



FEDERAL LABOR RELATIONS AUTHORITY
OFFICE OF INSPECTOR GENERAL

**SEMIANNUAL REPORT
TO THE CONGRESS**

**October 1, 1996
to
March 31, 1997**

**ROBERT G. ANDARY
INSPECTOR GENERAL**



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

WASHINGTON, D.C. 20424

DATE: April 30, 1997

TO: Phyllis N. Segal
Chair

FROM: Robert G. Andary *AGA*
Inspector General

SUBJECT: Semiannual Report to the Congress

In compliance with Section 5 of the Inspector General Act, as amended, 5 U.S.C. App. 3, § 5, I respectfully submit the fifteenth semiannual report on the activities of the Office of Inspector General (OIG). This report summarizes the activities and accomplishments of the OIG during the period October 1, 1996, through March 31, 1997.

Attachment

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EXECUTIVE SUMMARY

This is the fifteenth semiannual report issued by the Office of the Inspector General (OIG) at the Federal Labor Relations Authority (FLRA). This report, submitted pursuant to section 5 of the Inspector General Act, summarizes the major activities and accomplishments of the Office during the period October 1, 1996, through March 31, 1997.

Audits

The Office of Inspector General issued a management letter concerning the FLRA's noncompliance with the Prompt Payment Act. The letter contained four recommendations and noted \$3630 in funds that could be put to better use. Audit follow-up work was conducted regarding the implementation of the recommendations contained in the OIG audit report 96-01 on Personal Property Management at the FLRA. Audit work was continued on an audit of the FLRA telecommunications system, and \$4533 in questioned costs were identified. In addition, comments were submitted on an FLRA revised instruction on implementing the Federal Managers Financial Integrity Act (FMFIA). The Assistant Inspector General for Program Analysis conducted a cost analysis to determine the costs of formal proceedings to the FLRA. The study was undertaken in support of the FLRA strategic plan initiative in 1996, and is continuing in support of the 1997 FLRA strategic plan now being drafted.

Investigations

During this period, fourteen complaints were received by the OIG, one of which resulted in a preliminary inquiry and one of which resulted in an investigation. Both the preliminary inquiry and the investigation were closed during this reporting period.

THE FEDERAL LABOR RELATIONS AUTHORITY

The Federal Labor Relations Authority (FLRA) was created in 1978 as an independent agency to administer the labor-management relations program for over 1.9 million non-postal Federal employees world-wide, more than 1.3 million of whom are now exclusively represented in approximately 2,200 bargaining units. Before the FLRA's creation, labor-management relations in the Federal sector was governed by Executive Order, and its administration was fragmented among various parts of the government. Today's FLRA represents the Federal government's consolidated and unified approach to its labor-management relations.

The FLRA is, in effect, three agencies consolidated in one, with a unified mission to promote stable and constructive labor-management relations that contribute to an efficient and effective government. The three independent operating components through which this mission is fulfilled are the Authority, the Office of General Counsel, and the Federal Service Impasses Panel.

The Authority is a quasi-judicial body with three full-time Members who are appointed by the President with the advice and consent of the Senate. The designated Chair of the Authority also serves as Chief Executive and Administrative Officer of the consolidated components which comprise the FLRA. The Authority component resolves cases in four primary areas. (1) *Negotiability*: the Authority decides cases filed by unions (but not agencies or individuals) concerning the negotiability of proposed collective bargaining agreement terms. (2) *Unfair Labor Practices (ULP)*: the Authority decides ULP appeals filed by agencies and unions (and sometimes, but rarely, individuals) from decisions and recommended orders issued by Administrative Law Judges on complaints prosecuted by the FLRA's Office of General Counsel. (3) *Arbitration Exceptions*: the Authority decides "exceptions" (the equivalent of appeals) filed by agencies and unions (but not individuals) to certain grievance arbitration awards. (4) *Representation*: the Authority decides cases filed by agencies and unions (and sometimes, but rarely, individuals) involving the appropriateness of units for union representation.

Wherever possible, the Authority, in collaboration with the other FLRA components, looks for ways to assist the disputing parties to discuss and bilaterally resolve the problems presented in these cases. The FLRA's goal is to avoid, where possible, unnecessary and contentious litigation.

The Office of the General Counsel (OGC) is the independent investigative and prosecutorial component of the FLRA, directed by a General Counsel who is appointed by the President with the advice and consent of the Senate. In addition to investigating, making decisions about prosecuting, and litigating ULP claims, the General Counsel has statutory authority to settle unfair labor practice charges. The General Counsel also supervises the FLRA's seven Regional Directors in carrying out the responsibilities delegated to them by the Authority to process representation petitions and supervise elections. The OGC has developed a highly effective approach to helping parties resolve more of their disputes on their own, without litigation.

The Federal Service Impasses Panel (Panel): The Federal Service Impasses Panel consists of seven Presidential appointees (one of whom is Chair) who serve on a part-time basis, and are supported by a small full-time staff. The Panel resolves impasses between Federal agencies and unions arising from negotiations over conditions of employment. Consistent with the FLRA's overall emphasis on the voluntary resolution of disputes, the Panel has a long history of successfully promoting alternatives to litigation, using a variety of formal and informal means to resolve bargaining impasses. Thus, in addition to written decisions and orders, the Panel also uses telephone mediation, mediation-arbitration, and fact finding hearings to resolve negotiation impasses.

The FLRA will use approximately 216 full-time equivalents (FTE's) this fiscal year, compared with 210 FTE's used in FY 1996, and 219 FTE's used in FY 1995. The FLRA has a FY 1997 appropriation of \$21,588,000, which is \$451,000 less than requested in the FLRA Congressional budget submission. The appropriation represents an increase from the FY 1996 appropriation of \$20,515,000, and the FY 1995 appropriation of \$21,298,000. For FY 1998, the FLRA requested \$22,039,000 to fully fund the same number of FTE's as in FY 1997 as well as provide for the increased cost of statutory pay raises.

The majority of the Authority's personnel are located in Washington, D.C. The General Counsel maintains Regional Offices in Boston, Washington D.C., Atlanta, Dallas, Denver, Chicago, and San Francisco.

FLRA MISSION STATEMENT

The Federal Labor Relations Authority exercises leadership under the Federal Service Labor-Management Relations Statute to promote stable, constructive labor-management relations that contribute to a more effective Government.

The Federal Labor Relations Authority fulfills its mission by:

- enforcing and clarifying the law through sound, timely decisions and policies;
- using fast, simple processes to conduct its business;
- providing high quality training and education programs, and furnishing effective intervention services; and

- administering its resources to ensure that services are responsive to the unique needs of its customers.

In order to accomplish this mission, the FLRA has established the following four goals:

1. To consistently provide high quality services that timely resolve disputes in the Federal labor-management relations community.
2. To create savings by effectively using and promoting multiple methods to constructively resolve disputes in the Federal sector workplace.
3. To maintain FLRA's internal systems and processes that support a continually improving, highly effective and efficient organization with the flexibility to meet program needs.
4. To develop FLRA's human resources to ensure a continually improving, highly effective and efficient organization with the flexibility to meet program needs.

OFFICE OF THE INSPECTOR GENERAL

The FLRA'S Office of the Inspector General was established pursuant to Pub. L. 100-504, the Inspector General Act Amendments of 1988, which amended Pub. L. 95-452, the Inspector General Act of 1978. The Inspector General reports directly to the Chair. As set forth in the authorizing legislation, the Inspector General:

-conducts and supervises audits and investigations relating to the programs and operations of the FLRA;

-provides leadership and coordination, and recommends policies which (1) promote economy, efficiency and effectiveness in agency programs and operations; and (2) prevent and detect fraud and abuse; and,

-keeps the Chair 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 (OIG) is currently staffed at three positions: the Inspector General, a Director of Audit, and an Assistant Inspector General for Program Analysis. The OIG has been informed that for FY 1998 the OIG budget will be reduced and that there are insufficient funds to support the GS-14 Assistant Inspector General position. Although the OIG will

continue to be staffed at three FTE's, the third position must be filled at a GS-9 level, and the Assistant Inspector General has been notified of an intent to conduct a reduction in force (RIF) effective no later than September 30, 1997. If this RIF occurs, the OIG's ability to conduct cost analyses in support of the FLRA strategic plan will be impaired.

The Office of Inspector General maintains a toll-free hotline number for receiving complaints. Investigations are conducted primarily by the Inspector General, an attorney with significant experience in Federal investigations.

OFFICE OF INSPECTOR GENERAL MISSION STATEMENT

The mission of the FLRA Office of Inspector General is to be a catalyst for improving FLRA programs and operations. The goal of our work is to improve the management and conduct of FLRA programs and operations by evaluating performance and identifying ways to make these programs and operations more efficient and effective.

The primary objectives of the Office of Inspector General are:

- o To evaluate the efficiency, economy, legality, and effectiveness with which FLRA components carry out their financial management and program responsibilities.
- o To assist the Chair and FLRA management in carrying out their responsibilities by providing them with objective and timely information on the conduct of FLRA operations, together with the Inspector General's analysis, conclusions, and recommendations.
- o To use investigations and other reviews to increase Government integrity and recommend improved systems to prevent fraud, waste, and abuse.

AUDIT ACTIVITY

Telecommunications Audit

During this reporting period, audit work was resumed on the OIG audit of the FLRA telecommunications system. The two issues reported below arose as part of the telecommunications audit, and were separately reported to management so that immediate corrective action could be taken.

Billing for Disconnected Lines

During the telecommunications audit, the OIG found that the agency was being erroneously billed for telephone lines of the FLRA office in New York City that had been closed since September 20, 1995. Total billings through December 22, 1996, were \$4,533. Management was alerted and has requested reimbursement of this amount from GSA. The OIG had reported a similar billing problem with respect to the agency's 1993 relocation of its Boston office, but an OIG recommendation made in a September 9, 1995, management letter for improving internal controls had not been implemented as of December 1996. Following the OIG's most recent management alert on this billing problem, the Director of the Administrative Services Division (ASD) implemented our recommendation by requesting that the GSA telephone billings be forwarded from the Budget and Finance Division to the ASD telephone coordinator for verification.

Prompt Payment Act Deficiencies

The Office of Inspector General issued a management letter on March 31, 1997, reporting certain deficiencies in the FLRA's compliance with the requirements of the Prompt Payment Act. The purpose of the letter was to advise management of the deficiencies so that future interest penalties could be avoided. The OIG found that over half of the FLRA's invoices were paid late during a given period, and that no interest payments were made to the vendors when invoice payments were eventually made. The OIG projected an annual interest payment obligation of \$3630 at the current late payment rate.

The OIG also found that the payment clause used by the FLRA in its purchase orders often caused confusion over the due dates for invoice payments. In addition, the OIG reported that an adequate control system had not been established to ensure timely payments.

In the course of this audit activity the OIG made five recommendations to improve prompt payment procedures. The Administrative Services Division implemented one recommendation by modifying the payment clause in all FLRA purchase orders to include a reference to the appropriate Federal Acquisition Regulation provision which specifies that payment date runs from the receipt of a proper invoice. Another recommendation was implemented through improvements to an electronic spreadsheet that tracks payments and alerts the Budget and Finance Division when 21 days have elapsed without payment papers being generated. Measures were also taken to strengthen the initial review and documentation procedures for determining whether proper vendor invoices are submitted. On April 23, 1997, the Executive

Director reported that the FLRA is now paying all invoices on time, and that there are no late payments currently on the agency's books.

The OIG also found that the FLRA was failing to submit annual prompt payment reports as required by the Prompt Payment Act. Further inquiry revealed, however, that OMB does not enforce the reporting requirement of the Prompt Payment Act for non-CFO agencies such as the FLRA, and no recommendation was made by the OIG regarding these reports.

Audit of FLRA Personal Property Management

During the last reporting period, the OIG issued audit report 96-01 on Personal Property Management at the FLRA. The audit report included 21 audit recommendations to improve property management operations and identified \$12,850 in potential savings and \$20,960 in questioned costs. In this reporting period, the OIG followed-up on certain recommendations made in the property audit as well as other issues raised during that audit. These issues included a review of management actions to implement the report's recommendations and the status of two missing laptop computers that had not been recorded in the property database.

Implementation of Property Audit Recommendations

FLRA management initially concurred with 19 of the 21 recommendations made in the OIG property audit report. The two recommendations management did not agree with were: (a) a recommendation requiring the Administrative Services Division staff to sign the property receiving reports; and (b) a recommendation eliminating access by the agency's computer staff to the property database password.

Recently, management informed us that new procedures have been instituted in the property receiving report and payment processing which the OIG accepts as an effective alternative implementation of recommendation (a). However, there continues to be disagreement over recommendation (b). Management continues to deem it unnecessary to prevent disclosure of the property database password to the computer staff. Since much of the inventoried property (computers and related items) is in the custody and is the responsibility of the computer staff, the OIG disagrees with management's position.

Management has taken action, or plans to take action, on the other 19 recommendations. Two of the recommendations were classified as significant recommendations. One of the significant recommendations was that a staff member independent from the property inventory database specialist should compare purchase entries in the automated Procurement database to the

corresponding entries in the property inventory database to identify any unrecorded property purchases or receipts. This recommendation has been implemented and such comparisons are now being conducted periodically.

The other significant recommendation in the property audit was that the Director of the Administrative Services Division review and sign (acknowledging such review) the property specialist's listing of property item disposals, transfers, and adjusting entries. Management agreed with this recommendation and plans to implement it as soon as the specialist generates the listing from the database and submits it for review.

Unrecorded Laptop Computers

During the inventory audit the OIG found that two of the property items received but not recorded to the property database were laptop computers. During this reporting period efforts were made to determine whether the laptops are missing, or merely unrecorded. During the most recent FLRA physical inventory, the OIG found that one of the laptops may have been located and recorded to the database under an erroneous purchase order number, although the equipment serial numbers listed on the vendor invoice and the actual equipment do not match. The inventory failed to locate the other laptop. Efforts to resolve this issue are continuing.

INVESTIGATIVE ACTIVITY

During this period, fourteen complaints were received by the OIG from various sources. Five complaints were referred to other agencies having jurisdiction over the matters, and three complaints were referred to other components within the FLRA. Three complaints were deemed to have no merit and were closed without further action after notifying the complainants. A complaint that FLRA employees mishandled certain ULP charges was closed after a preliminary inquiry indicated no substance to the complaint and no improper action by any FLRA employee. One complaint involving a possible threat in an anonymous letter was the subject of a preliminary inquiry, but is in an inactive status after the only lead was pursued.

One complaint resulted in an investigation which identified improper personnel actions about to be taken. When the responsible individuals were notified of the improper nature of the actions, corrective action was taken immediately and the investigation was closed. An investigation into the theft of computer items in August, 1995, remains open but inactive.

OTHER OIG ACTIVITY

Strategic Planning

In 1996 the Inspector General participated with FLRA managers and union representatives in a strategic planning initiative to develop a draft strategic plan for the agency. The initiative identified goals and objectives for the agency that were incorporated into office and individual workplans. The OIG developed its own strategic plan in May, 1996, which describes OIG audit activity for the period FY 1996 through FY 2000. In developing the strategic plan, the OIG was guided by the goals and objectives identified by the FLRA strategic plan initiative.

In 1997 the FLRA is developing its strategic plan in accordance with the Government Performance and Results Act of 1993. The Inspector General continues to participate with agency management in strategic planning, and attended three planning sessions in April, 1997. As in the strategic planning initiative of 1996, agency goals and objectives continue to require support from the OIG in conducting analyses of the costs of dispute resolution in the Federal sector workplace. Such analyses will provide the FLRA with a baseline for determining whether the FLRA is delivering services which provide savings to labor and management in the costs of resolving workplace disputes in the Federal sector.

ECIE

The Inspector General continued to attend meetings of the Executive Council on Integrity and Efficiency (ECIE). On February 4, 1997, the Inspector General was appointed to be the ECIE representative to the Investigations Committee of the Presidents Council on Integrity and Efficiency. The Inspector General has since participated in the regular meetings of the Investigations Committee and submitted written comments on the draft *Quality Standards for Investigations* being drafted by a working group of the Committee. The Inspector General also attended the joint PCIE-ECIE annual conference held in February, 1997.

ULP Cost Study

In furtherance of the goals and objectives of FLRA strategic planning, the OIG continued to conduct a study to determine the costs of formal proceedings to resolve unfair labor practice charges under the Federal Service Labor-Management Relations Statute. The OIG developed a methodology for a budget-based analysis of costs to the FLRA at various stages in the formal dispute resolution process. Preliminary results are being

circulated for comment and planning is underway to conduct similar analyses of cost for representative Federal agencies.

Other

The Inspector General continues to meet on a monthly basis with the FLRA Chair to brief her on OIG activities and to discuss any other matters pertaining to the FLRA or the OIG. The Inspector General also attends regular management meetings with the Executive Director and office directors so that the Inspector General is aware of current activities and planning in the agency.

SPECIFIC REPORTING REQUIREMENTS OF SECTION 5(a) OF THE INSPECTOR GENERAL ACT OF 1978, AS AMENDED

The following summarizes the Office of Inspector General response to the twelve specific reporting requirements set forth in Section 5(a) of the Inspector General Act of 1978, as amended.

1. A description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of such establishment disclosed by such activities during the reporting period.

No significant problems, abuses, or deficiencies relating to programs and operations were disclosed during this reporting period.

2. A description of the recommendations for corrective action made by the Office during the reporting period with respect to significant problems, abuses, or deficiencies identified pursuant to paragraph (1).

No such recommendations for corrective action were made during this reporting period.

3. An identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed.

Recommendations No. 2 and 10 of Finding 1 of the "Personal Property Management" audit report issued during the last reporting period were classified as significant recommendations. Recommendation No. 2 was that a staff member independent from the property inventory database specialist should compare purchase entries in the automated Procurement database to the corresponding entries in the property inventory database to identify any unrecorded property purchases or receipts. This

recommendation has been implemented and such comparisons are now being conducted periodically.

The other recommendation was that the Director of the Administrative Services Division review and sign (acknowledging such review) the property specialist's listing of property item disposals, transfers, and adjusting entries. Management agreed with this recommendation and plans to implement it as soon as the specialist generates the listing from the database and submits it for review.

4. *A summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted.*

No matters were referred to prosecutive authorities.

5. *A summary of each report made to the head of the establishment under section (6)(b)(2) during the reporting period.*

No report was made to the FLRA Chair under section (6)(b)(2) during the reporting period.

6. *A listing, subdivided according to subject matter, of each audit report issued by the Office during the reporting period, and for each audit report, where applicable, the total dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and the dollar value of recommendations that funds be put to better use.*

No audit reports were issued. Management letters issued during the reporting period as part of the OIG telecommunications audit identified \$4533 in questioned costs and \$3630 in funds that should be put to better use. No unsupported costs were reported.

7. *A summary of each particularly significant report.*

No audit reports were issued. OIG audit activity during the reporting period is described above under "Audit Activity."

8. *Statistical tables showing the total number of audit reports with questioned costs and the total dollar value of questioned costs.*

The required statistical table can be found in Table I which follows.

9. *Statistical tables showing the total number of audit reports with recommendations that funds be put to better use and the dollar value of such recommendations.*

The required statistical table can be found in Table II, below.

10. *A summary of each audit report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period (including the date and title of each such report), an explanation of the reasons such management decision has not been made, and a statement concerning the desired timetable for achieving a management decision on each such report.*

No management decisions fall within this category.

11. *A description and explanation of the reasons for any significant revised management decision made during the reporting period.*

No management decisions fall within this category.

12. *Information concerning any significant management decision with which the Inspector General is in disagreement.*

No management decisions fall within this category.

TABLE I: OIG AUDIT REPORTS WITH QUESTIONED COSTS

| INSPECTOR GENERAL REPORTS WITH QUESTIONED COSTS | NUMBER OF REPORTS | DOLLAR VALUE | |
|------------------------------------------------------------------------------------------------|-------------------------|---------------------|----------------------|
| | | Questioned Costs | Unsupported Costs |
| A. For which no management decision has been made by the commencement of the reporting period. | 0 | 0 | 0 |
| B. Which were issued during the reporting period. | 1 | \$4533 | 0 |
| C. For which a management decision was made during the reporting period. | 1 | \$4533 | 0 |
| (i) dollar value of disallowed costs. | 1 | \$4533 | 0 |
| (ii) dollar value of costs not disallowed. | 0 | 0 | 0 |
| D. For which no management decision has been made by the end of the reporting period. | 0 | 0 | 0 |

**TABLE II: OIG AUDIT REPORTS WITH RECOMMENDATIONS
THAT FUNDS BE PUT TO BETTER USE**

| INSPECTOR GENERAL REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE | NUMBER OF REPORTS | DOLLAR VALUE |
|------------------------------------------------------------------------------------------------|-------------------------|--------------|
| A. For which no management decision has been made by the commencement of the reporting period. | 0 | 0 |
| B. Which were issued during the period. | 1 | \$3630 |
| C. For which a management decision was made during the reporting period. | 1 | \$3630 |
| (i) dollar value of recommendations that were agreed to by management. | 1 | \$3630 |
| (ii) dollar value of recommendations that were not agreed to by management. | 0 | 0 |
| D. For which no management decision was made by the end of the reporting period. | 0 | 0 |

GLOSSARY

Management Decision

A final decision made by management in response to audit report recommendations that may include actions concluded to be necessary or a determination that no action is necessary.

Questioned Costs

Expenditures questioned by the OIG due to:

- UNSUPPORTED COSTS, which involve inadequate documentation.
- DISALLOWED COSTS, which involve an alleged violation (concurring with Management Decision) of a law, regulation, grant, contract, or other agreement.
- UNNECESSARY OR UNREASONABLE COSTS.

Funds Be Put To Better Use

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

Final Action

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

Significant Recommendations

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

Management Letter

This document brings to the attention of management any of a broad range of issues and subjects which should be addressed by management but do not require formal audit or investigation. Management letters are generally unplanned and are issued to report on situations found in conjunction with an on-going or completed audit or investigation. They may also be used to expand on previously issued audit report recommendations.

REPORT: FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

TO:

**FLRA's
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**HOTLINE
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**INFORMATION IS CONFIDENTIAL
CALLER CAN BE ANONYMOUS**

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