
FEDERAL LABOR RELATIONS AUTHORITY



OFFICE OF THE INSPECTOR GENERAL

SEMIANNUAL REPORT TO THE CONGRESS
FOR THE PERIOD

APRIL 1, 1991 to SEPTEMBER 30, 1991

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UNITED STATES OF AMERICA
FEDERAL LABOR RELATIONS AUTHORITY
OFFICE OF THE INSPECTOR GENERAL

WASHINGTON, D.C. 20424

October 31, 1991

The Honorable Jean McKee
Chairman
Federal Labor Relations Authority
500 C Street, SW.
Room 217
Washington, D.C. 20424-0001

Dear Chairman McKee:

This Semiannual Report is submitted in accordance with the Inspector General Act of 1978 (Pub. L. 95-452), as amended by the Inspector General Act Amendments of 1988 (Pub. L. 100-504). It is the fourth report on the activities of FLRA's Office of the Inspector General (OIG) since the Office was created in March 1989 and an Inspector General appointed in September 1989. The IG Act requires that you submit this report to the appropriate Congressional committees and subcommittees within 30 days of its receipt. Your transmittal should also include any comments you consider appropriate.

During this period, the OIG issued one Final Audit Report, one Management Letter, and one Draft Report. The latter report covered three separate reviews mandated by Federal law or recommended by Congressional Committees, and concerned

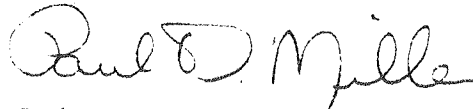
procurement of consultants, reporting of lobbying activities, and assignment of personnel to legislative activities. No investigations were conducted during this period.

The audit workload was concentrated in the Office of Administration during the past six months. This will be generally true in the near future as most functions mandated for review by various Federal laws or regulations reside with this Office. I would like to acknowledge the cooperation provided us by the Executive Director, the Director of the Office of Administration, and their staff during these audits.

The policies, procedures, and practices of the OIG have continued to evolve during this period. With the anticipated hiring of a staff investigator in early FY-1992, our inter-disciplinary staff will be generally appropriate to meet many of our audit and investigative objectives. As I have noted in previous semiannual reports, however, a more comprehensive program could be achieved with only modest increases in funds budgeted for OIG contract services. A modest increase would provide assurance that sufficient funds will be available for the annual contracted financial statement audit, a possible upgrade in its scope of work, any technical or specialized OIG needs, and any concurrent audit or investigative requirements of an urgent nature. My goal with such resources would be to develop broadly based, flexible, and responsive audit and investigative programs.

Our mutual goal is to ensure that the FLRA effectively meets all its statutory responsibilities while being a good steward of all its resources. The OIG's independent evaluations are vital to the effective management of FLRA and to the public's trust in FLRA programs. Your understanding and support is vital to the OIG's ability to fulfill its mission. I look forward to the continued development of our working relationship as we strive for the highest levels of integrity and efficiency in the FLRA's programs and activities.

Sincerely,

A handwritten signature in cursive script that reads "Paul D. Miller". The signature is written in dark ink and is positioned above the typed name.

Paul D. Miller
Inspector General

EXECUTIVE SUMMARY

The policies, procedures, and practices of the Office of the Inspector General have continued to evolve during this period. The permanent staff remains at three but the anticipated hiring in early FY-1992 of an investigator will greatly enhance the interdisciplinary character of the staff.

Three audits were completed during this period. One was issued in final form, another was issued as a management letter, and the third one was completed in draft. One new audit was initiated, and the Audit Universe was reviewed and updated. No indications of fraud, waste, or abuse were disclosed as a result of the completed audits.

No investigations were initiated during this period. All statutory requirements for a separate system of investigative records within the OIG were satisfied and such a system was established in July 1991. Agencywide instructions regarding OIG Audit and Investigative Authority, Policy, and Procedures are in final form and will be included in the FLRA's Instruction System which is under revision.

INTRODUCTION AND BACKGROUND

The Federal Labor Relations Authority (FLRA), an independent entity within the Executive Branch, oversees the labor-management relations program of the Federal service. It administers Title VII of the Civil Service Reform Act of 1978, the Federal Service Labor-Management Relations Statute (The Statute) (5 U.S.C. §§ 7101-7135), and provides full support to the Foreign Service Labor Relations Board and the Foreign Service Impasse Disputes Panel in connection with the implementation of Chapter 10 of the Foreign Service Act of 1980. The Statute administered by the FLRA protects the rights of employees of the Federal Government to bargain collectively and to participate through labor organizations of their own choosing in decisions affecting many conditions of their employment. The FLRA ensures compliance with the statutory rights and obligations of Federal employees and the labor organizations that represent them in their dealings with Federal agencies.

The FLRA consists of the Authority, the General Counsel, and the Federal Services Impasses Panel. The Authority is composed of three Members, one of whom is the Chairman who serves as the chief executive and administrative officer. The Authority provides leadership in establishing policies and guidance regarding labor-

The Office of the Inspector General at the Federal Labor Relations Authority was established pursuant to the 1988 amendments (Pub. L. No. 100-504) to the Inspector General Act of 1978 (Pub. L. No. 95-452). The Office was formally established on March 24, 1989. The first Inspector General was appointed on September 25, 1989. The Inspector General reports directly to the Chairman.

Under the authorizing legislation, the Office of the Inspector General is to:

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

The Office of the Inspector General at the FLRA is currently staffed at three (3) positions; the Inspector General, a Senior Auditor, and an Inspection Assistant. For Fiscal Year 1991, the Office budget was originally \$103,000 but was later increased through transfer of funds from other FLRA offices to fund the Senior Auditor position. In FY-1992, one additional FTE will be added to the Office. This position, an investigator, will be filled early in the fiscal year. With the addition of this position, the OIG staff will be generally able to deal with most audit and investigative requirements. A more comprehensive program could be achieved with modest increases, over previous levels, in contract services funds provided to the OIG.

AUDIT ACTIVITY

During this reporting period, one final audit report was issued along with a related management letter. One report (detailing three mandated audits) was completed in draft, and another audit was initiated. In addition, the Audit Universe was updated which resulted in a significant increase in the number of identified audit areas.

AUDITS COMPLETED

The following is a description of the reports issued during the period and their implementation status by management.

PROCUREMENT PROCESS FOR THE ANNUAL FINANCIAL STATEMENT AUDIT, AUDIT REPORT NO. 91-01, JUNE 20, 1991

The audit found that the Office of Administration needed to improve the competitiveness of procuring an independent public accountant to perform the annual financial statement audit of the Authority. We made three recommendations to improve the process.

Management has implemented the first two recommendations -- establishing a small business concern source listing of such accountants and increasing the number of procurement solicitations. Management has disagreed with the third recommendation -- establishing a committee to evaluate and select the accountant based upon combination of price and qualifications. Management felt that selection of the accountant based upon the lowest price was sufficient because of the small procurement amount involved. Although the contract/solicitation specifications prepared by the OIG provided minimum qualification standards as set forth in GAO's Government Auditing Standards (yellow book), we believe the award based upon a combination of price and additional qualification factors would reduce the risk of any inadequate audits.

Taking action on the first two recommendations, management increased the number of solicitations from the prior year figure of 2 to this year's figure of 32. Eight accountant responses were received versus one last year, and management was able to award a purchase order in September within the limited budgeted amount.

PROCEDURES TO BE FOLLOWED WHEN PROCURING FUTURE FINANCIAL AUDITS;
MANAGEMENT LETTER Dated May 8, 1991

This management letter was issued in relation to Audit Report No. 91-01. The OIG made three recommendations involving additional detailed procurement steps -- (1) use of the OIG prepared contract/solicitation specifications which included detailed qualification evaluation factors and an option to renew clause, (2) publication of the OIG prepared solicitation synopsis in the Commerce Business Daily, and (3) use of Standard Form 1447 to award the financial audit contract to replace the current informal written quote process (Standard Form 18). Management has not agreed with these recommendations.

OTHER AUDIT ACTIVITY

In September, the OIG completed in draft an audit "Review of Consulting Services, Lobbying Activity, and Employees Detailed to Legislative Committees" which, when finalized will be included in the Authority's budget submission to Congress, as required by Public Law. The OIG has also initiated an audit to monitor the independent public accountant's audit of the Authority's Fiscal Year

OTHER OIG AUDIT REPORTING REQUIREMENTS

SERIOUS OR FLAGRANT PROBLEMS REQUIRING REPORTING WITHIN 7 DAYS

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

ACCESS TO INFORMATION

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

SIGNIFICANT RECOMMENDATIONS OF PRIOR SEMIANNUAL REPORTS NOT IMPLEMENTED

There were no significant outstanding recommendations from prior reports requiring implementation.

PRIOR REPORTS LACKING MANAGEMENT DECISIONS

There were no previously issued audit reports with recommendations lacking management decisions.

SIGNIFICANT REVISED MANAGEMENT DECISIONS

No management decision was revised during the reporting period.

OIG DISAGREEMENT WITH SIGNIFICANT MANAGEMENT DECISIONS

As discussed on page 7, management disagreed with our third recommendation to audit report 91-01 and has decided not to implement the recommendation. We disagree with this decision and will retain this recommendation as an open recommendation on our tracking system.

INVESTIGATIVE ACTIVITY

No investigations were initiated during this period and none are presently underway. In July 1991, after completing all legal requirements, a separate system of investigative records was established within the OIG.

Investigative matters which will be pursued by this Office fall within the general areas of fraud, waste, and abuse as set forth in the Inspector General Act and its amendments. Such investigations, in addition to fraud or waste, may also involve allegations of corruption, misconduct or possible violations of ethics, integrity or financial rules or laws.

A pamphlet detailing the investigative authority, functions and responsibilities of the OIG is in final development and will be issued early in the new reporting period. It sets forth the type of investigations which will be conducted by the OIG as well as the duties and responsibilities of each employee. The pamphlet enumerates the general categories of prohibited activities and provides information on how to contact the OIG.

During this reporting period, no matters were reported to prosecutive authorities.

OTHER OIG ACTIVITY

PARTICIPATION IN ACTIVITIES OF PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY (PCIE) AND COORDINATING CONFERENCE OF THE PCIE

The FLRA OIG participates in many of the activities of the President's Council on Integrity and Efficiency (PCIE). The IG attends appropriate PCIE meetings and meetings of the Coordinating Conference of the PCIE. The IG serves as the alternate Coordinating Conference member on the PCIE's Integrity and Law Enforcement Committee. The IG represents Coordinating Conference Members on the Investigative Standards and Training Subcommittee. In addition, the IG is a member of the Coordinating Conference's Law Enforcement Committee. The IG is presently participating with a group of other Coordinating Conference members to develop a standardized investigative report format. Both the IG and the Director of Audit have participated in PCIE and Coordinating Conference seminars and training.

COORDINATION WITH DESIGNATED AGENCY ETHICS OFFICER

The Designated Agency Ethics Officer and the IG have continued to meet on a regular basis throughout the reporting period. Matters of mutual interest were discussed. Special attention was given to the Proposed Rule by the Office of Government Ethics regarding Standards of Ethical Conduct for Employees of the Executive Branch.

REGULATORY AND LEGISLATIVE REVIEW

As required by the Inspector General Act of 1978, as amended, the OIG regularly reviews proposed legislation and regulations which would impact upon the FLRA's programs and operations. Such reviews are made to determine the impact, if any, on the economy and efficiency of the FLRA's programs and operations and to ensure that adequate internal control procedures are included to prevent and detect fraud and abuse. Nothing was reviewed during this period which would have an adverse impact on the programs and operations of the FLRA.

TABLE I

INSPECTOR GENERAL ISSUED REPORTS
WITH QUESTIONED COSTS

	<u>NUMBER OF REPORTS</u>	<u>QUESTIONED COSTS</u>	<u>UNSUPPORTED COSTS</u>
A. For which no management decision has been made by the commencement of the reporting period.			
B. Which were issued during the reporting period.			
Subtotal (A plus B)			
C. For which a management decision was made during the reporting period.			
(i) dollar value of disallowed costs			
(ii) dollar value of costs not disallowed			
D. For which no management decision has been made by the end of the reporting period.			
E. Reports for which no management decision was made within six months of issuance.			

During the period April 1, 1991 to September 30, 1991, the Office of the Inspector General did not issue any audit reports which disclosed questioned or unsupported costs.

TABLE II

INSPECTOR GENERAL ISSUED REPORTS
WITH RECOMMENDATIONS THAT
FUNDS BE PUT TO BETTER USE

	<u>NUMBER OF REPORTS</u>	<u>DOLLAR VALUE</u>
A. For which no management decision has been made by the commencement of the reporting period.		
B. Which were issued during the reporting period.		
Subtotal (A plus B)		
C. For which a management decision was made during the reporting period.		During the period April 1, 1991 to September 30, 1991, the Office of the Inspector General did not issue any audit reports which recommended that funds be put to better use.
(i) dollar value of recommendations that were agreed to by management.		
(ii) dollar value of recommendations that were not agreed to by management.		
D. For which no management decision has been made by the end of the reporting period.		
E. Reports for which no management decision was made within six months of issuance.		