments, the remaining book value of capitalized assets, and future funding requirements.

*(k)* ***Retirement Plans*** – The FLRA's employees participate in the CSRS or the FERS. For CSRS employees hired prior to January 1, 1984, the FLRA withholds 7 percent of each employee's

salary and contributes 7 percent of the employee's basic salary to the CSRS Retirement and Disability Fund. These employees may also contribute, on a tax-deferred basis, to a defined contribution plan – the Thrift Savings Plan (TSP). The regular Internal Revenue Service limit in FY 2014 was $17,500 and FY 2015 was $18,000. The FLRA is not required to and does not contribute any matching amounts for CSRS employees.

The FERS was established by enactment of Public Law 99-335. Pursuant to this law, the FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired before January 1, 1984 elected either to join the FERS and Social Security or to remain in the CSRS. For FERS employees, the FLRA withholds 6.2 percent in old age survivors and disability insurance (OASDI) up to a specified wage ceiling and 0.8 percent of an employee's gross earnings for retirement. In FY 2015, the FLRA matched the retirement withholdings with a contribution equal to 13.2 percent of the employee's taxable salary. Due to enactment of the FERS Revised Annuity Employee and Further Revised Annuity Employee programs, the agency matched with a contribution equal to 11.1 percent for employees hired during and after calendar year 2013.

All employees are eligible to contribute to the TSP. For employees under the FERS, a TSP account is automatically established. The FLRA is required to make a mandatory contribution of 1 percent of the base salary for each employee under the FERS. The agency is required to match the employee's contribution up to a maximum of 5 percent of his or her salary. Matching contributions are not made to the TSP accounts established by CSRS employees. The FLRA does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, are the responsibility of the OPM.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. CSRS employees who are 65 or older are eligible for Social Security payments (even if they have not retired). In these instances, the FLRA remits the employer's share of the required contribution.

***(l)* *Imputed Financing from Costs Absorbed by Others*** – The FASAB's SFFAS No. 5, Accounting for Liabilities of the Federal Government, requires that employer agencies recognize the full cost of pension, health, and life insurance benefits during their employees' active years of service. The OPM, as administrator of the CSRS and FERS plans, the Federal Employees Health Benefits Program, and the Federal Employees Group Life Insurance Program, must provide the "cost factors" that adjust the agency contribution rate to the full cost for the applicable benefit programs. An imputed financing source and corresponding imputed personnel cost is reflected in the Statement of Changes in Net Position and the Statement of Net Cost.

***(m)* *Revenue and Other Financing Sources*** – The FLRA's revenues are derived from reimbursable work agreements, Freedom of Information Act collections, and a direct annual appropriation. The FLRA recognizes reimbursable work when earned, i.e., services have been provided. Each reimbursable work agreement specifies the dollar value of the agreement and is based on estimated resources needed to perform the specified services.

The agency receives an annual Salaries and Expenses appropriation from the Congress. Annual appropriations are used, within statutory limits, for salaries and administrative expenses and for operating and capital expenditures for essential P&E. Appropriations are recognized as non-exchange revenues at the time the related program expenses are incurred. Appropriations expended for capitalized P&E are recognized as expenses when an asset is consumed in operations. The FLRA's annual appropriation for FY 2014 was $25,500,000; the agency's annual appropriation for FY 2015 was $25,548,000.

***(n) Expired Accounts and Cancelled Authority*** – Unless otherwise specified by law, annual budget authority expires for incurring new obligations at the beginning of the subsequent fiscal year. The account into which the annual authority is placed is called an expired account. For five fiscal years, the expired account is available for expenditure to liquidate valid obligations incurred during the unexpired period. Adjustments are allowed to increase or decrease valid obligations incurred during the unexpired period that were not previously reported. At the end of the fifth expired year, the account is cancelled and any remaining money is returned to the Treasury.

***(o) Transactions with Related Parties*** **–** In the course of its operations, the FLRA has relationships and conducts financial transactions with numerous Federal agencies. The most prominent of these relationships are with the Treasury, the DoL, the Department of the Interior, the Department of Transportation, the Department of Homeland Security, and the General Services Administration (GSA).

***(p) Contingencies*** **–** A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to the agency. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. With the exception of pending, threatened, or potential litigation, a contingent liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is more likely than not, and the related future outflow or sacrifice of resources is measurable. For pending, threatened, or potential litigation, a liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is likely, and the related future outflow or sacrifice of resources is measurable.

***(q) Use of Estimates*** **–** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

***(r) Advances and Prepayments*** **–** Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable work agreements, subscriptions, and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advance payments and recognized as expenses when the related goods and services are received.

## NOTE 2: Fund Balance with the Treasury

U.S. government cash is accounted for on an overall consolidated basis by the Treasury. The amounts shown on the Balance Sheet represent the FLRA's right to draw on the Treasury for valid expenditures. The fund balance as shown on the FLRA records is reconciled monthly with records from the Treasury. No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts.

| Fund Balance with the Treasury | | |
|---|---|---|
| **As of September 30,** | **2015** | **2014** |
| General funds | $3,482,175 | $3,625,753 |
| Other fund types | (2,293) | 899 |
| **Total** | **$3,479,882** | **$3,626,652** |

| Status of Fund Balance with the Treasury | | |
|---|---|---|
| **As of September 30,** | **2015** | **2014** |
| Unobligated balance available | $45,212 | $107,618 |
| Unobligated balance unavailable | 1,598,313 | 670,761 |
| Obligated balance not yet distributed | 1,836,357 | 2,848,273 |
| **Total** | **$3,479,882** | **$3,626,652** |

The available unobligated fund balances represent the current-period amount available for obligation or commitment. At the start of the next fiscal year, this amount will become part of the unavailable balance. The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations. The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand.

## NOTE 3: Accounts Receivable

The reported amount for accounts receivable consists of amounts owed to the FLRA by other Federal agencies (intragovernmental) and the public. There are no amounts that are deemed uncollectible as of September 30, 2015 and 2014.

| Accounts Receivable | | |
|---|---|---|
| **As of September 30,** | **2015** | **2014** |
| Intragovernmental | $16,903 | $0 |
| With the public | 2,061 | 3,634 |
| **Total** | **$18,964** | **$3,634** |

## NOTE 4:  Property, Equipment and Software, Net

All assets in the software and leasehold improvement major classes were retired in FY 2015.

| Category | Service Life | Acquisition Value | Accumulated Depreciation | 2015 Net Book Value | 2014 Net Book Value |
|---|---|---|---|---|---|
| Software | 3 years | $0 | $0 | $0 | $0 |
| Computer equipment | 5 years | 455,885 | (374,689) | 81,196 | 485,966 |
| Office equipment | 7 years | 202,231 | (184,252) | 17,979 | 36,491 |
| Office furniture | 15 years | 453,695 | (104,226) | 349,469 | 65,619 |
| Leasehold improvements | Life of lease | 0 | 0 | 0 | 0 |
| **Total** | | **$1,111,811** | **$(663,167)** | **$448,644** | **$588,076** |

## NOTE 5:  Liabilities Covered and Not Covered by Budgetary Resources

Unfunded FECA liabilities consist of workers' compensation claims payable to the DoL, which will be funded in a future year, and an unfunded estimated liability for future workers' compensation claims based on data provided from the DoL.  The actuarial calculation is based on benefit payments made over 12 quarters, and calculates the annual average of payments.  For medical expenses and compensation, this average is then multiplied by the liability-to-benefit paid ratio for the whole FECA program.

Unfunded leave represents a liability for earned leave and is reduced when leave is taken.  At the end of each month, the balance in the unfunded leave account is adjusted to reflect the liability at current pay rates and leave balances.  Unfunded leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources.  Sick and other leave is expensed as taken.  All other liabilities are considered to be covered by budgetary resources.

| Liabilities Not Covered By Budgetary Resources | | |
|---|---|---|
| **For the Years ended September 30,** | **2015** | **2014** |
| Intragovernmental – Unfunded FECA liabilities | $219,897 | $216,609 |
| Federal employee benefits – FECA actuarial liability | 1,068,706 | 1,126,026 |
| Unfunded leave | 1,374,235 | 1,511,241 |
| **Total** | **$2,662,838** | **$2,853,876** |

## NOTE 6: Leases

The FLRA has operating leases for rental of office space and equipment. As a Federal agency, the FLRA is not liable for any lease terms beyond one year. The agency has an occupancy agreement with the GSA for office space at the following locations.

***(a) 1400 K Street NW, Washington, DC*** – The term is for 87 months beginning on June 1, 2014. The FLRA has the right to terminate the lease based on the availability of funds, or with a 4-month notice at any point after the first 12 months of occupancy.

***(b) 223 Peachtree Street NE, Atlanta, GA*** – The term is for 120 months beginning on January 18, 2012. The FLRA has the right to terminate the lease based on the availability of funds, or with a 4-month notice at any point after the first 12 months of occupancy.

***(c) 10 Causeway Street, Boston, MA*** – The term is for 55 months beginning on October 1, 2015. The FLRA has the right to terminate the lease based on the availability of funds, or with a 4-month notice at any point after the first 12 months of occupancy.

***(d) 224 S. Michigan Avenue, Chicago, IL*** – The term is for 120 months beginning on or June 16, 2012. The FLRA has the right to terminate the lease based on the availability of funds, or with a 4-month notice at any point after the first 12 months of occupancy.

***(e) 525 Griffin Street, Dallas, TX*** **–** The term is for 120 months beginning on October 1, 2007. The FLRA has the right to terminate the lease based on the availability of funds, or with a 4-month notice at any point after the first 12 months of occupancy.

***(f) 1244 Speer Boulevard, Denver, CO*** **–** The term is for 57 months beginning on July 1, 2013. The FLRA has the right to terminate the lease based on the availability of funds, or with a 4-month notice at any point after the first 12 months of occupancy.

***(g) 901 Market Street, San Francisco, CA*** **–** The term is for 112 months beginning on April 1, 2012. The FLRA has the right to terminate the lease based on the availability of funds, or with a 4-month notice at any point after the first 12 months of occupancy.

## NOTE 7: Commitments and Contingencies

The FLRA is, at times, a party in various administrative proceedings, legal actions, and claims brought by or against the agency. In the opinion of FLRA management, the ultimate resolution of any proceedings, actions, and claims will not materially affect financial position or results of operations of the FLRA. The agency examined its FY 2010 obligations prior to cancellation, and believes that it does not have any outstanding that will require future resources to liquidate.

## NOTE 8: Intragovernmental Costs and Exchange Revenue

The classification of revenue or costs as "intragovernmental" or "with the public" is determined on a transaction-by-transaction basis. Preceding transactions in the lifecycle of a product will not have an impact on subsequent transactions. If the FLRA purchases goods or services from another federal entity, capitalizes them into inventory, and later resells them to the public, the cost of the original purchase of resale assets from the other federal entity will be classified as "intragovernmental" at the time of the purchase. At ultimate sale to the end user, the resulting cost of goods will be classified as "with the public." The purpose of this classification is to enable the federal government to provide consolidated financial statements, and not to match public and intragovernmental revenue with costs that are incurred to produce public and intragovernmental revenue.

## NOTE 9: Apportionment Categories of Obligations Incurred

All obligations incurred are characterized as Category A, quarterly apportioned, on the Statement of Budgetary Resources.

| Obligations Incurred | | |
|---|---|---|
| **For the Years Ended September 30,** | **2015** | **2014** |
| Direct obligations – Category A | $25,602,425 | $25,463,310 |
| Reimbursable obligations – Category A | 25,355 | 24,006 |
| **Total** | **$25,627,780** | **$25,487,316** |

## NOTE 10: Undelivered Orders at the End of the Period

The amount of budgetary resources obligated for undelivered orders at the end of September 30, 2015 and 2014 was $678,391 and $2,168,227 respectively.

## NOTE 11: Explanation of Differences between the Statement of Budgetary Resources and the Budget of the U.S. Government

SFFAS No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, calls for explanation of material differences between amounts reported in the Statement of Budgetary Resources and the actual balances published in the Budget of the U.S. Government (the President's Budget). The FY 2016 President's Budget, with actual amounts for FY 2014, has been reconciled to the Statement of Budgetary Resources. The FY 2017 President's Budget, with actual amounts for FY 2015, will not be published until February 2016.

## NOTE 12: Incidental Custodial Collections

Custodial collections are reflected in the Fund Balance with the Treasury during the year. While these collections are considered custodial, they are neither primary to the mission of the agency nor material to the overall financial statements. There were no custodial collections for the years ended September 30, 2015 and 2014. Custodial collections are transferred to the Treasury General Fund on September 30, and are not reflected in the financial statements of the agency.

## NOTE 13: Reconciliation of Net Cost of Operations to Budget

Details of the relationship between budgetary resources obligated and the net costs of operations for the fiscal years ended September 30, 2015 and 2014 are shown in the following table.

**FEDERAL LABOR RELATIONS AUTHORITY**
**RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET**
**AS OF SEPTEMBER 30, 2015 AND 2014**
**(In Dollars)**

| | 2015 | 2014 |
|---|---|---|
| **Resources Used to Finance Activities:** | | |
| Budgetary Resources Obligated | | |
| Obligations Incurred | $ 25,627,780 | $ 25,487,316 |
| Spending Authority From Offsetting Collections and Recoveries | $ (1,244,537) | $ (76,095) |
| Obligations Net of Offsetting Collections and Recoveries | $ 24,383,243 | $ 25,411,221 |
| Net Obligations | $ 24,383,243 | $ 25,411,221 |
| Other Resources | | |
| Imputed Financing From Costs Absorbed By Others | $ 1,215,100 | $ 1,400,299 |
| Other Resources | $ (747) | $ - |
| Net Other Resources Used to Finance Activities | $ 1,214,353 | $ 1,400,299 |
| Total Resources Used to Finance Activities | $ 25,597,596 | $ 26,811,520 |
| | | |
| **Resources Used to Finance Items Not Part of the Net Cost of Operations:** | | |
| Change In Budgetary Resources Obligated For Goods, Services and Benefits Ordered But Not Yet Provided | $ 1,534,663 | $ (998,644) |
| Resources That Fund Expenses Recognized In Prior Periods | $ (196,786) | $ (42,488) |
| Resources That Finance the Acquisition of Assets | $ - | $ (455,885) |
| Total Resources Used to Finance Items Not Part of Net Cost of Operations | $ 1,337,877 | $ (1,497,017) |
| Total Resources Used to Finance the Net Cost of Operations | $ 26,935,473 | $ 25,314,503 |
| | | |
| **Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:** | | |
| Components Requiring or Generating Resources in Future Periods | | |
| Increase In Annual Leave Liability | $ - | $ 99,150 |
| Other | $ 5,749 | $ (59,745) |
| Total Components of Net Cost of Operations That Will Require or Generate Resources In Future Periods | $ 5,749 | $ 39,405 |
| Components Not Requiring or Generating Resources | | |
| Depreciation and Amortization | $ 139,432 | $ 80,442 |
| Other | $ (13,224) | $ 7,904 |
| Total Components of Net Cost of Operations That Will Not Require or Generate Resources | $ 126,208 | $ 88,346 |
| Total Components of Net Cost of Operations That Will Not Require or Generate Resources In The Current Period | $ 131,957 | $ 127,751 |
| Net Cost of Operations | $ 27,067,430 | $ 25,442,254 |

## Report of Independent Auditors

To Chairman Pope
Federal Labor Relations Authority

### Report on the Financial Statements

We have audited the accompanying financial statements of the Federal Labor Relations Authority (FLRA), which comprise the balance sheet as of September 30, 2015 and 2014, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Accordingly, we do not express such an opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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## Opinion on Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federal Labor Relations Authority as of September 30, 2015 and 2014, and its net costs; changes in net position; and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

## Consideration of Internal Control

In planning and performing our audit, we considered the Federal Labor Relations Authority's internal control over financial reporting as a basis for designing our auditing procedures and to comply with the Office of Management and Budget (OMB) audit guidance for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on internal control and compliance or on management's assertion on internal control included in MD&A. Accordingly, we do not express an opinion on internal control over financial reporting and compliance or on management's assertion on the effectiveness of the entity's internal control over financial reporting or on management's assertion on internal control included in the MD&A.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies, as defined below.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit the attention of those charged with governance.

We noted other non-reportable matters involving internal control and its operation that we will communicate in a separate management letter to FLRA management.

## Compliance With Laws and Regulations

As part of obtaining reasonable assurance about whether the Federal Labor Relations Authority financial statements are free from material misstatement, we also performed tests of its compliance with certain provisions of laws and regulations for fiscal year 2015. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**Consistency of Other Information**

The information in the Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

The information in the Chairman's Message, Performance Section, and Other Accompanying Information is presented for purposes of additional analysis and is not required as part of the financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

Dembo, Jones, Healy, Pennington & Marshall, P.C.

*Rockville, Maryland*
*November 16, 2015*

# OTHER ACCOMPANYING INFORMATION

## SUMMARY OF FINANCIAL STATEMENT AUDIT

| Audit Opinion: | Unqualified | | | | |
|---|---|---|---|---|---|
| Restatement: | No | | | | |
| | Beginning Balance | New | Resolved | Consolidated | Ending Balance |
| Material weaknesses | 0 | 0 | 0 | 0 | 0 |

## SUMMARY OF MANAGEMENT ASSURANCES

| Effectiveness of Internal Control over Financial Reporting (FMFIA § 2) | | | | | | |
|---|---|---|---|---|---|---|
| Statement of Assurance: | Unqualified | | | | | |
| | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| Material weaknesses | 0 | 0 | 0 | 0 | 0 | 0 |

| Effectiveness of Internal Control over Operations (FMFIA § 2) | | | | | | |
|---|---|---|---|---|---|---|
| Statement of Assurance: | Unqualified | | | | | |
| | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| Material weaknesses | 0 | 0 | 0 | 0 | 0 | 0 |

| Conformance with Financial Management System Requirements (FMFIA § 4) | | | | | | |
|---|---|---|---|---|---|---|
| Statement of Assurance: | Systems conform | | | | | |
| | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| Non-conformances | 0 | 0 | 0 | 0 | 0 | 0 |

INSPECTOR GENERAL

UNITED STATES OF AMERICA
**FEDERAL LABOR RELATIONS AUTHORITY**
WASHINGTON, D.C. 20424-0001

## MEMORANDUM

DATE: October 22, 2015

TO: Carol Waller Pope
Chairman

Ernest DuBester
Member

Patrick Pizzella
Member

FROM: Dana Rooney DR
Inspector General

SUBJECT: Inspector General Identified Management Challenges

The Reports Consolidation Act of 2000, Public Law 106-531, requires the Federal Labor Relations Authority (FLRA) Office of Inspector General (OIG) to provide the agency head with a statement that summarizes the most serious management and performance challenges facing the agency and briefly assess the agency's progress in addressing those challenges. The FLRA is required to prepare an annual "Performance and Accountability Report" (PAR) which must be submitted to the President, the Office of Management and Budget, and to appropriate committees and subcommittees of Congress. This OIG statement should be included in the PAR.

To identify the challenges, we examine issued reports with recommendations where corrective actions have yet to be taken and analyze new activities that could pose significant challenges. We discussed our concerns with FLRA management and considered all comments received. This year, we broadened Information Technology Security to include new concerns associated with privacy. We have also added a new challenge for FLRA concerning building and sustaining a high-performing workforce.

Accordingly, the attached document describes the most serious management and performance challenges facing the FLRA along with a brief assessment of management's progress in addressing them. The challenges include: (1) information technology security needs continuing improvement, (2) proper handling of records; and (3) building and sustaining a high-performing workforce.

I appreciate management's strong commitment in tackling these challenges and look forward to working collaboratively in addressing them.

Attachment

cc: Sarah Whittle Spooner, Executive Director
Kevin Smith, Director, Budget and Finance Division

**Attachment**

## CHALLENGE 1: Information Technology Security Needs Continuing Improvement

Safeguarding data and information systems is a continuing challenge for all Federal agencies, including the Federal Labor Relations Authority (FLRA). The agency must remain vigilant in establishing a control environment that incorporates monitoring potential Information Technology (IT) risks, threats and vulnerabilities and in mitigating them. We broadened the information technology security challenge to include additional concerns associated with a recent Office of Inspector General (OIG) review of FLRA’s privacy and data security policies, procedures and practices.

### Information Security

Since the passage of the Federal Information Security Management Act of 2002 (FISMA), the OIG has annually reviewed the FLRA’s information security program. The FISMA requires the FLRA OIG prepare a report which summarizes the findings of such reviews and submit it to the Office of Management and Budget. The report is considered non-public. The November 2014 FISMA report identified two new vulnerabilities and three prior year vulnerabilities which present risks and challenges that confront management and require additional action to be fully resolved. One of the challenges we identified in the Fiscal Year (FY) 2009 FISMA Report and the remaining two were identified in the FY 2012 FISMA Report.

### Progress made:

During the FY 2014 FISMA evaluation, we noted that management has taken great steps to improve the information security program by remediating two of the five vulnerabilities identified in prior years. We also noted FLRA does take information security weaknesses seriously. In response to the FY 2014 FISMA evaluation report, management plans to complete all actions needed to resolve the outstanding FISMA findings and recommendations in 2015. We anticipate completing the FY 2015 FISMA Report in November 2015. This audit will assess the status of open recommendations.

### Privacy Program

The Consolidated Appropriations Act of 2005 requires agencies to assign a Chief Privacy Officer who is responsible for identifying and safeguarding personally identifiable information (PII) and requires an independent third-party review of agency use of PII and of its privacy and data protection policies and procedures. In June 2015, the OIG performed a Privacy and Data Protection review and tested 27 different areas. The audit resulted in four findings in the following areas: (1) IT and Privacy Coordination; (2) System of Records Notices and Routine Use Review; (3) Privacy Impact Assessment (PIA); and (4) Website Updates. The Chief Information Security Officer and the Privacy Officer should work to analyze the IT systems that do not currently have PIAs to determine whether PIAs are required, and, if they are, to post those PIAs on the FLRA website. In response to the FY 2015 Review of the FLRA's Privacy Program report, management has a plan to mitigate the weaknesses in 2016.

**CHALLENGE 2: Proper handling of records (hard copy and electronic)**

Management has made progress in addressing this challenge which was mentioned in my report dated October 23, 2014. Throughout 2015, the FLRA has continued its efforts to use technology to enhance operational efficiencies by implementing systems to automate paper-based manually intensive processes. This includes the development of a case management system infrastructure that supports electronic files and that will further agency efforts to properly handle agency case files and records. This is an excellent step forward in using technology to enhance operational efficiencies. However, system automation is one part of a comprehensive approach to address the challenge of records management. Industry practices dictate that along with implementing new technology, it is imperative that a complete oversight or governance process be established which includes documenting agency policies, procedures and processes that address the proper handling of all hard copy and electronic records. Although new automated systems offer increased capabilities, they also present new internal (management) control challenges. The FLRA needs to ensure various roles (e.g., system administrator) and related authorities and capabilities are properly assigned, documented, managed and monitored. Such written documentation should be maintained, and this need becomes increasingly critical as additional functionality and enhancements are added to the system. Further, although, certain types of records do not have legal retention requirements, the policies, processes and procedures should clearly and specifically instruct staff on the proper handling and management should periodically verify that such policies are being followed.

**Progress made**:

The FLRA has made steady progress in accomplishing its multi-year plan, with a goal of implementing a full electronic file – consistent OMB requirements – in 2019. A very noteworthy accomplishment, in 2015, FLRA began reviewing its record management policy and disposition authorities to ensure that the appropriate oversight and governance processes are established, including agency policies, procedures and processes that address the proper handling of all hard copy and electronic records. FLRA recognizes the need to develop policies, processes and procedures to provide staff with clear guidance for handling records and ensuring compliance with agency policies. Management should continue working its multi-year agenda to integrate its E-filing and other automated systems.

**CHALLENGE 3: Building and Sustaining a High Performing Workforce**

To effectively carry out its responsibilities to provide reliable and timely financial data, the FLRA strives to hire and retain the best and most capable staff. During the past year, FLRA has had two Directors in the Budget and Finance Division (BFD). In December 2014, the OIG issued a management letter and suggested the FLRA recruit qualified individuals to join the BFD to help the FLRA maintain a strong accounting function. The Director of BFD plans to leave the FLRA and leaving a critical vacant position. As the FLRA recruits to build and sustain a high-performing workforce, these challenges should continue to be areas of focus.

## MANAGEMENT'S RESPONSE

Since FY 2009, the FLRA has engaged in a thorough review of agency programs and performance. Efforts have been focused on budget-related matters and the development of management initiatives to improve the FLRA's performance of its statutory mission. In addition to program performance, the review has included information technology (IT) investments, human resources (HR), case processing, and financial management. As a result, in recent years, the FLRA has made substantial progress in addressing and resolving deficiencies and challenges identified by the Inspector General. The remaining challenges identified by the Inspector General include IT security, proper handling of records, and building and sustaining a high-performing workforce.

With respect to these ongoing challenges, management has made, and continues to make, progress towards their resolution with the input of agency leadership, management, and employees and their representative union. As for IT security, the agency remains vigilant in maintaining a control environment that monitors and mitigates risks, threats, and vulnerabilities, and is committed to establishing and maintaining a program that is fully Federal Information Security Management Act compliant. There are specific agency plans of action in place to ensure such compliance. And, to date, the FLRA was successful in correcting one of the five identified vulnerabilities by adhering to those plans. Also in FY 2015, the FLRA executed its plan that is expected to close three of the outstanding IT security findings, and partially address the remaining finding. In addition, in FY 2015, the agency resolved one of the four findings identified in the Privacy and Data Protection review, and implemented a corrective plan expected to resolve the remaining three findings in early 2016. We are pleased that the planning efforts and actions taken over the last year have made a significant impact on the progress towards successfully accomplishing our goals. The agency remains vigilant in maintaining a control environment that monitors and mitigates risks, threats, and vulnerabilities.

As for records management, the FLRA has continued its efforts to use technology to enhance operational efficiencies by implementing systems to automate paper-based manually intensive processes. This includes the development of a case management system (CMS) infrastructure that supports electronic files and that will further agency efforts to properly handle agency case files and records. The FLRA has made steady progress in accomplishing its multi-year plan, with a goal of implementing a full electronic file – consistent OMB requirements – in 2019. The FLRA recognizes that a necessary component of the implementation of electronic case files is the development of policies, processes, and procedures that provide staff with clear guidance for handling records, and that ensure compliance with agency requirements.

Also during this year, in furtherance of its effort to take a more comprehensive approach to records management, the FLRA began reviewing its record management policy and disposition authorities. This is to ensure that the appropriate oversight and governance processes are established, including agency policies, procedures, and processes that address the proper handling of all hard-copy and electronic records. As an example, this year, the FLRA developed and provided guidance to certain agency personnel concerning managing federal records in government and personal email accounts to ensure that email is captured in an agency recordkeeping system.

This will be an ongoing initiative moving forward to ensure various roles and related authorities and capabilities are properly assigned, documented, managed, and monitored, and that written documentation is kept up-to-date. In FY 2016, we also plan to ensure that even where certain types of records do not have legal retention requirements, the policies, processes, and procedures clearly and specifically instruct staff on proper handling, and that we are periodically verifying that such policies are being followed.

And, finally, with respect to hiring and retaining the best and most capable staff within the FLRA's Budget and Finance Division, we recently recruited and selected a permanent Budget and Finance Director. We look forward to the new Director, along with the existing staff member – who has been with the FLRA for over a year now – building and sustaining a high-performing office that is fully capable of maintaining a strong accounting and budgeting function.

## IMPROPER PAYMENTS ELIMINATION AND RECOVERY

The Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), requires agencies to annually report information on improper payments. The FLRA has reviewed all of its programs and determined that none are susceptible to significant improper payment. The IPERA also requires agencies to conduct payment recapture audits for each program that expends $1 million or more annually, if conducting such audits would be cost-effective. Based on the criteria set forth in Appendix C of OMB Circular A-123, the agency has also determined that it would not be cost-effective to establish a recovery audit program for its programs that expend more than $1 million. Recoveries are not expected to be greater than the costs incurred to identify any overpayments.

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