



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

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

Decisions of the
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AUTHORITY

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**UNITED STATES
FEDERAL LABOR RELATIONS AUTHORITY**



Performance and Accountability Report

FISCAL YEAR 2012

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MESSAGE FROM THE CHAIRMAN



I am pleased to present the U.S. Federal Labor Relations Authority's (FLRA) Performance and Accountability Report for Fiscal Year (FY) 2012. The work of the agency is critically important to the effectiveness and efficiency of the Federal government, assisting agencies, employees, and employee representatives to resolve disputes in order to effectuate the implementation of improvements in government operations. 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.

Over the last four years, the FLRA has risen to the challenge presented to all Federal agencies by President Obama's Administration: engaging in rigorous, metrics-based evaluation of its mission performance, management, and policies. Through the effective management of resources, as well as the hard work and dedication of agency leadership and employees, the FLRA has transformed itself from an under-performing agency marked by its numerous deficiencies to a high-performing agency with numerous notable achievements – eliminating its backlog, completing its Corrective Action Plan, educating the labor-management community at unprecedented rates, and providing practitioners with education and training resources and tools for success. These outstanding mission outcomes are matched only by the FLRA's tremendous success in engaging and collaborating with its employees, ranking 7th among small agencies in the *Best Places to Work in the Federal Government* survey – a significant accomplishment given that its 2007 and 2008 Employee Viewpoint scores resulted in the FLRA being ranked the *worst* place to work among all small agencies in the Federal government for two consecutive years.

Emphasizing mission accomplishment and performance improvement through transparency, employee engagement, and collaboration, FY 2012 was another year of real results for the FLRA, with all components meeting their strategic objectives and performance indicators, accomplishing key agency-wide mission milestones, and sustaining the dramatic and unprecedented increases in employee satisfaction and morale that were reported in FY 2010 and FY 2011. In addition, the agency continued to improve its efficiency by engaging in new and innovative ways to conduct business, using technology to maximize resources, increase flexibility, reduce costs, and enhance the delivery of agency case processing, training, and dispute resolution services.

Delivering on the commitment FLRA leadership made to the labor-management community, employees, and the President in FY 2009, the Authority component satisfied its Corrective Action Plan, meeting all significant performance indicators and ensuring the timely resolution of disputes. In this connection, the Authority reduced its pending case inventory by close to 90 percent; eliminated overage case inventory by 100 percent; and the average age of its cases is now approximately 50 days – reduced from well over 250 days. For yet another year, the Office of the General Counsel (OGC) component sustained its dramatic productivity increases, resolving 20 percent more cases than it did in FY 2009. In addition, the Federal Service Impasses Panel component – which continues to experience increased case filings, including an

increase of over 15 percent in FY 2012 – is still showing improved performance outcomes and dramatic case settlement success. In this regard, the FSIP exceeded all of its performance goals in FY 2012 – with one exceeded by more than 15 percent.

Particularly noteworthy, are the tremendous efficiencies gained through the FLRA’s use of collaboration techniques and alternative dispute resolution (ADR) to minimize and resolve labor-management disputes. In FY 2012, the OGC resolved close to 100 percent of the cases in which parties agreed to engage in ADR to collaboratively resolve their dispute. The FLRA’s Collaboration and Alternative Dispute Resolution Office also brought about real results, expeditiously resolving well over 90 percent of pending cases with no further need for litigation, getting the parties back to conducting the business of government. And consistent with its leadership role in labor-management relations, the FLRA delivered hundreds of training, outreach, and facilitation sessions in FY 2012 to thousands of practitioners. The agency’s work in this regard, has been critical to the implementation and ongoing success of parties’ efforts pursuant to President Obama’s Executive Order 13522, *Creating Labor-Management Forums to Improve Delivery of Government Services*.

The FLRA also successfully leveraged technology, finding new and innovative ways to conduct business and enhance the delivery of its services. In FY2012, the FLRA launched electronic case filing, increasing efficiencies by reducing procedural-filing errors and resulting processing delays. In collaboration with other Federal agencies, the FLRA also unveiled comprehensive web-based training modules, bringing programs directly to its customers’ desks at no cost to them, and without the need for costly travel. Additionally, the agency continued to improve its website, adding easier and more complete access to case decisions, case law outlines, guidances, and manuals.

As has been the case since FY 2009, these successes were accomplished in full partnership with our employees and their representative union, and have been accompanied by extraordinary increases in employee satisfaction. The FLRA’s continued focus on human capital initiatives, such as training and development, performance management, and work-life balance have enabled the agency to make significant and measurable organizational performance improvements.

I am very proud of the FLRA’s FY 2012 accomplishments, which are nothing short of dramatic given that just a few short years ago both our mission performance and employee satisfaction were at an all-time low. Putting that past behind us, the FLRA’s dedicated and engaged employees and leadership are truly delivering for our customers, and as a result, the American public.



Carol Waller Pope
Chairman
Federal Labor Relations Authority
November 15, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

BACKGROUND AND MISSION

The U.S. Federal Labor Relations Authority (FLRA) is *the* sole agency 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 real genesis, however, dates from the issuance of Executive Order 10988 by President Kennedy in 1962. In FY 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 11491 to administer the Federal labor-management relations program and to make final decisions on policy questions and major disputes arising under Executive Order 10988. Executive Order 11491, as amended, was the basis for President Carter's proposal to Congress to create the Federal Labor Relations Authority as an independent agency.

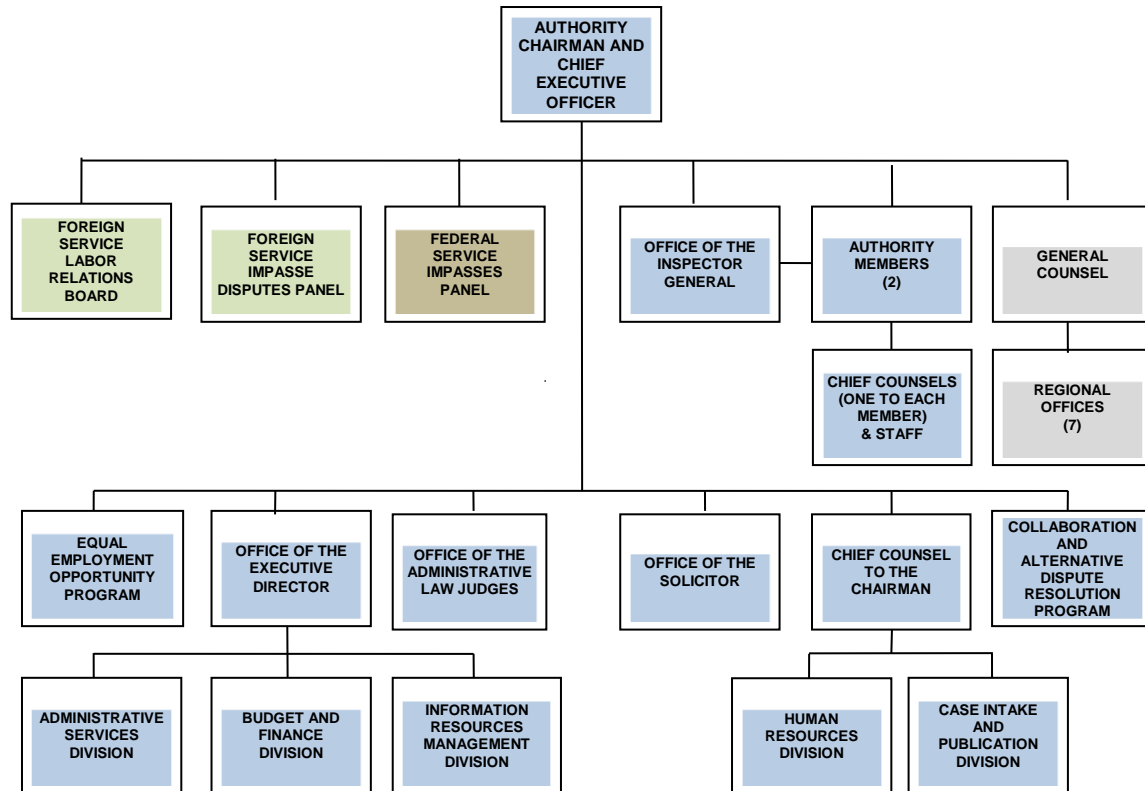
The Statute protects the rights of Federal employees to form, join, or assist a labor organization or to refrain from such activity freely and without fear of penalty or reprisal. These rights include acting for a labor organization as a representative and, in that capacity, presenting the views of the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

The mission of the FLRA is to promote stable, constructive labor-management relations in the Federal government by resolving and assisting in the 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 the timely, quality resolution of disputes, is essential for program performance government-wide. If a labor-management dispute in another agency remains unresolved for too long, the mission accomplishment in that agency likely will suffer.

ORGANIZATIONAL STRUCTURE

The FLRA consists of the Authority, the Office of the General Counsel, and the Federal Service Impasses Panel. The agency also provides full 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 is composed of three full-time Members appointed by the President with the advice and consent of the Senate. The Members are appointed for five-year, staggered terms and one Member is designated by the President to serve as Chairman, who acts as the agency’s chief executive and administrative officer. The Authority is empowered to: resolve disputes over the negotiability of proposals made in collective bargaining; decide whether conduct alleged in a complaint constitutes an unfair labor practice (ULP); resolve exceptions to grievance arbitration awards; and review the decisions of Regional Directors in representation disputes over union elections and unit determinations.

The Authority Members appoint Administrative Law Judges (ALJs) to hear and prepare recommended decisions in cases involving alleged ULPs, as well as decisions involving applications for attorney fees filed pursuant to the Back Pay Act or the Equal Access to Justice Act. The Office of the Administrative Law Judges (OALJ) also provides settlement opportunities in all ULP cases. Decisions of the ALJs may be appealed to the Authority.

The Office of the Solicitor represents the FLRA in court proceedings before all United States courts, including the U.S. Supreme Court, U.S. Courts of Appeals, and Federal District Courts. In this connection, parties aggrieved by certain Authority decisions may institute an action for

judicial review within 60 days after the decision 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 FLRA's in-house counsel, providing legal advice to all FLRA components and performs various functions under the Freedom of Information Act and Privacy Act. The Solicitor also serves as the Designated Agency Ethics Official.

The Office of the Inspector General provides independent and objective assessments of the FLRA's efficiency, effectiveness, and compliance with laws and regulations. This is accomplished through proactive evaluations of agency operational processes. In addition to striving to prevent and detect fraud, waste, and abuse of the FLRA's resources and operations, a key goal of the Inspector General is to serve as a catalyst for improving operations and maximizing the efficiency and integrity of agency programs.

In fulfilling these responsibilities and objectives, the Inspector General conducts and supervises investigations, internal reviews, audits, and evaluations of the programs and operations of the agency. The Inspector General communicates the results of investigations and assessments to FLRA management, the Congress, other oversight entities, and the public as appropriate. Generally, results are communicated in formal reports and contain findings and recommendations aimed at correcting any deficiencies identified and promoting efficiency and effectiveness in agency programs and operations. The Inspector General also manages a hotline to provide employees and the public with a direct means for communicating information on potential fraud, waste, or abuse.

The Office of the General Counsel

Appointed for a five-year term by the President with the advice and consent of the Senate, the General Counsel has independent statutory responsibility for investigating ULP charges and for filing and prosecuting ULP complaints. Pursuant to the Statute, the General Counsel has direct authority over, and responsibility for, all employees in the Office of the General Counsel (OGC), including those in the regions. The Regional Offices, on behalf of the General Counsel, investigate and resolve alleged ULPs, file and prosecute ULP complaints, and provide Statutory training and alternative dispute resolution (ADR) services. In addition, through delegation by the Authority, the Regional Offices process representation petitions and conduct secret ballot elections.

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

[Atlanta Regional Office](#)

[Boston Regional Office](#)

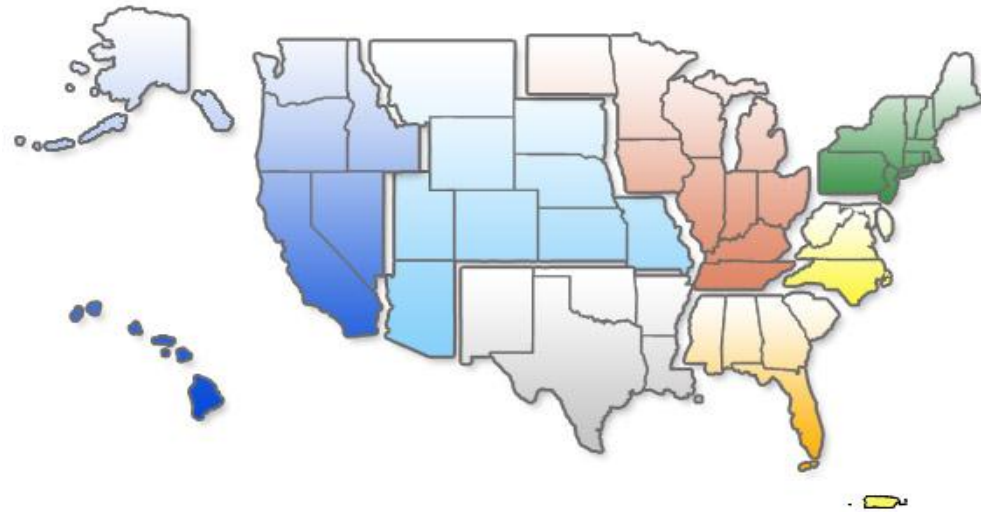
[Chicago Regional Office](#)

[Dallas Regional Office](#)

[Denver Regional Office](#)

[San Francisco Regional Office](#)

[Washington DC Regional Office](#)



The Federal Service Impasses Panel

The Federal Service Impasses Panel (FSIP or the Panel) 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 Chairman and six other Members of the Panel are appointed by the President 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 Panel may determine to assert jurisdiction over the request. If jurisdiction is asserted, then the FSIP has the authority to recommend and/or direct the use of various ADR procedures. These include informal conferences, additional mediation, fact-finding, written submissions, and mediation-arbitration by Panel Members, the Panel's staff, or private arbitrators. If the parties still are 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. The merits of the FSIP's decision may not be appealed to any court.

STRATEGIC AND PERFORMANCE PLANNING FRAMEWORK

The FLRA's performance planning framework is based on the FY 2010 – 2015 Strategic Plan, and is supported by the Annual Performance Plan. The FLRA Performance Plan reflects the agency's commitment to establishing measures that will enable it to assess performance outcomes, align resources, and effectively identify staffing and training needs for future years. The agency performance plan also demonstrates the FLRA's on-going commitment to organizational excellence. Over the last four years, the agency has continued to assess and evaluate its performance outcomes to ensure that it is accomplishing its important mission of

providing guidance in resolving labor-management disputes in the Federal sector. Through comprehensive agency-wide reviews of operations, staffing, work processes, resource allocations, and performance with agency leadership, employees, and the Union of Authority Employees (UAE) – the employees’ representative organization – the FLRA is more fully preparing to comprehensively and strategically plan for its future and establishing aggressive and challenging mission initiatives and performance indicators, maximizing the delivery of agency services throughout the Federal government.

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 agency seeks to achieve its strategic goals primarily through the timely review and disposition of cases. The FLRA supplements these efforts with a focus on reducing litigation and its attendant costs by helping the parties 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 2012 Performance Goals
1. Provide timely review and disposition of ULP 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.

Timeliness

Improvements in the timeliness of case dispositions further the FLRA’s critical role in facilitating orderly, efficient, and effective change within the Federal government. The core purpose of the Statute is to promote collective bargaining as a means of fostering improved employee performance and government operations. It is indisputable that productive and effective labor-management relations are necessary for designing and implementing the comprehensive changes required to reform government, and that effective labor-management relations is dependent on the

timely resolution of disputes and the engagement and participation of Federal employees and their union representatives as essential sources of front-line ideas and information about the realities of delivering government services. The FLRA facilitates improvements in performance government-wide that will inevitably impact employee working conditions and implicate the bargaining rights of the more than 1.2 million employees represented by a labor organization. Unless management and labor can timely reach agreements or, failing that, have their disagreements resolved expeditiously, 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 budget and policy challenges they are facing.

Alternative Dispute Resolution

Throughout the years, the Authority, the OGC, and the FSIP, recognizing the tremendous benefits and cost-savings associated with using ADR to resolve workplace disputes, have integrated ADR techniques into many aspects of their case processing. Offering ADR services in pending ULP, representation, negotiability, and bargaining impasse disputes at every step – from investigation and prosecution to the adjudication of cases and resolution of bargaining impasses – results in parties having faster, mutually agreeable, and generally more meaningful resolutions of their disputes. More than 15 years ago, the FLRA established the Collaboration and Alternative Dispute Resolution Program to place even greater and more formalized emphasis on the use of ADR.

Throughout the years, the Collaboration and Alternative Dispute Resolution Office (CADRO), as well as the OGC and the OALJ, have successfully conducted interventions and engaged in settlement efforts in thousands of cases pending before the agency. In well over 80 percent of FLRA cases in FY 2012 – and in some offices close to 100 percent – these activities resulted in the full resolution of the underlying dispute and closure of the pending case. To date, the FLRA has leveraged existing staff and resources to increase its ADR reach, partnering with other agencies – such as the Federal Mediation and Conciliation Service and the Veterans Administration – training large numbers of practitioners, and supporting labor-management forums. The demand from the community is growing, and further expansion of the FLRA’s ADR efforts will result in parties’ disputes being resolved more timely and expeditiously – facilitating ongoing, collaborative labor-management relations.

In addition, expansion of the FLRA’s training initiative is intended to make case processing more effective and efficient and to better serve agency customers by providing meaningful and clear guidance as to statutory rights and responsibilities to increase dispute avoidance, and as necessary, elucidate litigation of unresolved disputes. Timely and efficient case processing is furthered by FLRA customers being educated and knowledgeable about their rights and obligations under the Statute as well as agency case law, regulations, and case processing procedures. The FLRA delivers its educational materials through a variety of means – in-person training sessions, on-line meetings and training sessions, and various on-line resources – such as newly-launched web-based training modules, as well as outlines, manuals and guides developed to assist members of the Federal labor-management relations community with issues and cases arising under the Statute. Using collaboration and ADR techniques along with other training, outreach, and facilitation services to assist parties in minimizing and resolving labor-management disputes significantly

reduces the need for litigation and its attendant costs, and gets parties back to work accomplishing their missions and the effective and efficient delivery of government services.

Information Technology

IT and automation are fundamental to ensuring an efficient and effective FLRA and to meeting the agency's timeliness goals. The agency continues to improve its efficiency and the customer-service experience by engaging in new and innovative ways to conduct business, successfully introducing electronic case filing (eFiling) in all agency components in FY 2012. The FLRA's eFiling system, which was developed to provide easier, more user-friendly, and complete access to the FLRA and its services, is an important e-government initiative. More specifically, eFiling is expected to increase efficiencies by reducing procedural-filing errors and resulting processing delays, and is another example of the agency's ongoing efforts to better serve its customers and to provide current, useful online tools for Federal employees, the unions that represent them, and Federal agencies in resolving issues under the Statute. The agency-wide, cloud-based system is built upon the FLRA Case Management System (CMS), which was implemented in FY 2011, and which will provide the platform for the agency to develop an "end-to-end" electronic case file – enabling large scale use of telework and ultimately reducing agency space rental costs.

The FLRA's ADR intervention efforts in pending negotiability cases have also been greatly enhanced through the use of technology, allowing staff to resolve large, complex negotiability cases with minimal cost. For example, in one case during FY 2012, a Department of Defense agency declared dozens of union proposals non-negotiable while the parties were renegotiating their term contract, and the union filed a negotiability petition with the Authority. In a case of this magnitude, the parties normally would appear in person at a multi-day Post Petition Conference, followed by formal legal submissions, extensive FLRA research and analysis of each issue, and a complex array of briefings and actions by Authority Members and their staffs. The parties in this case were located more than 4,000 miles from FLRA Headquarters, a distance that normally would further complicate and lengthen the dispute resolution process. But in this case, the parties agreed to use the agency's ADR services and various forms of technology that enabled them to overcome barriers of time and distance. The FLRA used a combination of audio conferencing, video conferencing, secure-online data sharing, and remote document viewing and editing. As a result, no one traveled outside their commuting areas, some sessions were conducted from telecommuting locations, and after just six half-day sessions, the parties executed a complex, 20-page document reflecting full agreement on some issues, resolution of negotiability disputes concerning all other issues, and withdrawal of the negotiability petition.

In another large, complex case, an agency declared more than 30 contract proposals non-negotiable during term-contract bargaining. The parties agreed to utilize the FLRA's ADR services and brought 15 bargaining team members to the table, some from more than 1,500 miles away, for several days of face-to-face negotiations. The parties made substantial progress before agreeing to continue CADRO-facilitated ADR discussions using FLRA-hosted audio conferencing, online data sharing, and remote document viewing and editing services. The 15 negotiators logged in from more than twelve independent locations over the course of two days, and the parties reached a full resolution of the case without the need for a decision of the Authority.

The FSIP also relies heavily on technology to increase efficiency in resolving cases. During FY 2012, consistent with the practice it has adopted in previous years, the Panel conducted four of its seven business meetings via teleconference, linking Panel Members in the San Francisco, Chicago, and Detroit areas with their colleagues and staff in Washington, DC, saving thousands of dollars in travel costs and per diem expenses. In addition, Panel Members routinely conducted mediation-arbitration proceedings by telephone and/or video conference where on-site visual inspection of a facility was unnecessary to resolve impasses, avoiding the need for a Panel Member to travel to the location of a dispute or for the parties to send their representatives to the Panel's offices.

The agency has used technology in delivering other services as well. For example, all government agencies look to the FLRA as one of the lead training agencies concerning President Obama's Executive Order 13522, *Creating Labor-Management Forums to Improve Delivery of Government Services*, and the CADRO has helped them overcome some of the initial hurdles in implementing the Order. The CADRO recently assisted representatives from labor and management that were dispersed in many locations across 1,500 miles. As a precursor to face-to-face meetings, the CADRO office hosted an online meeting that enabled more than a dozen key leaders to engage in some basic training concerning the Order, share critical information, identify barriers preventing forward movement, agree to develop a labor-management forum charter, and schedule future meetings. As a result, communications were enhanced, travel costs were reduced, and the parties' collaborative labor-management relationship strengthened, and efforts are underway with the parties to work together to develop ways to improve their mission performance.

Human Capital

The FLRA made major gains this year in improving all aspects of employee work-life and leveraging its highly engaged workforce to address agency matters, ranging from performance management, budget, space, and information technology. Continuing its commitment to communicating and involving employees in all aspects of mission performance and agency operations, the FLRA has established a true link between employee engagement and agency performance outcomes. In FY 2012, the agency accomplished a critical component of its succession planning, rebuilding its Regional Office management structure and maximizing the talent and skills cultivated through a series of developmental details offered over the last two years. With a commitment to increasing diversity and inclusion (D&I), the agency developed a D&I Strategic Plan and metrics for assessing D&I success, reaffirming the FLRA's commitment to fostering a workplace where employees from all backgrounds are recruited, retained, and developed for successful performance and career progression. Targeted hiring of student interns from underrepresented groups has bolstered the FLRA's diversity and is part of the agency's effort to develop a more diverse full-time workforce.

Maximizing its training resources and leveraging the wealth of institutional knowledge within its own workforce, the agency instituted a large-scale agency-wide, leadership-development and succession planning initiative that includes executive training and developmental details throughout all offices. The details support individual development and help the FLRA strategically balance workloads and performance outcomes through realignment of internal

resources. Other training initiatives include formally assessing employee training needs, which will enable the agency to target training resources accordingly. The FLRA also engages its employees through monthly educational “brown bag” series and various multi-cultural programs. An FLRA educational alliance with the University of Maryland University College (UMUC) provides employees and their families with training support in the form of tuition discounts for the UMUC’s undergraduate, graduate, and certificate programs.

Working in tandem with the FLRA’s Labor-Management Forum, the agency also established a number of issue-specific forums to engage employees in resolving various mission, operational, and workforce development issues. A new Administrative Forum was created with the primary goal of fostering a supportive and collaborative environment to aid administrative professionals in their career development and advancement and daily work-life. A Space Management Forum and a Technology Council were also created to facilitate effective and efficient utilization of FLRA space and IT resources, resulting in a quality working environment for employees, managers, and agency leadership. In addition, the FLRA expanded its alternative work schedule program to help employees find an appropriate work-life balance – increasing participation to 65 percent.

A notable agency achievement, accomplished in full collaboration with the FLRA’s UAE, was the development and implementation of a five-tiered performance management system for General Schedule employees and an accompanying awards policy, intended to drive timely and quality performance throughout all offices of the agency. The FLRA was also one of the first small agencies to take part in early implementation of a new, government-wide Senior Executive Service performance appraisal system. These performance assessment improvements allow for a more accurate and beneficial assessment and recognition of employee work.

PERFORMANCE SUMMARY

The Obama Administration has pursued a challenging agenda, cutting wasteful spending and programs that do not work, strengthening and streamlining those that do, leveraging technology to transform government operations to save money and improve performance, and making government more responsive and open to the needs of the American people. This challenging agenda has required – and continues to require – major changes having a significant impact on the Federal workforce as well as the effectiveness and efficiency of agency operations. It has also presented an opportunity for Federal agencies and Federal employees and their labor representatives to realign, re-tool, and reassess how they do their work to bring about effective changes within government and to engage in collaborative dispute resolution. In addressing these challenges, the FLRA has demonstrated a significant, marked improvement in its performance and direct-service delivery, having a direct bearing on how well and quickly improvements in government operations have been effectuated. As such, it is an essential component to bringing about real change within the Federal government. The nature of the services that the FLRA provides its customers – in avoiding and resolving disputes that otherwise detract from mission performance – means that its vitality is important beyond its size.

With respect to its mission accomplishments, the FLRA has continued its significant improvements in providing customers with the timely, quality dispute resolution services that

they deserve. Since February of FY 2009, the Authority has reduced its pending case inventory by 87 percent – from 394 to 50 cases, its overage case inventory by 100 percent – from 269 to zero, and the average age of pending cases by 81 percent – from 270 to 51 days. As a result of recent regulatory changes involving arbitration cases, the Authority has reduced the number of procedural deficiencies in parties' filings, and clarified the grounds for the Authority's review and the applicable legal standards. As a result, cases can be processed and resolved more expeditiously.

Furthermore, the OGC has continued to maintain its productivity increases in FY 2012, resolving 20 percent more cases than in FY 2009. In FY 2012, the office closed more than 4,300 ULP cases and held trials in over 35 cases. The OGC also closed nearly 300 representation cases and conducted over 50 elections. The OGC's work is of critical importance to Federal agencies throughout the government right now – all Federal agencies are restructuring, examining, and implementing new or revised work processes and procedures and leveraging technology in order to bring efficiency to their operations. As recognized by Executive Order 13522, strong labor-management relations is an essential element of effectuating those changes, as well as the legal rights and obligations provided by the Statute and enforced by the FLRA.

In many circumstances where agencies are restructuring to bring efficiency to their operations, the reorganization often results in a dispute over whether a union will still represent the bargaining unit employees after the restructuring, and if more than one union is involved, which union is the representative. The OGC works hard to resolve these disputes expeditiously so that operations are not affected due to the uncertainty over bargaining obligations. For example, the Department of Defense recently created a Joint Base in Washington State, transferring some Army and Air Force employees who provide base-operations support to the Joint Base. The Air Force employees were represented by a union; the Army's were not. An election petition was filed by the Air Force employees' union, seeking to represent the 1,250 newly transferred employees of the Joint Base. The OGC quickly facilitated an election agreement with all involved parties, providing for a mail-ballot election with voting materials in three languages, English, Spanish, and Tagalog. Within four months, the election had taken place, and the question of representation was resolved shortly thereafter – the operations of the Joint Base were not affected by uncertainty over management's bargaining obligations.

In another case, the OGC's enforcement of the Statute helped an agency achieve transparency in its performance management process, a result which boosts morale and ensures effective performance of an agency's mission. In that case, an arbitrator issued an award finding that the agency had consistently failed to give its employees timely (or in some cases any) performance appraisals or performance-based award determinations. The arbitration award required, among other things, the agency to take certain steps to ensure employees were appraised. The OGC determined that the agency was not complying at all with the arbitrator's award in violation of the Statute, and as a result, the agency was directed to take specific, transparent steps to ensure compliance with the award.

The OALJ also continued to resolve cases at an increased pace in FY 2012. Of significant import is that, with nearly 750 new cases on their docket in the last three years, the ALJs have

continued to settle cases without a trial – 80 percent of cases that participate in the OALJ Settlement Judge Program are resolved and closed.

The FSIP, which has experienced an increase in case filings every year since FY 2009 – including an increase of over 15 percent in FY 2012 – has also showed improved performance outcomes. In particular, over the last three years, the FSIP closed more cases each year than in FY 2009, and with its commitment to obtaining settlements rather than issuing decisions, returned to its original guiding philosophy that the voluntary settlement of bargaining impasses using mediation-arbitration techniques is the most effective and efficient form of dispute resolution.

In managing its growing caseload, the FSIP prioritizes case processing to ensure that disruption to government operations and cost to the taxpayers is minimized. For example, in response to Administration initiatives, Region 7 of the Environmental Protection Agency (EPA) decided to relocate approximately 650 employees, grantees, and contractors to an office in the Kansas City area, which reduced total space by 20 percent. Subsequent negotiations between the EPA and its two exclusive representatives resulted in six requests for FSIP assistance starting in March 2012. The Panel's intervention resulted in an arbitration award by one of its Members involving two of the requests, and written decisions by the full Panel concerning the other four. Because of the Panel's prompt action in resolving the impasses, the EPA was able to complete the relocation in time to prevent taxpayers from having to pay rent at two locations while renovations to the facility were being completed. There currently is a similar request for assistance before the Panel involving the relocation of the EPA's Region 9, resolution of which will also require expedited treatment to minimize costs and disruption. In addition, as in previous years, the FSIP conducted mediation-arbitration proceedings in a number of cases to resolve impasses expeditiously between the Social Security Administration and its unions over the floor plans for newly-relocated field offices, preventing unnecessary taxpayer expenditures.

Of significant import are the tremendous efficiencies gained through the FLRA's use of collaboration techniques and ADR to minimize and resolve labor-management disputes. In FY 2012, the OGC resolved 97 percent of the ULP cases and 91 percent of the representation cases in which parties agreed to engage in ADR to collaboratively resolve their dispute. This resulted in over 490 cases being resolved without the need for further investigation and litigation.

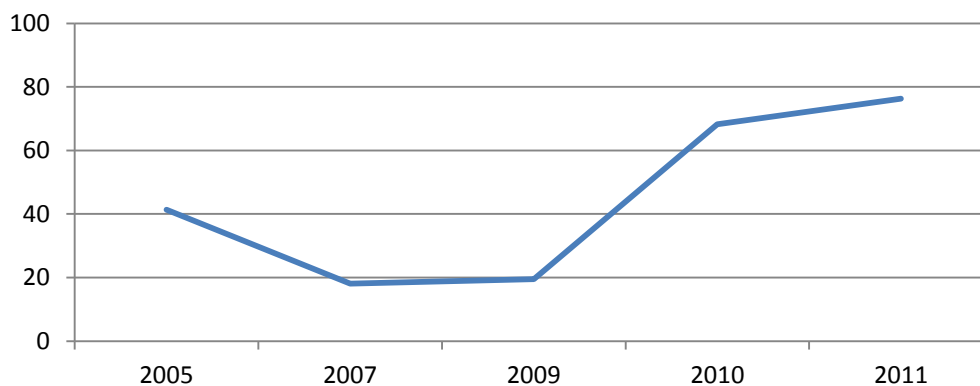
The FLRA's CADRO also continued its work with parties to resolve or narrow their disputes in pending cases using ADR. Most noteworthy are a number of cases that involved complex, long-standing disputes – such as training issues regarding qualification to carry a firearm – that the parties had expended resources on for many years, and were able to resolve with the assistance of the CADRO. As recognized in the settlement efforts of the OALJ, the OGC, and the FSIP, working with parties to bring about a voluntary resolution or settlement of their dispute is the most effective and efficient form of dispute resolution – it gets the parties back to work, delivering government services to the American people.

Furthermore, the FLRA continued to build upon its leadership role in labor-management relations by delivering hundreds of training, outreach, and facilitation sessions in FY 2012 to thousands of practitioners. The FLRA also continued its engagement with the labor-

management community by issuing numerous press releases, conducting town halls – including the first-ever virtual town hall – and holding focus groups on agency processes and procedures. Among the external initiatives that will be important in FY 2013 is training and education for labor and management representatives and others, including arbitrators. Indeed, requests for training are received daily in all of the FLRA’s components, and this demand is expected to continue if not increase. The FLRA will also continue to partner with Federal agencies to identify training needs and resources to meet those needs.

In 2010, the FLRA was named the *Most Improved Small Agency* by the Partnership for Public Service. Building upon this success in 2011, the FLRA again placed among the top of the *Most Improved Small Agencies*, moving from the #1 ranking that it captured in 2010 to the #2 ranking in 2011. Also in 2011, the FLRA captured the #7 small agency ranking in the *Best Places to Work in the Federal Government* survey, making a significant jump from its #20 ranking held in 2010. Identified as an "agency on the rise," the FLRA built upon its 2010 success – where it achieved a dramatic and unprecedented improvement of more than 250 percent – recording an additional twelve percent increase in its 2011 *Best Places to Work* score.

Best Places to Work Score



The FLRA's achievements are particularly noteworthy given that just two years prior the agency placed last in the 2009 rankings of small agencies. Most notable for 2011 are the FLRA's rankings for certain "Best in Class" categories – taking 2nd, 3rd and 4th place in teamwork, effective leadership, and employee skills/mission-match, respectively.

In a recent report issued by the Partnership for Public Service, the FLRA was also recognized as the *Most Improved Small Agency on Innovation*. Moving up eight percentage points, the FLRA, which was ranked 24th out of 34 small agencies in 2010, is now ranked 13th of 34. The FLRA's 2011 innovation score of 67 percent exceeds the government-wide average of 63 percent. The report – which finds that if we want a 21st century Federal government that effectively serves the needs of the American people, then agencies need to embrace transformation and inspire employees to seek continuous improvement – recognizes the importance of leaders empowering employees to initiate change and reward them for their achievements. Given today's budgetary constraints, Federal employees and their agencies are being asked to deliver more with fewer resources, and this means that innovation will be a critical factor in achieving improved

performance. The FLRA is pleased to be recognized for empowering its employees in this regard.

Furthermore, in 2012, the agency continued its success in the Office of Personnel Management’s Federal Employee Viewpoint Survey, with an employee response rate of 75 percent – significantly greater than the government-wide rate of 46 percent. The FLRA scored 78 percent in leadership and knowledge management, 70 percent in results-oriented performance culture, 70 percent in talent management, and 72 percent in job satisfaction – each exceeding the government-wide average.

Human Capital Management Indices	2008 % Positive	2012 % Positive	Positive % Increase 2008-2012
Leadership & Knowledge Management	35	78	123
Results-Oriented Performance Culture	43	70	63
Talent Management	39	70	80
Job Satisfaction	46	72	57

The FLRA’s dramatic and sustained improvements reflect both the commitment of leadership to managing the FLRA with transparency and accountability and engaging employees at all levels, as well as the commitment and dedication of all FLRA employees. Consistent with the significant increase in employee morale and satisfaction is the significant, marked improvement in the FLRA's mission performance and delivery of services to its customers.

Performance Outcome Measures	FY 2012 Target	FY 2012 Actual	Result
Strategic Goal 1: Achieve superior customer service.			
Performance Goal 1: Provide timely review and disposition of unfair labor practice 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.	55%	61%	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.	90%/100%	99%/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%	90%	Met
Measure 1.4: The percentage of ULP cases decided within 180 days of assignment to an Authority Member.	50%	75%	Exceeded

Performance Outcome Measures	FY 2012 Target	FY 2012 Actual	Result
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%	62%	Exceeded
Measure 2.2: The percentage of representation cases in which a decision whether to grant review is issued within 60 days of assignment to an Authority Member.	100%	100%	Met
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.	50%	58%	Exceeded
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 (reflecting reasonable time for a post-petition conference).	50%	50%	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%	92%	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%	86%	Exceeded
Measure 5.3: The percentage of bargaining impasse cases resolved through a final action closed within 200 days of the date filed.	70%	77%	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.	85%	97%	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	80%	80%	Met

Performance Outcome Measures	FY 2012 Target	FY 2012 Actual	Result
are partially or totally resolved.			
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.	85%	91%	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.	50%	Not Applicable	Not Applicable
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.	80%	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%	32%	Exceeded
Measure 6.7: The number of training, outreach, and facilitation activities conducted.	175	221	Exceeded
Measure 6.8: The number of participants involved in training, outreach, and facilitation activities.	5,000	8,933	Exceeded
Strategic Goal 3: Advance performance through organizational and management excellence.			
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.	Complete development of Authority and OGC eFiling capability. Begin testing e-filing capability with customers.	Completed development of Authority and OGC eFiling capability. Began testing e-filing capability with customers.	Met
Measure 7.2: The percentage of cases processed electronically end-to-end.	Enhance the CMS to provide the structure that supports end-	Enhanced the CMS to provide the structure that supports end-	Met

Performance Outcome Measures	FY 2012 Target	FY 2012 Actual	Result
	to-end electronic case processing.	to-end electronic case processing.	
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.	Enhance development offerings to include competency-based training, career-ladder developmental programs, and continuation of human resources workshops and educational brown-bags. Develop and implement the affirmative action plan and diversity outreach program.	Enhanced development offerings to include competency-based training, career-ladder developmental programs, and continuation of human resources workshops and educational brown-bags. A D&I Strategic Plan was launched to make the agency a more inclusive and inviting workplace for all of its employees. Hiring of summer student interns, in some cases using targeted minority hiring strategies, also increased the FLRA’s diversity.	Met

Performance Outcome Measures	FY 2012 Target	FY 2012 Actual	Result
		Developmental offerings were expanded to include attorney details within the FLRA.	

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 Office of Management and Budget (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 is its largest asset, accounting for over 90 percent of total assets in both FY 2011 and FY 2012. 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, fixtures, equipment, and IT hardware and software, which is recorded at original acquisition cost and then depreciated or amortized using the straight-line method over the estimated useful life of the asset.

Total assets decreased from \$7.1 million at the end of FY 2011 to \$4.9 million at the end of FY 2012. The decrease in assets is primarily attributable to the cancellation of the FLRA’s FY 2007 expired account, which held \$2 million in unobligated funds. Moreover, the agency did not make any new capitalized purchases in FY 2012, while the net book value of property and equipment already owned experienced further depreciation.

Assets as of September 30,	2012	2011
Fund balance with the Treasury	\$4,525,133	\$6,532,013
General property and equipment	353,163	525,753
Accounts receivable	13,507	22,264
Advances and prepayments	21,414	11,212
Total	\$4,913,217	\$7,091,242

Funds held with the Treasury are available to pay agency 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. Accrued employee leave, payroll, and benefit costs, along with accrued workers' compensation under Federal Employees Compensation Act (FECA), accounted for over 90 percent of total liabilities at the end of both FY 2011 and FY 2012. The remaining ten percent reflects the amount owed by FLRA to vendors and other Federal agencies for purchased goods and services. Agency liabilities totaled \$4.4 million at the end of both FY 2011 and FY 2012.

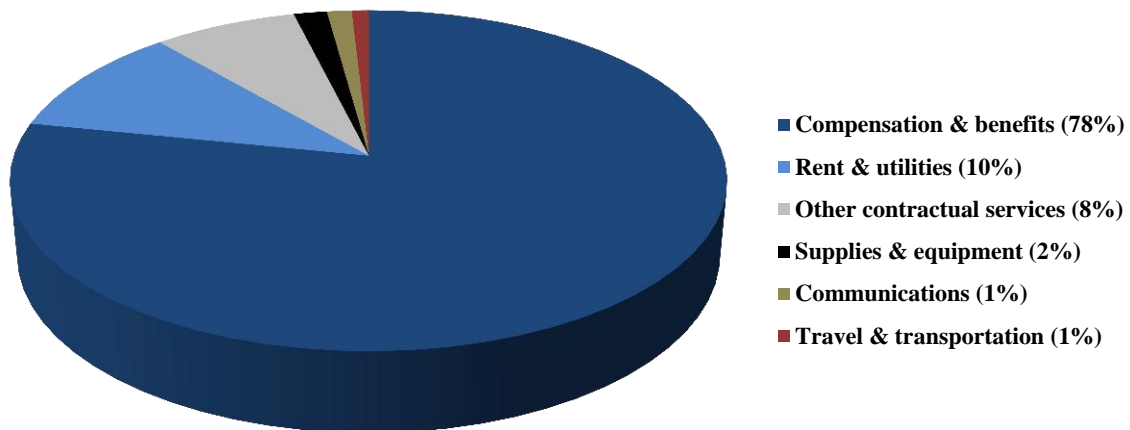
Liabilities as of September 30,	2012	2011
Unfunded leave	\$1,519,345	\$1,513,590
FECA liability	1,426,017	1,380,317
Accrued payroll and benefits	1,207,777	1,280,740
Accounts payable	225,496	232,681
Custodial liability/other	40	80
Total	\$4,378,675	\$4,407,408

The FLRA's total net position at the end of FY 2012 was \$535 thousand, a \$2.1 million 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 2012 was \$26.3 million, a \$448 thousand decrease from the agency's FY 2011 cost of operations. In FY 2012, 56 percent of the agency's direct resources were dedicated to the Authority, which includes central administrative services provided to the entire agency; 41 percent were dedicated to the OGC; the remaining three percent were devoted to the FSIP.

FY 2012 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 2011 to FY 2012, totaling approximately \$2.5 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 decrease in total, unexpended FLRA appropriations of nearly \$1.9 million – from \$5 million to \$3.1 million – is due primarily to expiration of the agency’s FY 2007 account.

Statement on Budgetary Resources

The Statement on Budgetary Resources reports the budgetary resources available to the FLRA during FY 2011 and FY 2012 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 13522, etc.

The agency had \$26.6 million in total budgetary resources available to it in FY 2012, of which \$1.8 million remained unobligated from prior-years. The agency incurred obligations of \$24.8

million in FY 2012, while recording outlays of \$24.7 million. Total budgetary resources decreased by \$1.4 million in FY 2012 from expiration of the FLRA's FY 2007 account.

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 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 regulation as of September 30, 2012, 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 15, 2012

PERFORMANCE GOALS AND RESULTS

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

The General Counsel has responsibility for the investigation, settlement, and prosecution of unfair labor practice (ULP) charges. All ULP proceedings originate with the filing of a charge in a Regional Office by an employee, labor organization, or agency. Once a charge has been filed, Regional Office staff will investigate the charge to determine if 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, DC. 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, then a decision by the ALJ is adopted by the Authority.

OGC	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Cases pending, start of year	2,300	1,237	1,587	1,811	1,453
Charges filed	<u>3,572</u>	<u>3,954</u>	<u>4,398</u>	<u>4,094</u>	<u>4,375</u>
Total caseload	5,872	5,191	5,985	5,905	5,828
Charges withdrawn/settled	2,648	2,455	3,141	3,425	3,377
Charges dismissed	1,941	1,075	751	812	732
Complaints issued	<u>46</u>	<u>74</u>	<u>282</u>	<u>215</u>	<u>231</u>
Total cases closed	4,635	3,604	4,174	4,452	4,340
Cases pending, end of year	1,237	1,587	1,811	1,453	1,488
OALJ	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Cases pending, start of year	25	0	67	54	72
Cases received from the OGC	<u>46</u>	<u>74</u>	<u>282</u>	<u>234</u>	<u>229</u>
Total caseload	71	74	349	288	301
Settlements before hearing	59	7	275	191	176
Settlements during hearing	0	0	0	0	1
Cases closed by decision	<u>12</u>	<u>0</u>	<u>20</u>	<u>25</u>	<u>20</u>
Total cases closed	71	7	295	216	197
Cases pending, end of year	0	67	54	72	104

Authority	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Cases pending, start of year	36	32	14	14	6
Exceptions filed	<u>11</u>	<u>1</u>	<u>18</u>	<u>17</u>	<u>20</u>
Total caseload	47	33	32	31	26
Cases closed procedurally	9	0	9	13	16
Cases closed based on merits	<u>6</u>	<u>19</u>	<u>9</u>	<u>12</u>	<u>8</u>
Total cases closed	15	19	18	25	24
Cases pending, end of year	32	14	14	6	2

Measure 1.1: 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 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Actual	Actual	Actual	Actual	Target	Actual
48%	71%	49%	54%	55%	61%

Data Source: Case Management System

Target: Exceeded. The OGC has steadily increased its performance in this measure, from 49 percent in FY 2010 to 61 percent in FY 2012, due to a continued focus on timeliness of case processing and the careful management of existing staff.

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 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Actual	Actual	Actual	Actual	Target	Actual
19%	2%	31%	97%/100%	90%/100%	99%/100%

Data Source: Case Management System

Target: Exceeded/Met. In FY 2011, an additional target was established to measure the percentage of decisions on appeal issued within 120 days (100 percent). Since the OGC cleared a substantial backlog of appeals in FY 2010, that resulted from the absence of a General Counsel and Deputy General Counsel for 17 months, the office has been able to consistently exceed this target by issuing nearly all appeals within 60 days, and issuing the very few that do not meet that target within 120 days.

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 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	N/A	95%	90%	90%

Data Source: Case Management System

Target: Met. This measure was established in FY 2011, as a consolidation of two previous 90-day measures into one of 180 days. The OALJ met this goal by pursuing early resolution of cases prior to expending the time and money necessary to conduct a due process hearing on the ULP complaint. Using prehearing conferences to narrow the issues and assist the parties in understanding the strength and viability of their position encourages the parties to find common ground and resolve the dispute.

Measure 1.4: The percentage of ULP cases decided within 180 days of assignment to an Authority Member.

FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Actual	Actual	Actual	Actual	Target	Actual
N/A	5%	18%	31%	50%	75%

Data Source: Case Management System

Target: Exceeded. This measure and the associated targets for FY 2009 through FY 2012 were established in the Authority's Corrective Action Plan (CAP) to eliminate its case backlog by FY 2012. Consistent with the CAP, the Authority ended FY 2012 with no overage ULP cases (those pending for more than 180 days after completion of the briefing sequence and assignment to a Member office) in its inventory. Moreover, the Authority exceeded its timeliness target by issuing 75 percent of all ULP decisions within 180 days of assignment.

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

The Federal Service Labor-Management Relations Statute (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 by the filing in a Regional Office of a petition by an individual, labor organization, or agency. 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 issue a Decision and Order determining the appropriate unit, directing an election, dismissing the petition, or making other disposition of the matter. The Regional Director's Decision and Order is final unless an application for review is filed with the Authority.

OGC	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Cases pending, start of year	156	140	104	102	82
Petitions filed	<u>289</u>	<u>275</u>	<u>278</u>	<u>267</u>	<u>271</u>
Total caseload	445	415	382	369	353
Petitions withdrawn	132	142	113	126	115
Cases closed based on merits	<u>173</u>	<u>169</u>	<u>167</u>	<u>161</u>	<u>168</u>
Total cases closed	305	311	280	287	283
Cases pending, end of year	140	104	102	82	70

Authority	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Cases pending, start of year	4	3	5	6	6
Applications for review	<u>14</u>	<u>17</u>	<u>15</u>	<u>12</u>	<u>6</u>
Total caseload	18	20	20	18	12
Cases closed procedurally	1	1	1	0	0
Cases closed based on merits	<u>14</u>	<u>14</u>	<u>13</u>	<u>12</u>	<u>12</u>
Total cases closed	15	15	14	12	12
Cases pending, end of year	3	5	6	6	0

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 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Actual	Actual	Actual	Actual	Target	Actual
N/A	60%	65%	60%	60%	62%

Data Source: Case Management System

Target: Exceeded. This performance measure was established in FY 2009 to consolidate three previous measures. Due to a continued emphasis on timeliness at all levels, and through the careful management of existing staff, the OGC was able to exceed its target for resolving representation cases.

Measure 2.2: The percentage of representation cases in which a decision whether to grant review is issued within 60 days of assignment to an Authority Member.

FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	100%	100%	100%	100%

Data Source: Case Management System

Target: Met. This measure was established in FY 2010 to be consistent with the time limitation provided for in the Statute. The Authority continued its performance from FY 2011 and issued decisions whether to grant review within 60 days of assignment in all

representation cases.

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

Either party to grievance arbitration may file with the Authority an exception (or appeal) to an arbitrator's award. The Authority will review an arbitrator's award to which an exception has been filed to determine if 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 2008	FY 2009	FY 2010	FY 2011	FY 2012
Cases pending, start of year	216	298	247	173	66
Exceptions filed	<u>126</u>	<u>157</u>	<u>134</u>	<u>110</u>	<u>107</u>
Total caseload	342	455	381	283	173
Cases closed procedurally	12	43	31	22	24
Cases closed based on merits	<u>32</u>	<u>165</u>	<u>177</u>	<u>195</u>	<u>109</u>
Total cases closed	44	208	208	217	133
Cases pending, end of year	298	247	173	66	40

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

FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Actual	Actual	Actual	Actual	Target	Actual
N/A	22%	30%	33%	50%	58%

Data Source: Case Management System

Target: Exceeded. This measure and the associated targets for FY 2009 through FY 2012 were also established in the Authority CAP. The Authority met its CAP goal of eliminating all overage arbitration cases by the end of FY 2012. In addition, the Authority exceeded its timeliness target by issuing 58 percent of all arbitration decisions within 180 days of assignment to a Member office.

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 these cases, a union may petition the Authority to resolve the negotiability dispute.

Authority	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Cases pending, start of year	43	51	39	22	15
Petitions filed	<u>38</u>	<u>43</u>	<u>52</u>	<u>39</u>	<u>45</u>
Total caseload	81	94	91	61	60
Cases closed procedurally	22	41	46	33	38
Cases closed based on merits	<u>8</u>	<u>14</u>	<u>23</u>	<u>13</u>	<u>14</u>
Total cases closed	30	55	69	46	52
Cases pending, end of year	51	39	22	15	8

Measure 4.1: The percentage of negotiability cases decided within 180 days of assignment to an Authority Member (reflecting reasonable time for a post-petition conference).

FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Actual	Actual	Actual	Actual	Target	Actual
N/A	6%	17%	29%	50%	50%

Data Source: Case Management System

Target: Met. This measure and the targets for FY 2009 through FY 2012 were also established in the Authority's CAP. Consistent with the CAP, the Authority ended FY 2012 with no overage negotiability cases in its inventory. The Authority also met its target of issuing 50 percent of all negotiability decisions within 180 days of assignment to a Member office.

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 Federal Service Impasses Panel (FSIP or the Panel) approves the procedure; seek the services and assistance of the Federal Mediation and Conciliation Service; or seek the assistance of the Panel in resolving the negotiation impasse, only after the previous attempts have failed.

FSIP	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Cases pending, start of year	23	22	69	36	53
Impasses filed	<u>111</u>	<u>136</u>	<u>143</u>	<u>152</u>	<u>176</u>
Total caseload	134	158	212	188	229
Cases closed	112	89	176	135	191
Cases pending, end of year	22	69	36	53	38

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

FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	N/A	64%	80%	92%

Data Source: Case Management System

Target: Exceeded. The performance measures for the FSIP were completely revised in FY 2011 to concisely set forth timeliness targets for the Panel’s three most important categories of case disposition. The FSIP’s success in its second full year under the revised timeliness measures in exceeding its performance target in cases where jurisdiction is declined is attributable to a number of factors, among them, an increase in the effectiveness of the Panel’s professional staff in getting parties to adhere to tight deadlines for the submission of written statements of position (SOPs) that normally are required before such cases can be presented to the Panel for a procedural determination. In this regard, the FSIP’s investigatory process is informal and designed to narrow the parties’ disputes through voluntary settlements in accordance with its long-longstanding philosophy that the best dispute resolution takes the form of agreements that are reached with the Panel’s assistance rather than those that are imposed through a written decision. Since Panel meetings are normally scheduled well in advance, the staff’s increased ability to close its investigations and to present its written recommendations to the Panel Members at the next available opportunity also factors into the FSIP’s success in exceeding its target under this performance measure.

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

FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	N/A	79%	70%	86%

Data Source: Case Management System

Target: Exceeded. Impasses that are voluntarily resolved after jurisdiction has been asserted normally require less time to investigate because parties are less likely to raise significant jurisdictional issues that require the submission of SOPs during the investigation phase of case processing. In addition, such cases often involve mid-term changes by agencies that are time sensitive and would lead to increased costs to the taxpayer if they are not handled expeditiously. This same factor motivates the Panel and the parties to promptly schedule the procedure used to resolve the dispute which eventually results in a voluntary settlement. The FSIP’s continued ability to exceed its timeliness target in cases that are settled voluntarily after jurisdiction has been asserted is also enhanced considerably by the willingness of its part-time Panel Members to modify their own personal and professional schedules to accommodate the assignments they undertake on behalf of the FSIP.

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

FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	N/A	65%	70%	77%

Data Source: Case Management System

Target: Exceeded. Cases resolved through final actions normally require written decisions issued by the full Panel (*Decisions and Orders*) or one of its Members imposing terms on the parties (*Arbitrators' Opinions and Decisions*). The FSIP was able to exceed its target for FY 2012 primarily because of the increased awareness on the part of the Panel Members and staff of the need to realign priorities when the 200-day deadline was approaching in specific impasses, particularly in cases involving mid-term changes that would lead to increased costs to the taxpayer if they are not handled expeditiously. Once again, the FSIP's ability to exceed this target was enhanced considerably by the willingness of its part-time Panel Members to modify their own personal and professional schedules to accommodate their FSIP assignments. In addition, the number of cases where the parties were required to resolve complex, multi-issue successor collective bargaining agreement impasses through a procedure whereby a private fact-finder provides additional mediation assistance and, ultimately, a report to the Panel and the parties recommending terms for settlement remained about the same as in FY 2011. This procedure effectively permits the parties to schedule the stages of the process themselves, which often leads to increases in processing times and results in lengthier written decisions that require more time for drafting and final review. At the end of FY 2012, however, a number of such cases were still pending before the FSIP. It is anticipated that lengthy written decisions regarding them will have to be issued in FY 2013, a development that enhanced the FSIP's ability to exceed this performance target in FY 2012, but may have an adverse impact on its ability to meet the target for the next fiscal year.

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

The FLRA has integrated alternative dispute resolution (ADR) and consensus decision-making into virtually all of its processes, and 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 relationship. This includes interest-based conflict resolution and intervention services in pending ULP cases, representation cases, arbitration cases, negotiability appeals, and impasse bargaining 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 the agency's 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 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	N/A	87%	85%	97%

Data Source: Case Management System

Target: Exceeded. This performance goal was established in FY 2011 to emphasize the importance of using collaboration and ADR techniques along with other training, outreach, and facilitation services to assist parties in minimizing and resolving labor-management disputes. The goal encompasses all three FLRA components. The OGC continues to place substantial emphasis on the settlement of ULP cases at all stages, particularly before the issuance of a complaint, and accordingly, exceeded its target for FY 2012.

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 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	N/A	88%	80%	80%

Data Source: Case Management System

Target: Met. The OALJ uses its Settlement Judge Program to assist the parties in ADR after a complaint has been issued and prior to the parties' hearing preparation in an effort to find common interests and to inspire a resolution that works for all involved. Unlike settlement discussions conducted by an ALJ assigned to conduct the hearing, this process is generally interest-based rather than fact-based, and does not involve assessing the strength or viability of the parties' positions. The percentage of cases that are partially or totally resolved as a part of the Settlement Judge Program can be affected by several factors: (1) these discussions occur at a point in the process before the parties are fully knowledgeable about the subject matter and the strength or weakness of their own case; (2) parties understand that additional stages remain available in the litigation process and they are not fully vested or motivated to resolve the matter at the time; and (3) parties may come to the process with a hardened position, a desire to vindicate legal rights, and/or an unwillingness to compromise upon their position. The observed trend reflected in the third factor is the primary reason for the reduced success from FY 2011.

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 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	N/A	93%	85%	91%

Data Source: Case Management System

Target: Exceeded. The OGC also continues to place substantial emphasis on bringing the parties together to work out their differences in representation cases, through trainings, pre-petition meetings, post-petition conference calls and meetings, and by generally encouraging them to narrow and settle their issues through ADR and other means. Thus, the OGC exceeded its ADR target for representation cases in FY 2012.

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 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	N/A	100%	50%	N/A

Data Source: Case Management System

Target: Not Applicable. In FY 2012, there was only one arbitration case in which an offer of ADR services was accepted by the parties. The ADR process concerning that case was still ongoing at the end of the fiscal year. As a result, this performance measure, which tracks the partial or total resolution of accepted cases, did not apply in FY 2012.

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 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	N/A	87%	80%	100%

Data Source: Case Management System

Target: Exceeded. In FY 2012, parties accepted ADR services from the FLRA’s Collaboration and Alternative Dispute Resolution Office (CADRO) in 32 pending negotiability cases, and CADRO fully or partially resolved 100 percent of those cases – exceeding its 80 percent target. Specifically, of the 32 cases, the CADRO achieved full resolution in 24; achieved partial resolution in two; clarified issues or facts for the parties in five; and obtained a withdrawal from the parties in one. Through use of ADR services, these 32 cases, which would otherwise be pending on the Authority’s docket, were expeditiously resolved with no further need for litigation, getting the parties back to conducting the business of government.

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 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	N/A	29%	30%	32%

Data Source: Case Management System

Target: Exceeded. The Panel’s ability to exceed its FY 2012 target is a reflection of the superior mediation and facilitation skills of its current Panel Members, all of whom have

extensive experience in the Federal sector labor relations program, and its three professional staff. In addition, the high percentage of cases partially or totally resolved without the need for written final actions is consistent with the Panel’s philosophy since its inception that voluntary settlements are in the best interests of the parties and the public, and that the Panel performs its mission best when it serves as a catalyst in helping negotiators settle a matter informally on their own terms.

Measure 6.7: The number of training, outreach, and facilitation activities conducted.

FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	N/A	332	175	221

Data Source: Case Management System

Target: Exceeded. Much of the demand in FY 2011 and FY 2012 was for overview training on instituting forums and pre-decisional involvement under President Obama’s Executive Order 13522, *Creating Labor-Management Forums to Improve Delivery of Government Services*. This training is now available through a web-based training course. In FY 2013, the FLRA expects to have additional web-based training courses available to the parties – including comprehensive arbitration, representation, and statutory training – that would otherwise be provided in-person. As such, the results for FY 2012 are lower than FY 2011 for both ADR training measures as the agency increased the delivery of its training through no-cost, web-based services.

Measure 6.8: The number of participants involved in training, outreach, and facilitation activities.

FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Actual	Actual	Actual	Actual	Target	Actual
N/A	N/A	N/A	11,975	5,000	8,933

Data Source: Case Management System

Target: Exceeded.

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

The FLRA’s Case Management System (CMS) was implemented in FY 2011, and since that time, the agency has steadily built the necessary capacity for electronic case filing (eFiling) in all agency components, as well as development of a complete electronic case file. The FLRA has met its key milestones, and is poised to have its customers maximize use of the eFiling system in FY 2013, significantly enhancing the quality of parties’ filings and reducing procedural deficiencies. In addition, the FLRA intends to fully implement an “end-to-end” electronic case file, streamlining the processing and handling of agency case files.

Measure 7.1: The percentage of cases filed electronically with the FLRA.

FY 2008	Actual	N/A
FY 2009	Actual	Awarded a contract for CMS development using the cloud solution, QuickBase.
FY 2010	Actual	Implemented the new CMS for all three FLRA components.
FY 2011	Actual	Began developing an electronic filing solution. Completed development of customer registration and FSIP eFiling capability.
FY 2012	Target	Complete development of Authority and OGC eFiling capability. Begin testing eFiling capability with customers.
	Actual	Completed development of Authority and OGC eFiling capability. Began testing eFiling capability with customers.

Data Source: FLRA Information Resources Management Division

Target: Met.**Measure 7.2: The percentage of cases processed electronically end-to-end.**

FY 2008	Actual	N/A
FY 2009	Actual	N/A
FY 2010	Actual	N/A
FY 2011	Actual	N/A
FY 2012	Target	Enhance the CMS to provide the structure that supports end-to-end electronic case processing.
	Actual	Enhanced the CMS to provide the structure that supports end-to-end electronic case processing.

Data Source: FLRA Information Resources Management Division

Target: Met.**GOAL 8: DEVELOP, MANAGE, AND UTILIZE THE FLRA’S HUMAN CAPITAL TO MEET PROGRAM NEEDS.**

The FLRA, in consultation with the FLRA Labor-Management Forum, made major gains in FY 2012 in terms of developing, managing, and utilizing human capital. Expansion of the alternative work schedule program allows employees to better balance their personal lives with the demands of their work. Implementation of an electronic time and attendance system, expected in FY 2013, will make time and attendance recording and submission more accurate and efficient.

Succession planning continues to be a major area of concern for the FLRA. Recently implemented developmental details for attorneys, both in FLRA Headquarters and in the OGC Regional Offices, will allow for the individual development of those who participate, and will also allow the agency to manage workloads and succession planning more strategically. The agency’s performance management and awards policies have also been revised to reflect a move

from a pass-fail review system to one that assesses employee performance on a five-tiered scale. These revisions will make performance review more meaningful, and will ensure that awards are distributed on the basis of merit. A training needs assessment has also been conducted, with a high rate of response from agency attorneys and their supervisors in mission-critical positions. The results from that assessment have played a role in targeting training funds to the areas employees and supervisors deemed most in need of development.

Measure 8.1: Program managers ensure that the right employees are in the right place to achieve results.		
FY 2008	Actual	N/A
FY 2009	Actual	N/A
FY 2010	Actual	Increased staffing levels in each program area; improved employee worklife balance through implementation of a robust telework program and video-conferencing, which reduces travel costs and time away from family; implemented an employee leadership developmental initiative in the OGC; and implemented a Student Temporary Employment Program. Also began human capital e-initiatives to improve hiring through the purchase of USAStaffing (an automated hiring system), which engages the hiring manager in all aspects of the hiring process, reduces time-to-hire metrics, and improves applicants' Federal hiring experience.
FY 2011	Actual	The FLRA continued to focus on employee engagement in FY 2011. Its Labor-Management Forum updated the 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. The agency also formed a joint labor-management workgroup to design a new Performance Management System for General Schedule employees for Office of Personnel Management (OPM) approval and agency implementation; an employee workgroup also designed and submitted to OPM for approval a revised Senior Executive Service appraisal system. Consistent with the Human Capital Strategic Plan, FLRA 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. Additionally, the agency 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. FLRA also initiated brown-bag programs and an educational series to inform and develop employees in a casual setting. Human capital e-initiatives continued with the successful implementation of USAStaffing, NBC's DataMart reporting tool, and employee eOPFs. The agency also procured Kronos WebTA, an automated employee time tracking system, which is scheduled for delivery in FY 2013.

FY 2012	Target	Enhance development offerings to include competency-based training, career-ladder developmental programs, and continuation of human resources (HR) workshops and educational brown-bags. Develop and implement the affirmative action plan and diversity outreach program.
	Actual	Enhanced development offerings to include competency-based training, career-ladder developmental programs, and continuation of HR workshops and educational brown-bags. A Diversity and Inclusion Strategic Plan was launched to make the agency a more inclusive and inviting workplace for all of its employees. Hiring of summer student interns, in some cases using targeted minority hiring strategies, also increased the FLRA's diversity. Developmental offerings were expanded to include attorney details within the FLRA.
Data Source: FLRA Human Resources Division		
Target: Met.		

VERIFICATION AND VALIDATION OF PERFORMANCE DATA

The FLRA CMS is used by each component to track and manage agency caseload. Each component enters information on all cases into the CMS and is accountable for quality control of all workload data entered into the system. Data verification and validation was performed under both the new CMS and the former, soon-to-be retired, system.

PRINCIPAL FINANCIAL STATEMENTS

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

The FLRA's FY 2012 Performance and Accountability Report reflects the correlation between the financial and programmatic aspects of the agency's work. The report bridges these two areas, 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, 2012, and how financial resources were expended to achieve performance results. For the ninth consecutive year, the FLRA received an unqualified 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 the likelihood that FY 2013 will be a difficult year financially, we are focused on identifying solutions to maintain our financial viability, ensure transparency and accountability, and continue our high levels of mission performance and employee satisfaction and morale. We will continue to work with the Administration, the Congress, and agency stakeholders to identify and implement solutions for a sustainable funding model. 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 15, 2012

Federal Labor Relations Authority
BALANCE SHEET
(in dollars)

As of September 30, 2012 and 2011

	2012	2011
Assets:		
Intragovernmental:		
Fund balance with the Treasury (Note 2)	\$4,525,133	\$6,532,013
Accounts receivable (Note 3)	1,335	17,021
Advances and prepayments	<u>21,414</u>	<u>11,212</u>
Total intragovernmental	4,547,882	6,560,246
Accounts receivable from the public, net (Note 3)	12,172	5,243
General property and equipment, net (Note 4)	<u>353,163</u>	<u>525,753</u>
Total Assets	<u>\$4,913,217</u>	<u>\$7,091,242</u>
Liabilities:		
Intragovernmental:		
Accounts payable	\$40,857	\$21,764
Unfunded FECA liability (Note 5)	240,761	239,011
Custodial liability	<u>38</u>	<u>76</u>
Total intragovernmental	281,656	260,851
Accounts payable	184,639	210,917
FECA actuarial liability (Note 5)	1,185,256	1,141,306
Unfunded leave (Note 5)	1,519,345	1,513,590
Accrued payroll and benefits	1,207,777	1,280,740
Other (Note 6)	<u>2</u>	<u>4</u>
Total Liabilities	<u>\$4,378,675</u>	<u>\$4,407,408</u>
Net Position:		
Unexpended appropriations – other funds	\$3,117,955	\$5,016,802
Cumulative results of operations – other funds	<u>(2,583,413)</u>	<u>(2,332,968)</u>
Total Net Position	<u>\$534,542</u>	<u>\$2,683,834</u>
Total Liabilities and Net Position	<u>\$4,913,217</u>	<u>\$7,091,242</u>

The accompanying notes are an integral part of these statements.

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

For the Years Ended September 30, 2012 and 2011

	2012	2011
Gross Program Costs:		
Authority:		
Intragovernmental costs	\$4,037,251	\$3,869,249
Public costs	<u>10,735,958</u>	<u>11,498,999</u>
Total costs	14,773,209	15,368,248
Intragovernmental earned revenue	(1,223)	(5,580)
Public earned revenue	<u>(3,144)</u>	<u>(4,398)</u>
Less: Total earned revenue	<u>(4,367)</u>	<u>(9,978)</u>
Net Program Costs	<u>\$14,768,842</u>	<u>\$15,358,270</u>
Office of the General Counsel:		
Intragovernmental costs	\$0	\$60
Public costs	<u>10,816,099</u>	<u>10,809,060</u>
Total costs	10,816,099	10,809,120
Intragovernmental earned revenue	(24,924)	(52,461)
Public earned revenue	<u>(9,218)</u>	<u>(13,924)</u>
Less: Total earned revenue	<u>(34,142)</u>	<u>(66,385)</u>
Net Program Costs	<u>\$10,781,957</u>	<u>\$10,742,735</u>
Federal Service Impasses Panel:		
Intragovernmental costs	\$0	\$0
Public costs	<u>791,422</u>	<u>689,940</u>
Total costs	791,422	689,940
Intragovernmental earned revenue	(643)	(1,527)
Public earned revenue	<u>(548)</u>	<u>(797)</u>
Less: Total earned revenue	<u>(1,191)</u>	<u>(2,324)</u>
Net Program Costs	<u>\$790,231</u>	<u>\$687,616</u>
Net Cost of Operations	<u>\$26,341,030</u>	<u>\$26,788,621</u>

The accompanying notes are an integral part of these statements.

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

For the Years Ended September 30, 2012 and 2011

	2012	2011
Cumulative Results of Operations:		
Beginning balance	\$(2,332,968)	\$(2,138,396)
Budgetary financing sources:		
Appropriations used	24,594,738	24,931,853
Non-exchange revenue	(2)	(4)
Other financing sources (non-exchange):		
Transfers in/out without reimbursement	0	(24,675)
Imputed financing	<u>1,495,849</u>	<u>1,686,875</u>
Total financing sources	26,090,585	26,594,049
Net cost of operations	<u>(26,341,030)</u>	<u>(26,788,621)</u>
Net change	<u>(250,445)</u>	<u>(194,572)</u>
Cumulative Results of Operations	<u>\$(2,583,413)</u>	<u>\$(2,332,968)</u>
Unexpended Appropriations:		
Beginning balance	\$5,016,802	\$6,901,675
Budgetary financing sources:		
Appropriations received	24,723,000	24,773,000
Other adjustments	(2,027,109)	(1,726,020)
Appropriations used	<u>(24,594,738)</u>	<u>(24,931,853)</u>
Total budgetary financing sources	<u>(1,898,847)</u>	<u>(1,884,873)</u>
Total Unexpended Appropriations	<u>\$3,117,955</u>	<u>\$5,016,802</u>
Net Position	<u>\$534,542</u>	<u>\$2,683,834</u>

The accompanying notes are an integral part of these statements.

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

For the Years Ended September 30, 2012 and 2011

	2012	2011
Budgetary Resources:		
Unobligated balance, brought forward, October 1	\$3,253,030	\$4,876,678
Recoveries of prior year unpaid obligations	611,555	46,400
Other changes in unobligated balance	<u>(2,027,109)</u>	<u>(1,726,020)</u>
Unobligated balance from prior year budget authority, net	1,837,476	3,197,058
Appropriation	24,723,000	24,773,000
Spending authority from offsetting collections	46,053	79,330
Total Budgetary Resources	<u>\$26,606,529</u>	<u>\$28,049,388</u>
Status of Budgetary Resources:		
Obligations incurred (Note 10)	\$24,759,055	\$24,796,358
Unobligated balance, end of year:		
Apportioned	63,518	53,918
Unapportioned	<u>1,783,956</u>	<u>3,199,112</u>
Total obligated balance, end of year	<u>1,847,474</u>	<u>3,253,030</u>
Total Budgetary Resources	<u>\$26,606,529</u>	<u>\$28,049,388</u>
Change in Obligated Balance:		
Unpaid obligations, brought forward, October 1	\$3,285,463	\$3,514,395
Uncollected customer payments from Federal sources, brought forward, October 1	<u>(6,559)</u>	<u>(8,466)</u>
Obligated balance, start of year (net)	3,278,904	3,505,929
Obligations incurred	24,759,055	24,796,358
Outlays (gross)	(24,740,405)	(24,978,891)
Change in uncollected customer payments from Federal sources	(8,378)	1,908
Recoveries of prior year unpaid obligations	(611,555)	(46,400)
Obligated balance, end of year:		
Unpaid obligations, end of year (gross)	2,692,558	3,285,463
Uncollected customer payments from Federal sources, end of year	<u>(14,937)</u>	<u>(6,559)</u>
Obligated Balance, End of Year (Net)	<u>\$2,677,621</u>	<u>\$3,278,904</u>
Budget Authority and Outlays, Net:		
Budget authority, gross	\$24,769,053	\$24,852,330
Actual offsetting collections	(37,675)	(81,238)
Change in uncollected customer payments from Federal sources	<u>(8,378)</u>	<u>1,908</u>
Budget Authority, Net	<u>\$24,723,000</u>	<u>\$24,773,000</u>
Outlays, gross	\$24,740,405	\$24,978,891
Actual offsetting collections	<u>(37,675)</u>	<u>(81,238)</u>
Outlays, net	<u>24,702,730</u>	<u>24,897,653</u>
Agency Outlays, Net	<u>\$24,702,730</u>	<u>\$24,897,653</u>

The accompanying notes are an integral part of these statements.

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 Office of Management and Budget (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 due from other Federal entities and from current and former employees and vendors. Amounts due from the public

are stated net of an allowance for uncollectible accounts that is based on an analysis of outstanding receivables balances and past collection experience. No allowance is established for intragovernmental receivables, as they are considered fully collectible from other Federal agencies.

(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 FLRA as a result of transactions or events that have already occurred. 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, and there is no certainty that the appropriation will be enacted. Also, the Federal government, acting in its sovereign capacity, can abrogate liabilities other than contracts. 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 2011 and FY 2012 consist of accrued and actuarial Federal Employees Compensation Act (FECA) compensation and unfunded employee leave.

(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 will reimburse the Department of Labor (DOL) two years after the actual payment of expenses. Future revenues will be used for their reimbursement to the DOL. The liability consists of: (1) the net present value of estimated

future payments calculated by the DOL; and (2) the un-reimbursed cost paid by the DOL for compensation to recipients under the FECA.

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 for FY 2012. The ratios may vary from year to year as a result of economic assumptions and other factors, but the model calculates a liability approximately eleven 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 Office of Personnel Management (OPM) upon the retirement of that individual. No credit is given for sick leave balances upon the retirement of Federal Employees Retirement System (FERS)-covered employees.
- (j) ***Accounts Payable and Other Accrued Liabilities*** – Accounts payable and accrued liabilities represent a probable future outflow or other sacrifices of resources as a result of past transactions or events. Liabilities are recognized when they are incurred, regardless of whether they are covered by available budgetary resources. FLRA liabilities cannot be liquidated without legislation that provides resources to do so. Certain reclassifications of prior-year accounts payable balances have been made in the financial statements to make disclosures consistent with those of the current year.
- (k) ***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.
- (l) ***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 seven percent of each employee's salary and contributes seven 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). In 2011, the regular Internal Revenue Service limit was \$16,500; the limit was increased to \$17,000 in FY 2012.

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 up to a specified wage ceiling and 0.8 percent of an employee's gross earnings for retirement. In FY 2012, the FLRA matched the retirement withholdings with a contribution equal to 11.9 percent of the employee's taxable salary.

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 one 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 five 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, is 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.

- (m) *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, respectively.
- (n) *Revenue and Other Financing Sources*** – The FLRA's revenues are derived from reimbursable agreements (exchange) and a direct, annual appropriation (financing source). The FLRA recognizes reimbursable work agreement revenue when earned, i.e., goods have been delivered or services that have been rendered. Each reimbursable work agreement specifies the dollar value of the agreement and is based on estimated resources needed to perform the specified services, whether it is personnel services, including base pay, overtime and benefits, or travel and per diem.

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 personal property. Appropriations are recognized as non-exchange revenues at the time the related program or administrative expenses are incurred. Appropriations expended for capitalized property and equipment are recognized as expenses when an asset is consumed in operations. The FLRA's annual appropriation for FY 2011 was \$24,773,000, which was reduced by \$49,546 pursuant to a 0.2 percent across-the-board rescission included in Public Law 112-10. The agency's annual appropriation for FY 2012 was \$24,723,000.

- (o) ***Expired Accounts and Cancelled Authority*** – Unless otherwise specified by law, annual 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 the 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 but not previously reported. At the end of the fifth expired year, the expired account is cancelled and any remaining money is returned to the Treasury.
- (p) ***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.
- (q) ***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.
- (r) ***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 and liabilities and disclosure of contingent liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- (s) ***Advances and Prepayments*** – Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable agreements, subscriptions, and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepayments at the time of the prepayments 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.

Fund Balance with the Treasury		
As of September 30,	2012	2011
General funds	\$4,525,095	\$6,531,934
Other fund types	38	79
Total	\$4,525,133	\$6,532,013

Status of Fund Balance with the Treasury		
As of September 30,	2012	2011
Unobligated balance available	\$63,518	\$53,918
Unobligated balance unavailable	1,783,956	3,199,112
Obligated balance not yet distributed	2,677,621	3,278,904
Non-budgetary fund balance with the Treasury	38	79
Total	\$4,525,133	\$6,532,013

Note 3: Accounts Receivable, Net

The reported amount for accounts receivable consists of amounts owed to the FLRA by other Federal agencies (intragovernmental) and the public.

Accounts Receivable, Net		
As of September 30,	2012	2011
From Federal agencies, net	\$1,335	\$17,021
From the public, net	12,172	5,243
Total	\$13,507	\$22,264

Amounts Due from Other Federal Agencies		
As of September 30,	2012	2011
Department of Defense	\$0	\$1,123
Department of Homeland Security	1,335	0
Department of Justice	0	407
Environmental Protection Agency	0	1,096
United States Postal Service	0	14,395
Total	\$1,335	\$17,021

Note 4: General Property and Equipment, Net

Category	Service Life	Acquisition Value	Accumulated Depreciation	2012 Net Book Value	2011 Net Book Value
Software	3 years	\$258,957	\$(258,957)	\$0	\$0
Computer equipment	5 years	497,616	(429,063)	68,553	98,799
Office equipment	7 years	541,272	(421,974)	119,298	172,652
Office furniture	15 years	526,039	(399,927)	126,112	147,906
Leasehold improvements	Life of lease	428,173	(388,973)	39,200	106,396
Total		\$2,252,057	\$(1,898,894)	\$353,163	\$525,753

Note 5: Liabilities Not Covered By Budgetary Resources

Unfunded FECA liabilities consists of workers' compensation claims payable to the DOL, which will be funded in a future period, 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 twelve 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 year-end, 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,	2012	2011
Intragovernmental – Unfunded FECA liabilities	\$240,761	\$239,011
Federal employee benefits – FECA actuarial liability	1,185,256	1,141,306
Unfunded leave	1,519,345	1,513,590
Total	\$2,945,362	\$2,893,907

Note 6: Other Liabilities

Other liabilities in FY 2011 and FY 2012 include interest payment from a customer agency for reimbursable travel. Payment was deposited into the Treasury’s General Fund Interest Account.

Note 7: 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.

Future Minimum Lease Payments			
FY	Equipment	Building	Total
2013	\$40,194	\$1,393,343	\$1,433,537
2014	18,700	501,481	520,181
2015	13,527	422,743	436,270
2016	0	316,202	316,202
2017	0	251,398	251,398
Thereafter	0	1,023,983	1,023,983
Total	\$72,421	\$3,909,150	\$3,981,571

Note 8: Commitments and Contingencies

The FLRA is 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 proceedings, actions, and claims will not materially affect financial position or results of operations of the FLRA. The agency has examined its obligations related to cancelled FY 2007 authority and believes that it will not have outstanding commitments that will require future resources.

Note 9: Intragovernmental Costs and Exchange Revenue

The classification of revenue or cost defined as "intragovernmental" or "with the public" is defined 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 10: Apportionment Categories of Obligations Incurred: Direct Versus Reimbursable Obligations

Obligations Incurred		
For the Years Ended September 30,	2012	2011
Direct obligations – Category A	\$24,713,002	\$24,717,028
Reimbursable obligations – Category A	46,053	79,330
Total	\$24,759,055	\$24,796,358

Note 11: Undelivered Orders at the End of the Period

The amount of budgetary resources obligated for undelivered orders at the end of September 30, 2012 and 2011 was \$1,259,285 and \$1,772,040, respectively.

Note 12: Explanation of Differences between the SBR 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 2013 President’s Budget, with actual amounts for FY 2011, has been reconciled to the Statement of Budgetary Resources. The FY 2014 President’s Budget, with actual amounts for FY 2012, will not be published until February 2013.

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, 2012 and 2011 are shown in the table on the following page.

Reconciliation of Net Cost of Operations to Budget		
For the Years Ended September 30,	2012	2011
Resources Used to Finance Activities:		
Obligations incurred	\$24,759,055	\$24,796,358
Spending authority from offsetting collections:		
Collected	(37,675)	(81,238)
Change in unfilled customer orders	(5,821)	(647)
Recoveries of prior year unpaid obligations	(611,555)	(46,400)
Transfers in/out without reimbursement	0	(24,675)
Imputed financing sources	1,495,849	1,686,875
Other	<u>0</u>	<u>(4)</u>
Total Resources Used to Finance Activity	<u>\$25,599,853</u>	<u>\$26,330,269</u>
Resources Used That Do Not Fund Net Cost of Operations:		
Change in unfilled customer orders	\$5,821	\$647
Change in undelivered orders	502,552	241,745
Current-year capitalized purchases	0	(29,789)
Components of the Net Cost of Operations Which Do Not Generate or Use Resources in the Reporting Period:		
Change in non-Federal receivables	8,757	(9,992)
Other financing sources not in the budget	(1,495,849)	(1,686,875)
Depreciation and amortization	172,591	220,707
Future funded expenses	7,505	66,632
Imputed costs	1,495,849	1,686,875
Other expenses not requiring budgetary resources	<u>43,950</u>	<u>(31,598)</u>
Net Cost of Operations	<u>\$26,341,029</u>	<u>\$26,788,621</u>

DEMBO JONES

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Chairman Pope:

We have audited the accompanying balance sheet of the Federal Labor Relations Authority (FLRA) as of September 30, 2012 and 2011, and the related statements of net cost and changes in net position, and statement of budgetary resources, for the year then ended. In our audits of the Federal Labor Relations Authority for the fiscal year September 30, 2012 and 2011, we found

- the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles,
- no material weaknesses or significant deficiencies in internal control over financial reporting (including safeguarding assets),
- no reportable noncompliance with laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions, (2) our conclusions on Management's Discussion and Analysis (MD&A) and other accompanying information, and (3) our audit objectives, scope, and methodology.

Opinion on Financial Statements

In our opinion, the financial statements including the accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the Federal Labor Relations Authority's assets, liabilities, and net position as of September 30, 2012 and 2011; and net costs; changes in net position; and budgetary resources for the year then ended.

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.

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Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies, as defined above.

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

Our tests of the Federal Labor Relations Authority's compliance with selected provisions of laws and regulations for fiscal year 2012 disclosed no instances of noncompliance that would be reportable under U.S. generally accepted government auditing standards or OMB audit guidance. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

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.

Objectives, Scope, and Methodology

The Federal Labor Relations Authority's management is responsible for (1) preparing the financial statements in conformity with U.S. generally accepted accounting principles, (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers' Financial Integrity Act are met, and (3) complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We are also responsible for (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB audit guidance requires testing, and (3) performing limited procedures with respect to certain other information appearing with the Annual Financial Statements.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the financial statements;
- obtained an understanding of the FLRA and its operations, including its internal control related to financial reporting (including safeguarding assets), and compliance with laws and regulations (including execution of transactions in accordance with budget authority);
- tested relevant internal controls over financial reporting and compliance, and evaluated the design and operating effectiveness of internal control;
- considered the design of the process for evaluating and reporting on internal control and financial management systems under the Federal Managers' Financial Integrity Act; and
- tested compliance with selected provisions of laws and regulations.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to the Federal Labor Relations Authority. We limited our tests of compliance to selected provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB audit guidance that we deemed applicable to the Federal Labor Relations Authority's financial statements for the fiscal year ended September 30, 2012. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our audit in accordance auditing standards generally accepted in the United States; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB guidance.

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

*Rockville, Maryland
November 15, 2012*

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



UNITED STATES OF AMERICA
FEDERAL LABOR RELATIONS AUTHORITY

WASHINGTON, D.C. 20424-0001

MEMORANDUM

DATE: October 12, 2012

TO: Carol Waller Pope
Chairman

Ernest DuBester
Member

FROM: Dana Rooney-Fisher
Inspector General

Handwritten signature of Dana Rooney-Fisher in black ink.

SUBJECT: Inspector General Identified Management Challenges

This memorandum transmits the key management and performance challenges facing the Federal Labor Relations Authority (FLRA) as identified by the Inspector General (IG).

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 within 45 days of the end of the fiscal year (FY). The Reports Consolidation Act of 2000, Public Law 106-531, requires the IG to provide the agency head with a statement that summarizes the most serious management and performance challenges facing the agency and briefly assesses the agency's progress in addressing those challenges. This statement should be included in the PAR.

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. These ongoing challenges include: Human resources shortage; information technology security and proper handling of records.

The above challenges were also noted in the agency's FY 2011 PAR. The agency has made substantial progress in addressing these challenges as further described in the attachment. Further, management has taken sufficient action to effectively address the "succession planning" challenge of the IG identified challenges that were contained in the FY 2011 PAR, which I no longer consider to be one of the most serious challenges facing management. We appreciate management's strong commitment in addressing these challenges.

Attachment

Challenge: Human Resources shortage

The U.S. Federal Labor Relations Authority (FLRA) is *the* sole agency 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. Although the FLRA is a small agency, accomplishing its mission, including the timely, quality resolution of disputes, is essential for program performance Government-wide. If a labor-management dispute in another agency remains unresolved for too long, the mission accomplishment in that agency likely will suffer. The Federal Government currently faces significant financial challenges today, especially when considering the potential impacts of sequestration which will presently become effective in early 2013 unless intervening legislation is enacted. This fiscal environment may likely require major changes and presents challenges that will have a significant impact on the Federal workforce as well as the effectiveness and efficiency of agency operations. In addition, President Obama called for the reorganization of Federal agencies – described as the most aggressive reorganization of the Federal Government in at least half a century. For example, in January 2012 the President sought authority to reorganize Federal trade and business-related functions within the U.S. Department of Commerce and other organizations. The FLRA’s services will be critical in facilitating orderly, efficient and effective changes such as these within the Federal Government since these changes will inevitably generate representation cases, and collective-bargaining may be necessary for the implementation of the changes. In addressing workforce disputes that may result, the FLRA has a direct bearing on how well and quickly any improvement in Government operations can be effectuated, therefore FLRA is an essential component to bringing about real change within the Federal Government.

In the event of a large increase in the agency’s core workload (i.e., an increase in the total filings received by the FLRA for review and disposition) as a result of the Government-wide forces and potential changes described above, the FLRA’s current workforce would face significant challenges. Over the last 12 years the FLRA’s staffing levels have declined, and the agency has effectively managed its caseload through a variety of strategies. While case filings have also declined over that period of time, the agency has recently experienced increases in filings in two of its three components. The FLRA professional staff responsible for managing and resolving complex legal matters (e.g., filings) are generally attorneys with years of relevant experience. These professional positions require extensive education and specialized knowledge and experience, and the work performed by such staff cannot be easily shifted to other staffs whom lack the education and training. Accordingly, the FLRA is presently faced with the challenge of positioning itself for a significant influx of mission critical workload, but at the same time, has limited or no ability to hire additional staff above current levels. This scenario presents a challenge that the agency’s performance (in terms of timeliness of processing cases) could be negatively impacted without sufficient FTE, if the situation described above results in a significantly increased workload.

**Office of the Inspector General
Federal Labor Relations Authority
Top Management and Performance Challenges**

Progress made:

The FLRA management has proactively tried to address this challenge by taking actions within their control. For example, over the years management has tried to streamline processes whenever practical, and has tried to reallocate resources for human resources and away from discretionary spending on items such as travel and training. However, these actions alone cannot fully mitigate the challenge.

Challenge: Security as well as information technology security

While technological advances enable increases in efficiency, they also can pose additional vulnerabilities and threats to agency operations. The agency must remain vigilant in establishing a control environment that incorporates monitoring potential Information Technology risks, threats and vulnerabilities and in mitigating them. The agency has undertaken annual reviews of the agency's information security program as required by the Federal Information Security Management Act (FISMA). The FISMA requires the FLRA to 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 most recent report contains certain findings from prior years that remain open.

Progress made:

Management has demonstrated that the FLRA is serious about ensuring they have a robust information security program. This is evidenced in that as of the date of this memo, no new findings were identified in connection with the latest FISMA evaluation. In addition, management's actions have successfully addressed the majority of finds contained in reports from prior years. Management is actively engaged in addressing the remaining open items.

Challenge: Proper handling of records (hard copy and electronic)

It is essential to have adequately documented policies, procedures and processes that address the proper handling of all hard copy and electronic records. 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. In addition, management should periodically verify that such policies are being followed. For example, one area that continues to present a serious management challenge is the implementation of a case management infrastructure. In particular, policies, processes and procedures that provides FLRA staff with clear guidance for handling records needs to be developed and documented.

**Office of the Inspector General
Federal Labor Relations Authority
Top Management and Performance Challenges**

Progress made:

The FLRA has automated many of its systems including accounting, procurement, and the time and attendance systems. These automated systems incorporate internal controls and workflow paths that enhance the agency's ability to handle the records included in these systems and better enable compliance with agency policy and procedures. However, significant progress still needs to be made towards developing a case management infrastructure that supports electronic files, which will help further agency efforts to properly handle agency case file records. This issue was also noted in my memo dated October 14, 2011.

MANAGEMENT'S RESPONSE

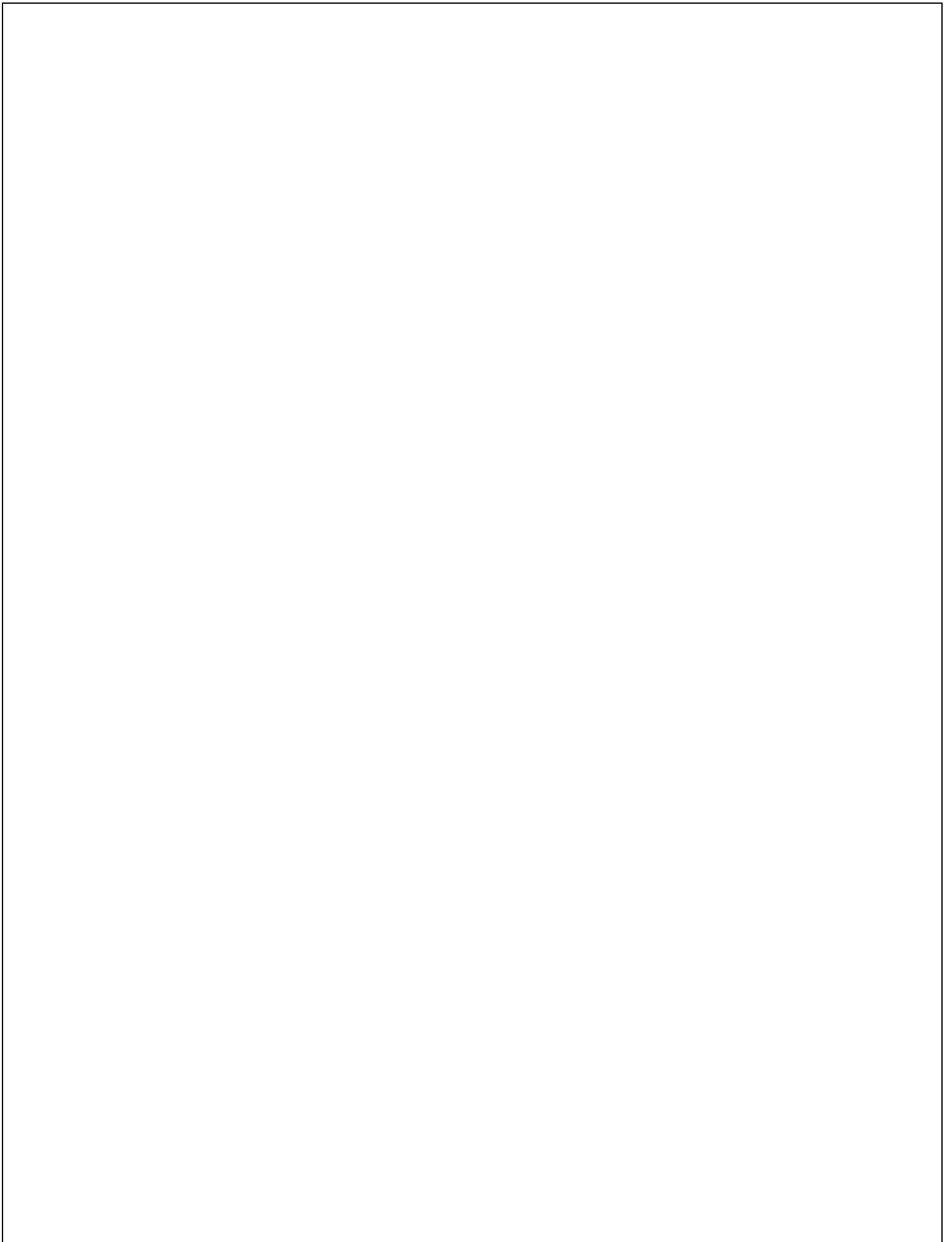
Since FY 2009, the FLRA has engaged in a thorough review of agency programs and performance. Efforts have been focused on budget-related matters and the development of management initiatives to improve the FLRA's performance of its statutory mission. In addition to program performance, the review has 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.

It is useful each year to take stock of the progress achieved toward eliminating deficiencies and challenges. Many of the Inspector General's prior-year challenges have been addressed and resolved. The remaining challenges identified by the Inspector General include human resources shortage, IT security, and proper handling of records.

With respect to these ongoing challenges, management has made, and continues to make, progress towards their resolution, and will continue to address them with the input of agency leadership, management, and employees and their representative union. With respect to human resources matters, the FLRA will continue its efforts to reallocate and leverage resources to maximize organizational performance and address those areas where limited resources adversely affected agency operations. 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. Finally, the FLRA continues its efforts to ensure proper handling of records, noting in particular that the ongoing development of a case management infrastructure that supports electronic case filing and files will further advance this effort. In FY 2013, the FLRA will develop and implement policies, processes, and procedures that provide staff with clear guidance for handling these records.

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 Office of Management and Budget 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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