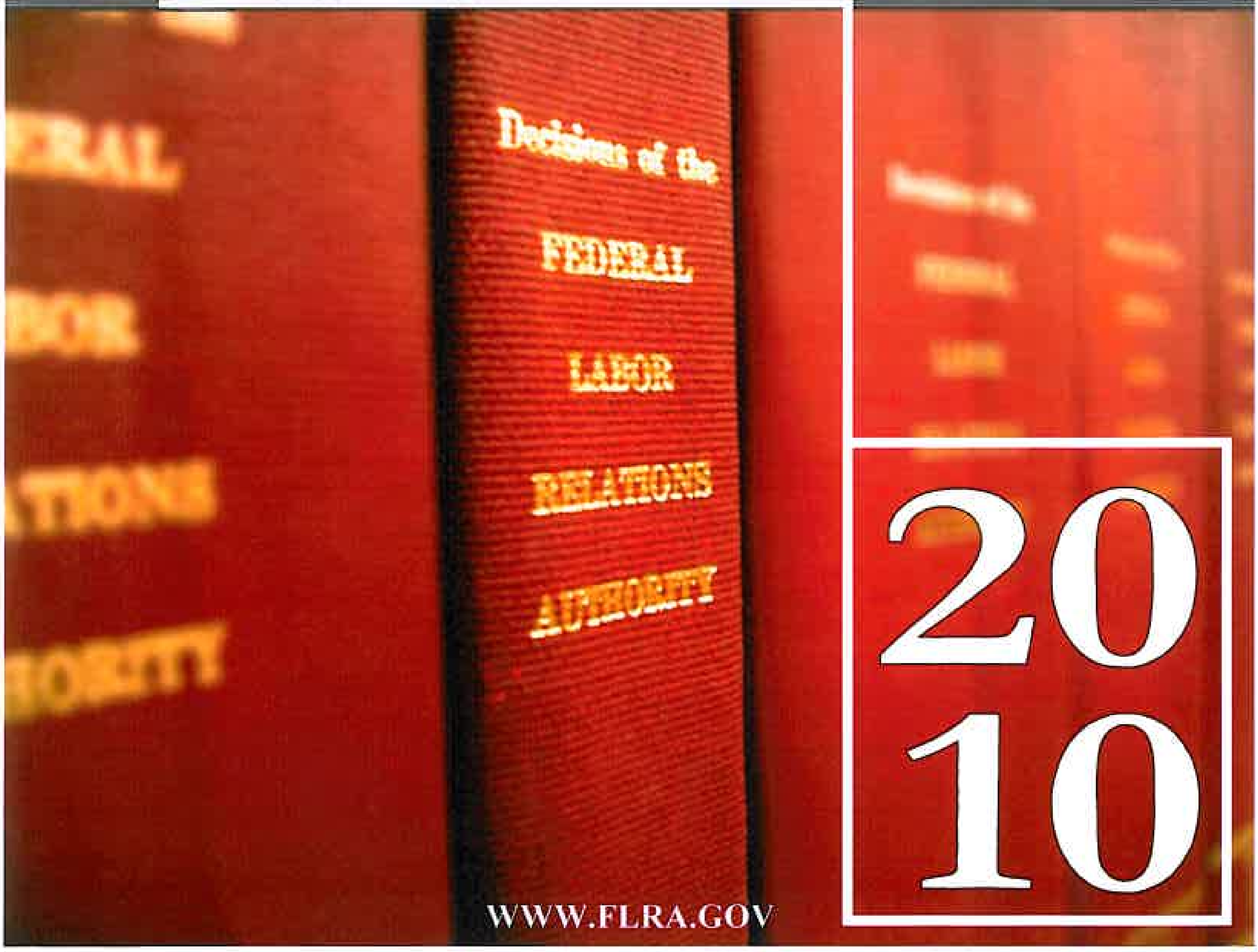
Thirty-one years – promoting and protecting labor-management relations for effective, efficient government.

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



2010

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UNITED STATES
FEDERAL LABOR RELATIONS AUTHORITY

Performance and Accountability Report
Fiscal Year 2010

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MESSAGE FROM THE CHAIRMAN

I am pleased to present the Federal Labor Relations Authority's (FLRA) Performance and Accountability Report for Fiscal Year (FY) 2010. The past year demonstrates that the agency's rebuilding efforts, fueled by the effective management of resources, hard work and dedication of FLRA leadership and employees are showing results. Among other things, the FLRA recently was honored with the distinction of being named the *Most Improved Small Agency* by the Partnership for Public Service. Moving out of last place (in the two previous surveys ranked by the Partnership) – with a dramatic and unprecedented overall score increase of 250 percent – provides solid evidence that the FLRA is on the right track in emphasizing mission accomplishment through employee engagement and collaboration.

The Authority component (the three-Member adjudicatory body) also is on the right track in adhering to a corrective action plan developed in FY 2009 for elimination of its case backlog. During FY 2010, the Authority reduced its overall inventory as well as its inventory of overage cases by more than 40 percent. Moreover, most performance goals established to measure timeliness in case processing were met, or substantially met, in all categories. In addition, although the Office of the General Counsel (OGC) (the investigatory and prosecutorial component of the FLRA) experienced an increase in case filings, the OGC completely eliminated the inventory of unfair labor practice (ULP) complaints that accumulated during the time that there was no General Counsel or Deputy in place. The OGC also increased the number of initial dispositions in ULP cases by 13 percent over the number in FY 2009. The Federal Service Impasses Panel (FSIP), the component which resolves bargaining impasses, experienced a three percent increase in case filings and showed improved performance outcomes. In particular, the FSIP closed 176 cases, mediating settlements in 27 of the 41 cases that were before the FSIP for decision. This commitment to obtaining settlements rather than issuing decisions returned the FSIP to its original guiding philosophy that the voluntary settlement of impasses is the most effective and efficient form of dispute resolution.

The FLRA began FY 2010 by engaging in strategic planning to set the course for the future and guide ongoing efforts to effectively manage its resources. Consistent with the strategic plan, over 30 hiring actions were completed in FY 2010, including the reallocation of vacant positions to address critical staffing needs and improve performance outcomes. Also during the fiscal year, the Authority undertook the first revision in 30 years of its regulations governing arbitration cases, and the OGC both revised its ULP regulations to formally incorporate alternative dispute resolution into case processing and revised and reissued its ULP Case-Handling Manual.

The FLRA also re-established its leadership role in labor-management relations by delivering training to approximately 7,500 individuals in more than 250 training sessions. Further, the FLRA fulfilled its role as a "critical resource" in implementing Executive Order 13522 "Creating Labor-Management Forums to Improve Delivery of Government Services," by providing training and facilitation to parties establishing labor-management forums and by offering training and other services to labor and management participants in pilots established under the Executive

Order to bargain over matters set forth in section 7106(b)(1) of the Statute. In addition, in the information technology arena, the FLRA substantially completed the development and implementation of a new Case Management System as well as electronic case filing.

As in any organization, many challenges remain for the FLRA. I look forward to working with the agency's talented and committed staff, fellow Authority Members, the General Counsel, the FSIP Chairman and Members, and FLRA stakeholders to face these challenges while continuing to provide high-quality labor-management dispute resolution services to our customers and the American public. We will report our progress and subsequent actions in future Performance and Accountability Reports.

Carol Waller Pope

Carol Waller Pope
Chairman
Federal Labor Relations Authority
November 15, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

BACKGROUND AND MISSION

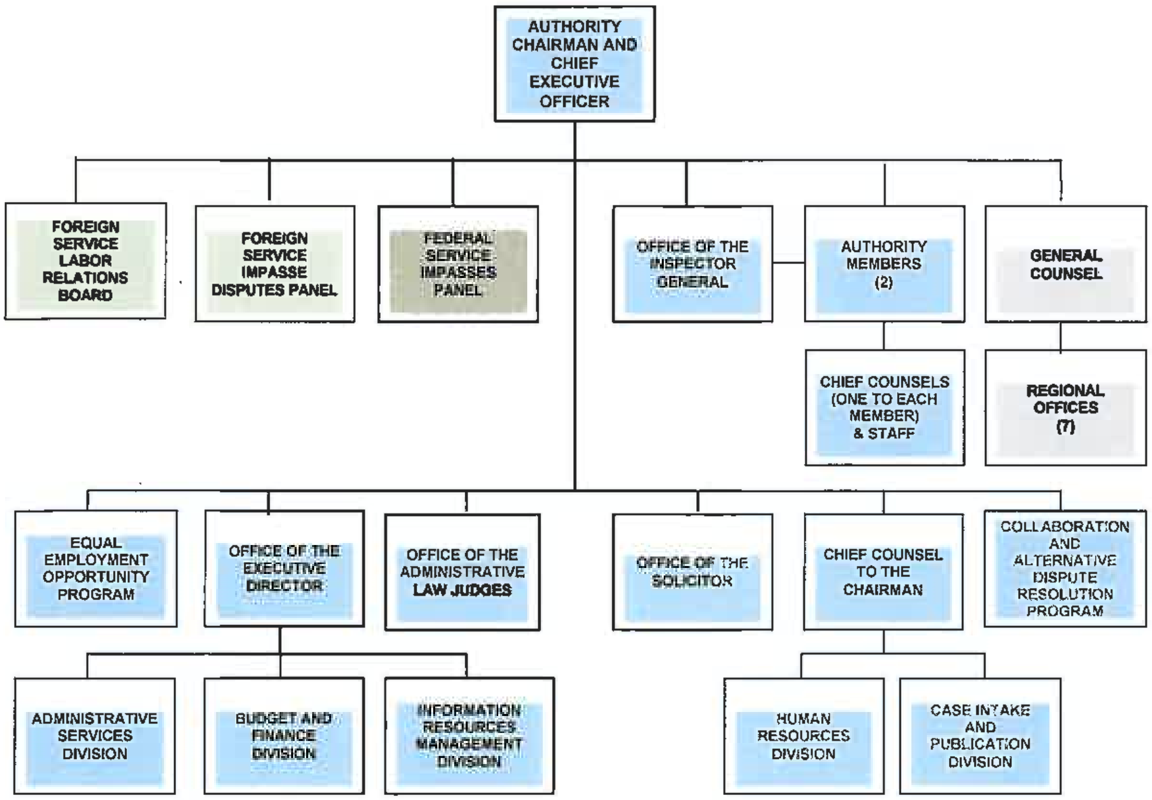
The FLRA is *the* sole agency responsible for establishing policies and guidance regarding the labor-management relations program for 1.6 million non-Postal, Federal employees worldwide, approximately 1.1 million of whom are represented in 2,200 bargaining units. The FLRA was created by Title VII of 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. Executive Order 10988 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 the Order. Executive Order 11491, as amended, was the basis for President Carter's proposal to Congress to create a 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. Certain practices by Federal agencies and labor organizations are prohibited by the Statute and are the bases for unfair labor practice (ULP) charges.

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. In many ways, the FLRA provides grease for the wheels of government. As such, its vitality is important beyond its size.

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.



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 5-year, staggered terms and one Member is designated by the President to serve as Chairman. The Authority is empowered to: resolve disputes over the negotiability of proposals made in collective bargaining; decide whether conduct alleged in a complaint constitutes a ULP; resolve exceptions to grievance arbitration awards; and review the decisions of Regional Directors in disputes over union elections and unit determinations. FLRA Regulations, at section 2429.4, also permit the General Counsel, the Assistant Secretary of Labor, or the Federal Service Impasses Panel to refer for review and decision or general ruling any case involving a major policy issue that arises in a proceeding before any of them. Following issuance of a final Authority decision or order, a party can move for reconsideration if it can establish extraordinary circumstances.

The Authority appoints Administrative Law Judges (ALJs) to hear and prepare 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 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 Authority in court proceedings. 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. court of appeals or district court.

The FLRA established the Collaboration and Alternative Dispute Resolution (CADR) Program to place greater emphasis on the use of ADR and consensus decision-making in resolving workplace disputes. These efforts have been integrated into all of the FLRA's case processes. The CADR Program provides overall coordination and support for the agency's labor-management cooperation and ADR efforts. The program assists agencies and unions in improving their labor-management relationships and in resolving disputes.

The Office of the Executive Director provides agency-wide financial and administrative support as well as information systems implementation and maintenance. The Executive Director also provides FLRA strategic policy and instructions.

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.

The Office of the General Counsel

Appointed for a 5-year term by the President with the advice and consent of the Senate, the General Counsel has responsibility for investigating ULP charges and for filing and prosecuting ULP complaints. Pursuant to section 7104(f) of 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 alleged ULPs, file and prosecute ULP complaints, and provide training and ADR services. In addition, through delegation by the Authority, the Regional Offices process and determine representation matters.

The General Counsel has a management staff in FLRA Headquarters, located in Washington, DC, and the seven Regional Offices. Headquarters management staff provides administrative oversight and develops policies, guidance, procedures, and manuals that provide programmatic direction for the OGC's seven regions and training and education for the parties. Each Regional Office has a Regional Director who provides leadership and management expertise for the respective region. The Dallas and Washington Regional Offices also have a Regional Attorney, while the San Francisco Regional Office has a Deputy Regional Director to assist the Regional Director in the operations of the region.

Atlanta Regional Office

Boston Regional Office

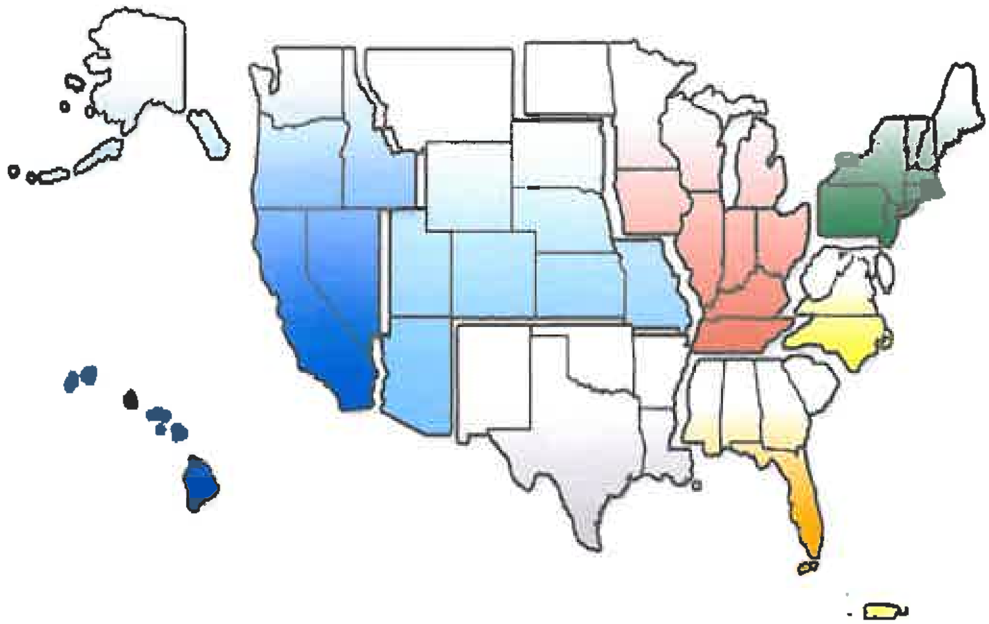
Chicago Regional Office

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 5-year terms. If bargaining between the parties, followed by mediation assistance, does not result in a voluntary agreement, 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, the Panel 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, 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 FY 2010 performance planning framework is based on the FY 2010-2015 Strategic Plan, and is supported by the Annual Performance Plan. The FLRA's FY 2010 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. Senior executives are assigned responsibility for specific performance goals, thereby providing a direct link between executive performance and attainment of agency outcomes.

To accomplish its mission, the FLRA has established the following four strategic goals.

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

The FLRA seeks to achieve its strategic goals primarily through the timely review and disposition of cases. The agency supports these efforts by focusing on improvements in information technology and the more effective and efficient use of its human capital.

FY 2010 Performance Goals
1. Provide timely adjudication of cases through electronic filing and case-tracking.
2. Provide timely review and disposition of ULP cases.
3. Provide timely review and disposition of representation cases.
4. Provide timely review and disposition of arbitration cases.
5. Provide timely review and disposition of negotiability cases.
6. Provide timely review and disposition of bargaining impasse cases.
7. Develop, manage, and utilize the FLRA's human resources to meet program needs.

Timeliness

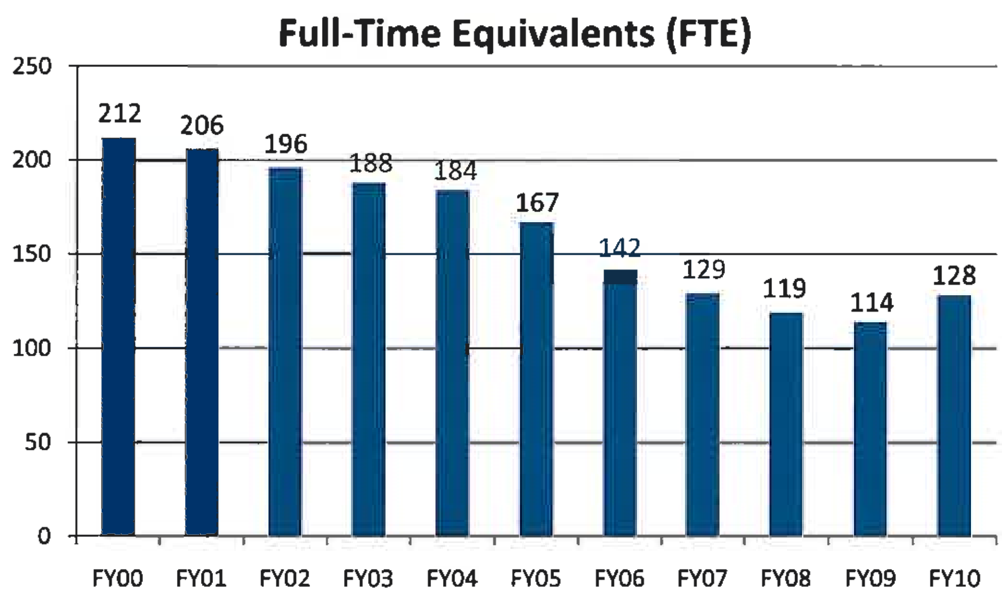
Improvements in timeliness further the FLRA's critical role in facilitating orderly, efficient and effective change within the Federal government. The quality and timeliness of case dispositions directly impacts the pace of government change. Moreover, the core purpose of the Statute is to promote collective bargaining as a means of fostering improved employee performance and government operations. The failure of the agency to process cases in a timely manner adversely impacts the accomplishment of this purpose.

Information Technology

The FLRA makes extensive use of automated information technology (IT) systems in meeting its timeliness goals. Recent efforts include modernizing the agency case-filing process to provide an online alternative to paper. Electronic case filing has many advantages for external customers, such as: the ability to file cases 24 hours a day, seven days a week; instantaneous receipt and efficient case processing; and reduced postage, fax, and/or courier costs. Other recent agency IT advancements include improving the FLRA website to provide more useful tools and resources to the public. This includes posting Authority decisions within 24-hours, improved research capabilities of Authority decisions, manuals and guidances, and announcement of training and educational opportunities for the parties.

Human Capital

The FLRA's workforce is its greatest asset. The agency opened FY 2010 with its first collaborative strategic planning effort in nearly ten years. This effort built upon the agency's work in FY 2009 addressing mission needs through effective performance, budget and strategic human capital management, and planning. In FY 2010, the FLRA focused its attention on improving all aspects of employee work life, including: workplace flexibilities; empowering career managers with decision and budget authority; instituting regular presidential and career management meetings; establishing collaborative work groups addressing workplace and work/life issues; and increasing internal communication between and among employees at all levels. In addition, the FLRA continues to work collaboratively with the Union of Authority Employees to further improve and sustain employee morale and job satisfaction, addressing all issues involving succession planning and the need to have the FLRA prepared to respond to any external workforce changes.



PERFORMANCE SUMMARY

For several years, neither the necessary resources nor leadership was invested in addressing the then-growing backlog of cases, resulting in the Authority beginning FY 2009 with nearly 400 pending cases. This inventory was nearly four times the inventory pending at the beginning of FY 2001, and over double the inventory pending at the beginning of FY 2007. Moreover, the inventory was old: nearly 75 percent of the inventory in all types of cases was already over 180 days old (approximately 300 cases) and almost 100 of those cases were over two years old.

In FY 2010, the Authority issued 222 decisions – which is more than all the decisions issued in FY 2007 and FY 2008 combined. Since February 2009, the Authority has reduced its pending case inventory by close to 47 percent (from 400 to 215); reduced its overage case inventory by more than 45 percent (from 269 to 150); and reduced pending cases' average age 154 days or 35 percent (from 438 to 284), substantially meeting the performance goals established in the Corrective Action Plan submitted to the Office of Management and Budget (OMB) in July 2009. Furthermore, the OALJ processed 282 cases, resolving all but 29 without a hearing while achieving a median time from hearing to decision in 90 days. The CADR Program also closed 30 negotiability cases and narrowed the parties' dispute in a number of cases – in one case narrowing down 44 disputed provisions to a mere six.

Similar challenges faced the case processing efforts of the OGC and the FSIP in the absence of leadership in FY 2009. In FY 2010, both offices were successful in quickly addressing their backlog of cases. The OGC resolved more than 340 complaint cases and closed more than 800 appeals cases, while the FSIP resolved all outstanding requests for Panel assistance. The FSIP conducted seven business meetings and closed 176 cases, asserting jurisdiction in 109 cases with 41 mediation-arbitrations, 14 decisions, and complete settlements of 27 impasses in the mediation phase of the proceeding.

Case processing regulations were also revised and updated in FY 2010 to formally incorporate ADR, and to more fully address procedural and substantive matters to reduce filing deficiencies and to obtain more complete and focused records upon which decisions are made.

The following table summarizes the FLRA's actual performance results in FY 2010 compared its FY 2010 targets.

Performance Outcome Measures	FY 2010 Target	FY 2010 Actual	Result
Strategic Goal 1: Achieve superior customer service.			
Performance Goal 1: Provide timely adjudication of cases through e-filing and case tracking.			
Measure 1.1: Percentage of process completed.	10%	75%	Exceeded
Performance Goal 2: Provide timely review and disposition of ULP cases.			
Measure 2.1: Percentage of ULP charges resolved within 120 days from the date filed.	75%	49%	Not Met
Measure 2.2: Percentage of decisions on appeals issued within 60 days.	80%	31%	Not Met
Measure 2.3: Percentage of ULP complaints receiving a hearing within 90 days or otherwise settling.	100%	89%	Substantially Met
Measure 2.4: Percentage of records closing and decisions issuing within 90 days of the hearing completion date.	100%	60%	Not Met
Measure 2.5: Percentage of ULP cases cleared and assigned within 5 working days.	100%	100%	Met
Measure 2.6: Percentage of ULP cases decided within 180 days of assignment to an Authority Member staff.	20%	18%	Substantially Met

Performance Outcome Measures	FY 2010 Target	FY 2010 Actual	Result
Performance Goal 3: Provide timely review and disposition of representation cases.			
Measure 3.1: Percentage of representation cases resolved within 120 days from the filing of the petition.	70%	65%	Substantially Met
Measure 3.2: Percentage of representation cases assigned or disposed of in 2 work days.	100%	100%	Met
Measure 3.3: Percentage of representation cases in which a decision whether to grant review issued by day 60 and a final decision issued by day 90, upon assignment to an Authority Member staff.	90%	100%	Exceeded
Performance Goal 4: Provide timely review and disposition of arbitration cases.			
Measure 4.1: Percentage of arbitration cases cleared and assigned, or otherwise resolved, within 5 work days.	100%	100%	Met
Measure 4.2: Percentage of arbitration cases decided within 180 days of assignment to an Authority Member staff.	20%	30%	Exceeded
Performance Goal 5: Provide timely review and disposition of negotiability cases.			
Measure 5.1: Percentage of negotiability cases cleared and assigned, or otherwise disposed of, within 5 work days.	100%	100%	Met
Measure 5.2: Percentage of negotiability cases decided within 180 days of assignment to an Authority Member staff (reflecting reasonable time for a post-petition conference).	20%	17%	Substantially Met
Performance Goal 6: Provide timely review and disposition of bargaining impasse cases.			
Measure 6.1: Percentage of cases in which the Panel asserted jurisdiction or declined to assert jurisdiction within 90 days of the completion of filing requirements.	79%	28%	Not Met
Measure 6.2: Percentage of cases that closed within 20 days of the Panel's determination to decline jurisdiction, or of the parties' request/s to withdraw.	98%	100%	Exceeded
Measure 6.3: Percentage of cases in which the substantive case record closed within 120 days of the Panel's assertion of jurisdiction over the parties' request for assistance.	100%	93%	Substantially Met
Measure 6.4: Percentage of cases that the Panel closed within 30 days of the Panel's resolution through a Decision and Order or otherwise.	76%	100%	Exceeded
Strategic Goal 7: Develop, empower and engage FLRA employees to meet program needs and improve job satisfaction.			

Performance Outcome Measures	FY 2010 Target	FY 2010 Actual	Result
Performance Goal 7: Develop, manage and utilize FLRA's human resources to meet program needs.			
Measure 7.1: Percentage of number of required internal workgroups established to address technology issues, strategic planning and other agency and workforce issues.	50%	50%	Met
Measure 7.2: Percentage by which reported employee job satisfaction is increased to approach the agency's objective.	50%	250%	Exceeded
Measure 7.3: Percentage of internal FLRA policy instructions updated and issued.	50%	15%	Not Met
Measure 7.4: Percentage by which agency staffing meets funded FTE levels.	100%	100%	Met

FINANCIAL ANALYSIS

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

Balance Sheet

The Balance Sheet presents the FLRA's financial position through the identification of agency assets, liabilities, and net position. Total assets decreased from $10.9 million in FY 2009 to $9.1 million in FY 2010. The decrease in assets is largely attributable to the cancellation of the FLRA's FY 2004 expired account, which held $1.6 million in unobligated funds. The agency's fund balance with the U.S. Treasury Department is its largest asset, accounting for over 90 percent of total assets in both FY 2009 and FY 2010. 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 information technology 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.

Assets as of September 30,	2010	2009
Fund balance with Treasury	$8,382,647	$10,156,942
General property and equipment, net	716,672	668,525
Advances and prepayments	21,659	16,156
Accounts receivable	12,272	19,521
Total	**$9,133,250**	**$10,861,144**

Funds held at 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. Agency liabilities totaled $3.8 million at the end of FY 2009 and $4.4 million in FY 2010. The increase over FY 2009 reflects an increase in accrued employee leave, payroll, and benefits costs, which along with accrued workers' compensation, accounted for 97 percent of total liabilities in FY 2010.

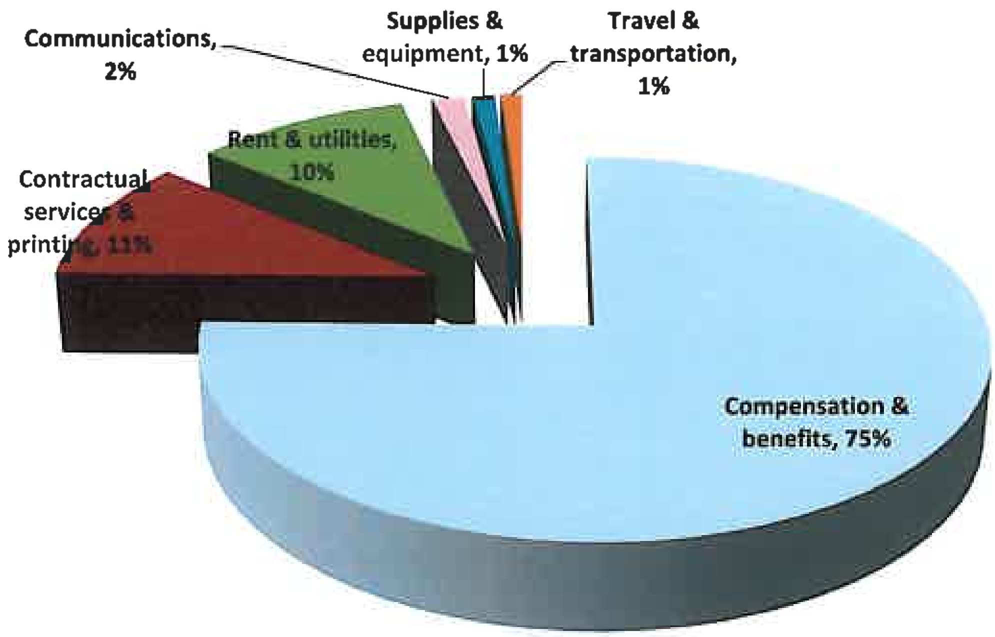
Liabilities as of September 30,	2010	2009
Unfunded leave	$1,437,695	$1,286,960
FECA liability	1,421,178	1,392,215
Accrued payroll and benefits	1,363,566	958,120
Accounts payable	147,492	173,520
Custodial liability	40	73
Total	**$4,369,971**	**$3,810,888**

The FLRA's total net position at the end of FY 2010 was $4.8 million, a $2.3 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 exchange revenue earned from those activities. The net cost of operations for FY 2010 was $27.2 million, a $3.9 million increase over the agency's FY 2009 cost of operations. In FY 2010, 40 percent of the agency's resources were dedicated to the OGC, 57 percent were dedicated to the Authority, and the remaining three percent were devoted to the FSIP.

The following chart summarizes the FLRA's FY 2010 financial obligations by budget object classification.



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. Unexpended appropriations include undelivered orders and unobligated balances. 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.

Statement on Budgetary Resources

The Statement on Budgetary Resources reports the budgetary resources available to the FLRA during FY 2010 and FY 2009 to carry out the activities of the agency, as well as the status of those resources at the end of each year. The agency had $30 million in total budgetary resources available to it in FY 2010, of which $4.9 million remained unobligated at year-end. 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 FLRA guiding statute, mission, Executive Order 13522, etc. The FLRA also recorded net outlays of $25 million in FY 2010. Budgetary resources remained fairly constant in FY 2010, while net outlays increased by $2.7 million over FY 2009.

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 the Office of Management and Budget (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 it internal controls over the effectiveness and efficiency of operations, reliable financial reporting and compliance with applicable laws and regulation as of September 30, 2010, 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, 2010

PERFORMANCE GOALS AND RESULTS

GOAL 1: PROVIDE TIMELY ADJUDICATION OF CASES THROUGH ELECTRONIC FILING AND CASE-TRACKING.

In FY 2010, the FLRA began designing new case management system (CMS) and electronic case-filing (e-filing) solutions, with the intent that these solutions be ready for use beginning in FY 2011. All three agency components are now utilizing the new CMS in lieu of the former, aging system. The CMS is used to track performance statistics in support of case-processing activities throughout the agency, to provide performance outcomes, and to generate data based on reports. In FY 2011, the FLRA will increase utilization of e-filing for FLRA customers and will continue working on the implementation of the electronic case file.

Measure 1.1: Percentage of process completed.									
2006		**2007**		**2008**		**2009**		**2010**	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	10%	75%
Data Source: Case Tracking System									
Target: Exceeded. The FLRA met this goal. The Chief Information Officer made timely delivery of the CMS and e-filing a priority and managed it as such. The FLRA conducted and delivered requirements analyses for each component, identified a design solution, procured the services, developed test plans and a project plan, and rolled out the CMS for use by each component in September 2010. E-filing forms have been developed and customers were able begin filing their forms on-line at the start of FY 2011.									

GOAL 2: 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, 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, 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, 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, a decision by the ALJ is adopted by the Authority.

OGC	FY 2006	FY 2007	FY2008	FY 2009	FY 2010
Charges pending, start of year	1,164	1,705	2,300	1,237	1,587
Charges filed	4,799	4,687	3,572	3,954	4,398
Total charges	**5,963**	**6,392**	**5,872**	**5,191**	**5,985**
Charges closed:					
Withdrawn/settled	2,979	2,920	2,648	2,443	3,130
Dismissed	1,008	1,038	1,941	1,075	751
Complaints issued	271	134	46	74	268
Total charges closed	**4,258**	**4,092**	**4,635**	**3,592**	**4,149**
Corrected closures*	0	0	0	12	25
Charges pending, end of year	**1,705**	**2,300**	**1,237**	**1,587**	**1,811**
OALJ	**FY 2006**	**FY 2007**	**FY2008**	**FY 2009**	**FY 2010**
Cases pending, start of year	18	32	25	0	67
Case intake	271	134	46	74	282
Total caseload	**289**	**166**	**71**	**74**	**349**
Cases closed:					
Before hearing	216	114	59	7	275
At hearing	2	0	0	0	0
By decision	39	27	12	0	20
Total cases closed	**257**	**141**	**71**	**7**	**295**
Cases pending, end of year	**32**	**25**	**0**	**67**	**54**
Authority	**FY 2006**	**FY 2007**	**FY2008**	**FY 2009**	**FY 2010**
Cases pending, start of year	19	24	36	32	14
Case intake	38	25	11	1	18
Total caseload	**57**	**49**	**47**	**33**	**32**
Cases closed:					
Procedurally	25	13	9	0	9
Based on merits	8	0	6	19	9
Total cases closed	**33**	**13**	**15**	**19**	**18**
Cases pending, end of year	**24**	**36**	**32**	**14**	**14**

* The corrected closures totals in FY 2009 and FY 2010 are the result of data-entry errors.

Measure 2.1: Resolve all ULP charges (issuance of a complaint, withdrawal, dismissal, or settlement of the charge), within 120 days from the date filed.									
2006		2007		2008		2009		2010	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
N/A	N/A	N/A	N/A	N/A	N/A	70%	71%	75%	49%
Data Source: Case Tracking System									

Target: Not Met. The Office of General Counsel (OGC) staff nationwide was reduced by 50 percent from its FY 2004 level, based on an anticipated loss of jurisdiction over the U.S. Departments of Defense and Homeland Security, which did not occur. In fact, FY 2010 ULP case intake increased by 23 percent over the FY 2008 level. Caseload per agent has increased by 35 percent above the FY 2004 level, and is now over 100 cases per year per agent. The OGC has determined, however, that agents should be expected to process approximately 82 cases each per year. Thus, there was a sharp disparity between expected production norms and actual caseload per agent in FY 2010. In addition, since the OGC was required to eliminate a backlog of 342 cases awaiting issuance of complaint due to the absence of a General Counsel from March 2008 until August 2009, there was a sharp increase in litigation activity in FY 2010. The combination of these factors made the 120-day goal attainable in only 49 percent of cases with current staffing levels.

Measure 2.2: Issue decisions on appeals within 60 days of receipt of the appeal of the Regional Director's dismissal of the charge.									
2006		2007		2008		2009		2010	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
N/A	N/A	N/A	N/A	N/A	N/A	0%	2%	80%	31%
Data Source: Case Tracking System									

Target: Not Met. Until the appointment of the current General Counsel on August 17, 2009, appeals filed from a Regional Director's decision not to issue a complaint on a ULP charge awaited disposition. After the current General Counsel's appointment, OGC staff reviewed 800 appeals that were both overage and pending and made recommendations for disposition. Decisions on those pending appeals started to be issued in August 2009, and the backlog of appeals was eliminated by February 2010. Thus, the appeals that were not issued in the targeted time period were the backlogged appeals. On current cases, i.e. those cases that were filed during FY 2010, the OGC greatly exceeded the target rate for issuing decisions on appeals, and it is projected that the OGC will be able to continue meeting its target now that the backlog has been cleared.

Measure 2.3: All ULP complaints will receive a hearing within 90 days or be otherwise settled.									
2006		**2007**		**2008**		**2009**		**2010**	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	90%	N/A	100%	89%
Data Source: Case Tracking System									
Target: Substantially Met.									

Measure 2.4: All records will close and a decision will issue within 90 days of the hearing completion date.									
2006		**2007**		**2008**		**2009**		**2010**	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	50%	N/A	100%	60%
Data Source: Case Tracking System									
Target: Not Met. Due to case complexity and requests for extensions from the parties to file post-hearing briefs, the 90 day target was narrowly missed by two days or less in three cases. In addition, this goal is based upon a percentage drawn from a small subset of the cases that the ALJs actually process, i.e. those that result in a formal decision. When all of the complaints that were referred to the ALJs are considered, 93 percent were resolved within 90 days of the complaint. As stated, the performance goal only measures the small subset of complex cases that require a formal written decision for resolution.									

Measure 2.5: Upon completion of filing requirements pursuant to FLRA regulations, all ULP cases will be assigned to an Authority Member staff within 5 working days or be otherwise disposed of.									
2006		**2007**		**2008**		**2009**		**2010**	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	75%	100%	100%	100%
Data Source: Case Tracking System									
Target: Met.									

Measure 2.6: All ULP cases will be decided within 180 days of assignment to an Authority Member staff.									
2006		**2007**		**2008**		**2009**		**2010**	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	0%	5%	20%	18%
Data Source: Case Tracking System									
Target: Substantially Met. The Authority came within one decision of meeting the goal.									

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

The Federal Service Labor-Management Relations 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 of a petition by an individual, labor organization, or agency with a Regional Office. After a petition is filed, the Regional Director conducts an investigation to determine the appropriateness of a unit or other matter related to the petition. After concluding such investigation, the Regional Director may 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 2006	FY 2007	FY2008	FY 2009	FY 2010
Petitions pending, start of year	123	160	156	140	104
Petitions filed	276	297	289	275	278
Total petitions	**399**	**457**	**445**	**415**	**382**
Petitions closed:					
Withdrawn	99	136	132	99	113
Based on merits	140	165	173	169	167
Total petitions closed	**239**	**301**	**305**	**268**	**280**
Corrected closures*	0	0	0	43	0
Petitions pending, end of year	**160**	**156**	**140**	**104**	**102**

* The corrected closures total in FY 2009 is the result of data-entry errors over a number of fiscal years (2005-2009). The discrepancy is not considered statistically significant.

Authority	FY 2006	FY 2007	FY2008	FY 2009	FY 2010
Cases pending, start of year	1	1	4	3	5
Case intake	12	13	14	17	14
Total caseload	**13**	**14**	**18**	**20**	**19**
Cases closed:					
Procedurally	1	0	1	1	1
Based on merits	11	10	14	14	13
Total cases closed	**12**	**10**	**15**	**15**	**14**
Cases pending, end of year	**1**	**4**	**3**	**5**	**5**

Measure 3.1: Representation cases will be resolved by withdrawal of petition, conducting of election, or issuance of Decision and Order within 120 days of filing of the petition.

2006		2007		2008		2009		2010	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	65%	60%	70%	65%

Data Source: Case Tracking System

Target: **Substantially Met.**

Measure 3.2: Upon completion of all filing requirements pursuant to FLRA regulations, all REP cases will be assigned to professional case production, or otherwise disposed of, within 2 work days.

2006		2007		2008		2009		2010	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	Target	**Actual**	Target	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	55%	61%	100%	100%

Data Source: Case Tracking System

Target: Met.

Measure 3.3: Upon assignment to an Authority Member staff, all representation cases in which a decision whether to grant review will issue by day 60 and a final decision will issue by day 90.

2006		2007		2008		2009		2010	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	Target	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	25%	10%	90%	100%

Data Source: Case Tracking System

Target: Exceeded.

GOAL 4: 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 issued after the arbitration. 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 the grounds similar to those applied by Federal courts in private-sector, labor-management relations.

	FY 2006	FY 2007	FY2008	FY 2009	FY 2010
Cases pending, start of year	58	108	216	298	247
Case intake	136	162	126	157	134
Total caseload	**194**	**270**	**342**	**455**	**381**
Cases closed:					
Procedurally	13	18	12	43	31
Based on merits	73	36	32	165	177
Total cases closed	**86**	**54**	**44**	**208**	**208**
Cases pending, end of year	**108**	**216**	**298**	**247**	**173**

Measure 4.1: Upon completion of filing requirements pursuant to FLRA regulations, all arbitration cases will be assigned to a Screening Team and be assigned to professional case production staff, or otherwise resolved, within 5 work days.									
2006		2007		2008		2009		2010	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
N/A	N/A	N/A	N/A	N/A	N/A	75%	63%	100%	100%
Data Source: Case Tracking System									
Target: **Met.**									

Measure 4.2: All arbitration cases will be decided within 180 days of assignment to an Authority Member staff.									
2006		2007		2008		2009		2010	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
N/A	N/A	N/A	N/A	N/A	N/A	15%	22%	20%	30%
Data Source: Case Tracking System									
Target: **Exceeded.**									

GOAL 5: PROVIDE TIMELY REVIEW AND DISPOSITION OF NEGOTIABILITY CASES.

For certain types of cases, there is a procedure for resolving disputes over the negotiability of a matter proposed to be bargained. 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.

	FY 2006	FY 2007	FY2008	FY 2009	FY 2010
Cases pending, start of year	25	27	43	51	39
Case intake	68	52	38	43	52
Total caseload	**93**	**79**	**81**	**94**	**91**
Cases closed:					
Procedurally	53	30	22	41	46
Based on merits	13	6	8	14	23
Total cases closed	**66**	**36**	**30**	**55**	**69**
Cases pending, end of year	**27**	**43**	**51**	**39**	**22**

Measure 5.1: Upon completion of all filing requirements pursuant to FLRA regulations, all negotiability cases will clear the Screening Team and will be assigned to professional case production staff, or otherwise disposed of, within 5 workdays.									
2006		**2007**		**2008**		**2009**		**2010**	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	75%	50%	100%	100%
Data Source: Case Tracking System									
Target: Met.									

Measure 5.2: All negotiability cases will be decided within 180 days of assignment to an Authority Member staff (reflecting reasonable time for a post-petition conference).									
2006		**2007**		**2008**		**2009**		**2010**	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	15	6%	20%	17%
Data Source: Case Tracking System									
Target: Substantially Met. The Authority came within one decision of meeting the goal.									

GOAL 6: 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.

	FY 2006	FY 2007	FY2008	FY 2009	FY 2010
Cases pending, start of year	45	34	23	22	69
Case intake	134	115	111	136	143
Total caseload	**179**	**149**	**134**	**158**	**212**
Cases closed	**145**	**126**	**112**	**89**	**176**
Cases pending, end of year	**34**	**23**	**22**	**69**	**36**

Measure 6.1: Upon completion of filing requirements pursuant to FSIP regulations, and FMCS action, the Panel will assert jurisdiction or decline to assert jurisdiction within 90 days.

2006		2007		2008		2009		2010	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
N/A	N/A	N/A	N/A	N/A	N/A	100%	79%	100%	28%

Data Source: Case Tracking System

Target: Not Met. The FSIP was unable to meet its target under this measure primarily because there were no Panel Members from March 6, 2009, when the Administration dismissed the holdover Bush appointees, until October 9, 2009, when new Panel Members were sworn into office. When normal case processing resumed during FY 2010, after the new Panel was appointed, most of the cases that fell under this measure already were over 90 days old.

Measure 6.2: Cases which the Panel declines to assert jurisdiction or which the parties request to withdraw, prior to a jurisdictional determination, will close within 20 days of such determination/request to withdraw.									
2006		2007		2008		2009		2010	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
N/A	N/A	N/A	N/A	N/A	N/A	100%	100%	100%	100%
Data Source: Case Tracking System									
Target: Met. This measure was unaffected by the fact that there were no Panel Members during the 7-month period between March 2009 and October 2009. All cases during FY 2010 where jurisdiction was declined, or the filing party withdrew its request for assistance, were closed within 20 days of the FSIP's determination to decline or the filing party's request to withdraw.									

Measure 6.3: The substantive case record will close within 120 days once the Panel asserts jurisdiction over the parties' request for assistance.									
2006		2007		2008		2009		2010	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
N/A	N/A	N/A	N/A	N/A	N/A	100%	100%	100%	93%
Data Source: Case Tracking System									
Target: Substantially Met. This measure was also unaffected by the absence of the Panel Members. The substantive record closed within 120 days of the FSIP's determination to assert jurisdiction in 14 out of 15 cases during FY 2010. In the one case where the goal was not met, the substantive record closed after 126 days as a result of the Panel's unsuccessful additional attempts to mediate a voluntary settlement.									

Measure 6.4: Cases which the Panel resolves through a Decision and Order, or otherwise, will be closed within 30 days of the Panel's decision.									
2006		2007		2008		2009		2010	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
N/A	N/A	N/A	N/A	N/A	N/A	100%	85%	100%	100%
Data Source: Case Tracking System									
Target: Met. Also unaffected by the absence of the Panel Members, all cases during FY 2010 that were resolved through a Decision and Order were closed within 30 days of the FSIP's decision.									

GOAL 7: DEVELOP, MANAGE, AND UTILIZE THE FLRA'S HUMAN RESOURCES TO MEET PROGRAM NEEDS.

As previously mentioned, the FLRA was recently honored to receive the award of *Most Improved Small Agency in 2010* from Partnership for Public Service. Nevertheless, in overall small-agency rankings, the FLRA moved only from 34th (last) to 20th. Moreover, although the agency ranked among the top four small agencies in several survey categories, including overall leadership, the survey revealed that significant work remains to be done in such areas as employee training, leadership development, and succession planning.

The agency relies on its employees, supervisors, and managers to develop and implement policies and operational processes to achieve its strategic goals. In order to ensure their continued success, the agency strategically recruits and develops its employees to make sure it has the right people with the right skills in the right jobs. The FLRA expects, beginning in FY 2011, a long-anticipated and sure-to-arrive wave of retirements. As of November 1, 2010, approximately 25 percent of the FLRA's employees are eligible for retirement. This highlights the agency's need to engage in succession planning, as well as employee and leadership development. In addition, ensuring that employees have access to training necessary for job performance as well as advancement into management and executive positions is vital for the FLRA to continue to satisfy its mission and performance objectives. Although the FLRA has effectively identified and used low-cost and free fundamental legal training, needs dictate that comprehensive agency-specific training modules be available to employees.

Measure 7.1: Establish collaborative internal workgroups to address agency human capital issues.									
2006		**2007**		**2008**		**2009**		**2010**	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	50%	50%
Data Source: Workgroups									
Target: Met.									

Measure 7.2: Improve Employee Morale.									
2006		**2007**		**2008**		**2009**		**2010**	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	50%	250%
Data Source: OPM Human Capital Survey									
Target: Exceeded. The Authority was the *Most Improved Small Agency* in the 2010 Partnership for Public Service Survey.									

Measure 7.3: Issue updated internal FLRA policy instructions.									
2006		2007		2008		2009		2010	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	50%	15%
Data Source: FLRA Office of the Executive Director									
Target: Not Met. The process of updating internal FLRA policy instructions is ongoing. Many agency instructions have been revised and updated, including those on Flexiplace (including telework), use of BlackBerrys, preparation of financial disclosure reports, reasonable accommodation, and SES pay.									

Measure 7.4: Increase staffing levels.									
2006		2007		2008		2009		2010	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100%	100%
Data Source: Monthly Staffing Report									
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

During the past fiscal year, the FLRA took major steps toward rebuilding the agency to meet its responsibility to provide leadership in establishing policies and guidance related to Federal sector labor-management relations and with resolving disputes and ensuring compliance with the Federal Service Labor-Management Relations Statute in a fiscally responsible manner. As recently as FY2008, the agency only spent 90 percent of its appropriation, leaving 10 percent unobligated despite the fact that these funds were necessary to fund basic operations and to fill key positions to address the agency's case backlog. By contrast, in FY2009 and FY 2010, the agency spent nearly 100 percent of its appropriation. I am pleased to report that the FLRA's financial condition is sound and that we look back on a long list of accomplishments during FY 2010. Notably, the agency achieved an unqualified opinion from independent auditors on its principal financial statements.

During FY 2010, the FLRA made significant progress addressing its case backlog and re-engaging with its customers – Federal employees, the unions that represent them, and Federal agencies. In FY 2010, the FLRA began taking steps to rebuild the agency's workforce and improve performance in terms of timely case processing as well as training, outreach, and offers of alternative dispute resolution services to assist parties in their labor-management relationships. Employees have noticed the change and those interviewed for the agency's new on-line newsletter, FLRA in Session, repeatedly remarked on the positive effects of the new leadership and the increased energy evident throughout the agency.

The accomplishments highlighted above, represents the correlation between the financial and programmatic aspects of the FLRA's work. This report bridges these two areas, presenting agency performance with the financial results of agency operations. The financial statements and notes that follow explain the FLRA's financial position as of September 30, 2010 and how financial resources were expended to achieve performance results.

Looking ahead to FY 2011, the FLRA will continue its efforts to make the agency into a high performing agency. A key aspect of rebuilding will be through the agency's strategic planning efforts. I am grateful to the FLRA leadership for their strategic vision, as well as their commitment to rebuilding and promoting a culture of effective financial and performance management.

Carol Waller Pope
Chairman and Chief Financial Officer
November 15, 2010

Federal Labor Relations Authority BALANCE SHEET (in dollars)		
As of September 30, 2010 and 2009		
	2010	**2009**
Assets:		
Intragovernmental:		
Fund balance with Treasury (Note 2)	$8,382,647	$10,156,942
Accounts receivable (Note 3)	8,868	10,591
Advances and prepayments	21,659	16,156
Total intragovernmental	8,413,174	10,183,689
Accounts receivable, net (Note 3)	3,404	8,930
Capitalized property and equipment, net (Note 4)	716,672	668,525
Total Assets	**$9,133,250**	**$10,861,144**
Liabilities:		
Intragovernmental:		
Accounts payable	$30,279	$103,575
Unfunded FECA liability (Note 5)	248,274	256,355
Accrued payroll and benefits	13,170	0
Custodial liability	40	73
Total intragovernmental	291,763	360,003
Accounts payable	117,213	69,945
FECA actuarial liability (Note 5)	1,172,904	1,135,860
Unfunded leave (Note 5)	1,437,695	1,286,960
Accrued payroll and benefits	1,350,396	958,120
Total Liabilities	**$4,369,971**	**$3,810,888**
Net Position:		
Unexpended appropriations – other funds	$6,901,675	$9,048,592
Cumulative results of operations – other funds	(2,138,396)	(1,998,336)
Total Net Position	**$4,763,279**	**$7,050,256**
Total Liabilities and Net Position	**$9,133,250**	**$10,861,144**

Federal Labor Relations Authority STATEMENT OF NET COST (in dollars)		
For the Years Ended September 30, 2010 and 2009		
	2010	**2009**
Program costs:		
Intragovenmental gross cost	$4,128,502	$4,956,405
Public cost	23,094,414	18,345,057
Less: earned revenues not attributed to programs	(60,612)	0
Net Cost of Operations	**$27,162,304**	**$23,301,462**

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

For the Years Ended September 30, 2010 and 2009

	2010	2009
Cumulative Results of Operations:		
Beginning balance	$(1,991,129)	$(1,910,968)
Budgetary financing sources:		
Appropriations used	25,344,085	21,970,748
Other financing sources (non-exchange):		
Imputed financing	1,670,952	1,243,346
Total financing sources	27,015,037	23,214,094
Net cost of operations	(27,162,304)	(23,301,462)
Net change	(147,267)	(87,368)
Cumulative Results of Operations	$(2,138,396)	$(1,998,336)
Unexpended Appropriations:		
Beginning balance	$9,048,592	$8,778,644
Budgetary financing sources:		
Appropriations received	24,773,000	23,900,234
Appropriations transferred in/out	0	(1,226,234)
Other adjustments	(1,575,832)	(433,304)
Appropriations used	(25,344,085)	(21,970,748)
Total budgetary financing sources	(2,146,917)	269,948
Total Unexpended Appropriations	**$6,901,675**	**$9,048,592**
Net Position	**$4,763,279**	**$7,050,256**

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

For the Years Ended September 30, 2010 and 2009

	2010	2009
Budgetary Resources:		
Unobligated balance, brought forward, October 1	$6,481,207	$7,963,702
Recoveries of prior year unpaid obligations	187,003	249,344
Budget authority:		
Appropriation	24,773,000	23,900,234
Spending authority from offsetting collections		
Collected	52,146	0
Change in receivables from Federal sources	8,466	0
Total budget authority	24,833,612	23,900,234
Nonexpenditure transfers, net, anticipated and actual	0	(1,226,234)
Permanently not available	(1,575,832)	(433,304)
Total Budgetary Resources	**$29,925,990**	**$30,453,742**
Status of Budgetary Resources:		
Obligations incurred:		
Direct	$24,988,700	$23,972,535
Reimbursable	60,612	0
Total obligations incurred	25,049,312	23,972,535
Unobligated balance:		
Apportioned	67,773	81,715
Unobligated balance not available	4,808,905	6,399,492
Total Status of Budgetary Resources	**$29,925,990**	**$30,453,742**
Change in Obligated Balance:		
Obligated balance, net:		
Unpaid obligations, brought forward, October 1	$3,675,662	$2,250,273
Obligations incurred, net (Note 8)	25,049,312	23,972,535
Gross outlays	(25,023,576)	(22,297,802)
Recoveries of prior year unpaid obligations, actual	(187,003)	(249,344)
Change in uncollected customer payments from Federal sources	(8,466)	0
Total, Unpaid Obligated Balance, Net, End of Period	**$3,505,929**	**$3,675,662**
Unpaid obligations	3,514,395	3,675,662
Uncollected customer payments from Federal sources	(8,466)	0
Total, Unpaid Obligated Balance, Net, End of Period	**$3,505,929**	**$3,675,662**
Net Outlays:		
Gross outlays	$25,023,576	$22,297,802
Offsetting collections	(52,146)	0
Net Outlays	**$24,971,430**	**$22,297,802**

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 and the Government Management Reform Act of 1994. 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 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 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 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 Treasury*** – FLRA receipts and disbursements are processed by the U.S. Treasury Department. Fund balances with 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. 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.

Major alterations and renovations are capitalized, while maintenance and repair costs are charged to expense as incurred. Capitalization threshold levels were changed during the current fiscal year. FLRA's capitalization threshold was $3,500 for individual purchases. Bulk purchases of similar items, which individually were worth less than $3,500, but collectively were worth more than $30,000, were also capitalized using the same general P&E categories and useful lives as capital acquisitions. Effective FY 2010, the capitalization threshold for individual items changed to $25,000. Bulk purchase of similar items which individually are worth less than $25,000, but collectively are worth more than $100,000, are now also capitalized using the same general P&E categories and useful lives as capital acquisitions. Also, building/leasehold improvements of $25,000 are now capitalized.

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 2009 and FY 2010 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 U.S. Department of Labor (DOL) two years after the actual payment of expenses. Future revenues will be used for their reimbursement to 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 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 2010. 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-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-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.

(k) ***Net Position*** – The components of net position are unexpended appropriations and cumulative results of operations. Unexpended appropriations include undelivered orders and unobligated balances. 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. The cumulative results of operations beginning balance on the Statement of Changes in Net Position has been adjusted due to immaterial, prior-period adjustments on the current statement.

(l) ***Retirement Plans*** – FLRA's employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (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 2009, the regular IRS limit was $16,500; that limit remained at $16,500 for 2010. 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, FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired before January 1, 1984 elected either to join FERS and Social Security or to remain in CSRS. For FERS employees, the FLRA withholds 6.2 percent in an old age survivors and disability insurance up to a specified wage ceiling and 0.8 percent of an employee's gross earnings for retirement. FLRA matches the retirement withholdings with a contribution equal to 11.2 percent of the employee's taxable salaries.

All employees are eligible to contribute to the TSP. For those 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 salaries of all employees under the FERS. The agency is required to match the employee's contribution up to a maximum of five percent of their salaries. 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 Number 5, "Accounting for Liabilities of the Federal Government," requires that employer agencies recognize the full cost of pensions, 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 – FLRA's revenues are derived from reimbursable agreements (exchange) and direct, annual appropriation (financing source). The FLRA recognizes reimbursable work agreement revenue when earned, i.e., goods that 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 to include 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 annual appropriation for FY 2009 was $22,674,000. The annual appropriation for FY 2010 was $24,773,000.

(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 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 U.S. Department of Health and Human Services, the U.S. Department of the Interior's National Business Center, 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 at 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 Treasury

U.S. government cash is accounted for on an overall consolidated basis by 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 FLRA records is reconciled monthly with Treasury's records.

Fund Balance with Treasury		
As of September 30,	**2010**	**2009**
General funds	$8,382,607	$10,156,869
Other fund types	40	73
Total	**$8,382,647**	**$10,156,942**

Status of Fund Balance with Treasury		
Unobligated balance available	$67,773	$81,715
Unobligated balance unavailable	4,808,905	6,399,492
Obligated balance not yet distributed	3,505,929	3,675,662
Non-budgetary fund balance with Treasury	40	73
Total	**$8,362,647**	**$10,156,942**

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,	**2010**	**2009**
From Federal agencies, net	$8,868	$10,591
From the public, net	3,404	8,930
Total	**$12,272**	**$19,521**

Amounts Due from Other Federal Agencies		
Department of Agriculture	$2,236	$3,460
Department of Defense	1,451	1,469
Department of the Army	0	831
Department of the Navy	0	540
Department of Energy	754	1,023
Department of Homeland Security	850	0
Department of Housing and Urban Development	0	712
Department of Justice	632	662
Department of Transportation	291	0
Department of Veterans Affairs	2,654	668
Environmental Protection Agency	0	1,226
Total	**$8,868**	**$10,591**

Note 4: General Property and Equipment, Net

Category	Service Life	Acquisition Value	Accumulated Depreciation	2010 Net Book Value	2009 Net Book Value
Software	3 years	$258,957	$(258,957)	$0	$46,706
Computer equipment	5 years	497,617	(397,582)	100,035	156,875
Office equipment	7 years	541,274	(295,593)	245,681	108,699
Office furniture	15 years	526,039	(303,024)	223,015	254,690
Leasehold improvements	Life of lease	398,383	(250,442)	147,941	0
Construction in progress	N/A	0	0	0	101,555
Total		**$2,222,270**	**($1,505,598)**	**$716,672**	**$668,525**

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. Unfunded FECA liabilities for 2010 and 2009 were $248,274 and $256,355 respectively. The actuarial calculation is based on benefit payments made over 12 quarters, and calculates the annual average of payments. The actuarial FECA liabilities for 2010 and 2009 were $1,172,904 and $1,135,860 respectively. 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,	**2010**	**2009**
Intragovernmental – Unfunded FECA liabilities	$248,274	$256,355
Federal employee benefits – FECA actuarial liability	1,172,904	1,135,860
Unfunded leave	1,437,695	1,286,960
Total	**$2,858,873**	**$2,679,175**

Note 6: Leases

The FLRA has operating leases for rental of office space and office equipment. As a Federal agency, the FLRA is not liable for any lease terms beyond one year. The agency anticipates that space levels consistent with FY 2010 will be required for the next five years.

Future Minimum Lease Payments			
FY	**Equipment**	**Building**	**Total**
2011	$10,433	$2,231,936	$2,242,369
2012	10,433	2,014,578	2,025,011
2013	10,433	1,068,620	1,079,053
2014	10,433	330,363	340,796
2015	6,086	250,954	257,040
Thereafter	0	138,023	138,023
Total	**$47,818**	**$6,034,474**	**$6,082,292**

Note 7: Commitments and Contingencies

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 2004 authority and believes that it will not have outstanding commitments that will require future resources.

Note 8: Apportionment Categories of Obligations Incurred: Direct Versus Reimbursable Obligations

Obligations Incurred		
For the Years Ended September 30,	**2010**	**2009**
Direct obligations – Category A	$24,988,700	$23,972,535
Reimbursable obligations – Category A	60,612	0
Total	**$25,049,312**	**$23,972,535**

Note 9: Undelivered Orders at the End of the Period

The amount of budgetary resources obligated for undelivered orders at the end of September 30, 2010 and 2009, is $2,003,337 and $2,544,022, respectively.

Note 10: 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 (SBR) and the actual balances published in the Budget of the U.S. Government (the President's Budget).

(Table in Millions)	SBR	President's Budget	Difference	Explanation
Unobligated balance, beginning of FY	$24	$24	$0	
Unobligated balance available and unobligated	6	0	6	A*

* Line items are not reported in the President's Budget.

Note 11: Reconciliation of Net Cost to Budget

Details of the relationship between budgetary resources obligated and the net costs of operations for the fiscal years ended September 30, 2010 and 2009 are shown in the table on the following page.

Reconciliation of Net Cost to Budget		
For the Years Ended September 30,	**2010**	**2009**
Resources Used to Finance Activities:		
Obligations incurred	$25,049,312	$23,972,535
Spending authority from offsetting collections:		
Collected	(52,146)	0
Change in receivable from Federal sources	(8,466)	0
Recoveries of prior year unpaid obligations	(187,003)	(249,344)
Imputed financing sources	1,670,952	1,243,346
Total Resources Used to Finance Activity	**$26,472,649**	**$24,966,537**
Resources Used That Do Not Fund Net Cost of Operations:		
Change in Undelivered Orders	$535,181	$(1,765,996)
Other resources/adjustments that do not affect net cost of operations	(278,891)	(102,511)
Components of the Net Cost of Operations Which Do Not Generate or Use Resources in the Reporting Period:		
Change in non-Federal receivables	8,466	0
Other financing sources not in the budget	(1,670,952)	(1,243,346)
Depreciation and amortization	215,297	126,355
Future funded expenses	142,654	30,505
Imputed costs	1,670,952	1,243,346
Other expenses not requiring budgetary resources	66,948	46,572
Net Cost of Operations	**$27,162,304**	**$23,301,462**

HARPER, RAINS, KNIGHT
& COMPANY
Certified Public Accountants
A Professional Association

Report of Independent Auditors

Chairman and Inspector General
Federal Labor Relations Authority

Opinion on the Financial Statements

We have audited the accompanying balance sheets of the U.S. Federal Labor Relations Authority (FLRA) for the years ended September 30, 2010 and 2009 respectively, and the related statements of net cost and changes in net position, and statements of budgetary resources, for the years then ended. These financial statements are the responsibility of FLRA management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements,* as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of FLRA as of September 30, 2010 and 2009, and its net cost of operations, changes in net position, and budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit, we considered FLRA's internal control over financial reporting and compliance. We did this in order to determine our audit procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04, as amended. We did not test all internal controls relevant to the operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982. Providing an opinion on internal control was not the objective of our audit. Accordingly, we do not express an opinion on FLRA's internal control over financial reporting and compliance or on management's assertion on internal control included in Managements' Discussion and Analysis. However, for the controls we tested, we found no material weaknesses in internal control over financial reporting (including safeguarding assets) and compliance.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all deficiencies that might be a significant deficiency. A significant deficiency is a deficiency in internal control, or a combination of 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. Our consideration of the internal control over financial reporting would not necessarily disclose all significant deficiencies that might be a material weakness. A material weakness is a significant deficiency, or combination of significant deficiencies, that result in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected.

Report on Compliance with Applicable Laws and Regulations

The management of FLRA is responsible for complying with laws and regulations applicable to FLRA. As part of obtaining reasonable assurance about whether FLRA's financial statements are free of material misstatement, we performed tests of its compliance with selected provisions of laws and regulations including laws governing the use of budgetary authority and government-wide policies identified in OMB Bulletin No. 07-04, as amended, non-compliance with which could have a direct and material effect on the determination of consolidated and combined financial statements. Our tests disclosed no instances of noncompliance with laws and regulations which would be reportable under U.S. generally accepted government auditing standards or OMB audit guidance.

We limited our tests of compliance to the provisions of laws and regulations referred to in the preceding paragraph. Providing an opinion on compliance with those provisions was not an objective of our audit. Accordingly, we do not express such an opinion.

Other Information

Management's Discussion and Analysis (MD&A) is not a required part of the financial statements but is supplementary information required by the Federal Accounting Standards Advisory Board and OMB Circular A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A. However, we did not audit the information and accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements of FLRA taken as a whole. The other accompanying information included in this performance and accountability report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management of the Federal Labor Relations Authority, the U.S. Office of Management and Budget, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

Harper, Rains, Knight & Company, P.A.

November 15, 2010

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
Office of the Inspector General
1400 K Street, NW
WASHINGTON, D.C. 20424-0001

October 15, 2010

MEMORANDUM

TO: Carol W. Pope
Chairman

Thomas Beck
Member

Ernest DuBester
Member

FROM: Dana A. Rooney-Fisher DRF
Inspector General

SUBJECT: Management and Performance 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: Resource shortages; FLRA physical & information technology security; proper handling of records and succession planning.

The above challenges were also noted in the agency's FY 2009 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 mitigate several of the IG identified challenges that were contained in the FY 2009 PAR, which the Office of the Inspector General (OIG) no longer considers to be serious challenges. We appreciate management's strong commitment in addressing these challenges and welcome comments to our assessment.

Attachment

Challenge: Human Resources shortage

Until recently (FY 2009), the Federal Labor Relations Authority (FLRA) has conducted its operations with fewer and fewer Full-Time Equivalents (FTE) during the past decade. In FY 2001 the staffing level was about 200 FTE, but by FY 2009 total FTE decreased by 38 percent from the FY 2001 level, to less than 125 FTE. Although the entire Federal Government is faced with the prospect of doing more with less, this decline in total human resources which FLRA has absorbed since 2001 poses a risk that the agency will be handicapped in effectively performing its mission. Having substantially fewer resources will cause management, by necessity, to strategically fill positions and thereby accept higher degree of risk in areas deemed less critical, though still important to agency operations. The issue of resource shortages in the proper places was identified as a top management and performance challenge by the Inspector General (IG) in a prior statement which was included in the FY 2009 PAR.

Progress made:

The FLRA has proactively addressed this challenge by assessing the status of resources throughout the agency, and strategically re-allocating and leveraging resources to address the most pressing program performance issues.

Challenge Ahead:

Although management is proactively addressing this challenge by reallocating its existing resources, reallocating the same level of resources may detract from the agency's ability to perform functions previously staffed. Accordingly, the challenge is to obtain the sufficient human resources for optimal performance, while also considering efficiency. The IG noted the agency's FY 2011 Congressional Budget Justification included a request for an increase in funding to support an additional 5 FTE.

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.

Progress made:

In response to a report that was issued in FY 2009 based on an independent evaluation of the quality and compliance of the agency's security program, management has proactively taken a number of steps to address findings contained in the report. Management expects to complete all actions needed to resolve the outstanding Federal Information Security Management Act of 2002 (FISMA) findings and recommendations no later than July 2011.

Challenge Ahead:

Maintaining a capability to proactively assess and mitigate risks that result from advances in IT is a challenge facing not only FLRA but also the Government as a whole. This challenge could become more prominent if adequate attention and resources are not vested in the IT program.

Challenge: Proper handling of hard copy and electronic records that do not have legal retention requirements

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 type of records (hard copy and electronic) 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.

Progress made:

The FLRA is currently developing a case management infrastructure that supports electronic files, and will further agency efforts to properly handle agency case file records. The FLRA has also automated many of its systems – accounting, procurement, time and attendance.

Challenge Ahead:

The FLRA should ensure that policies, processes and procedures provide staff with clear instruction for handling all types of records and ensuring compliance with agency policies in this area.

Challenge: Succession planning

Maintaining an adequate number of skilled staff in light of the aging national workforce is a challenge that the Federal Government as a whole faces moving forward into the next decade. As the number of qualified and skilled workers available to fill positions declines, agencies must proactively plan in advance for ensuring key leadership positions do not go unfilled for extended periods. Accordingly, the FLRA faces the same challenges as other Federal agencies do in this area.

Progress made:

In October 2010, the FLRA embarked on its first collaborative strategic planning effort in nearly 10 years. In addition, in both FY 2010 and FY 2011, the FLRA identified succession planning as priority, setting forth such planning as one of the agency's performance goals. In FY 2010, the agency began offering developmental details to supervisory positions in the Office of the General Counsel. Work to address the agency's succession planning needs is on-going and continuous.

Challenge Ahead:

The agency must maintain its current focus on ensuring that its transition plans are kept current to address the external changes in the workforce landscape and changes that may impact tools that are available for managing staff (e.g., changes to Government-wide policy made by the U.S. Office of Personnel Management).

MANAGEMENT'S RESPONSE

Since February 19, 2009 – when Carol Waller Pope assumed the FLRA Chairmanship pursuant to President Obama's designation – the FLRA has engaged in an aggressive and thorough review of its programs and performance, focusing on budget-related matters and the development of management initiatives to improve the FLRA's performance of its statutory mission. As part of this process, the FLRA reviewed its information technology (IT) investments, human resources (HR), case processing, budget planning and financial management, as well as its program performance, and – as described more fully in various sections of the PAR – developed plans and initiatives to address all deficiencies and challenges. As described by the Inspector General, the FLRA has made substantial progress in addressing and resolving those deficiencies and challenges, and the FLRA is committed to continuing its efforts.

Effective management of the FLRA's human capital, IT, and financial resources is a priority. By doing so, the agency will be poised to successfully meet all external and internal challenges. In that regard, annual staffing plans are reviewed on an on-going basis and revised as needed to address mission requirements, providing for the recruitment, selection and placement of a highly skilled workforce. In addition to rebuilding agency case processing staffing levels, staffing needs in critical support areas including IT, HR and administrative services are reviewed monthly to ensure that the agency's staffing is strategically aligned to meet performance targets and all regulatory requirements. Increasing capacity in HR has resulted in steady progress in revising outdated FLRA policies, procedures, and instructions. Skilled budget and finance staff ensures that external controls are in place and provide fiscal accountability, transparency and visibility. Newly designed positions descriptions in the IT division will enhance compliance with IT security requirements. In sum, with collaborative career and political leadership and effective strategic planning, the FLRA has defined a roadmap for continued steady improvements addressing its HR needs and in performance of our mission.

With respect to security challenges, actions are currently underway to fully implement a mandatory set of processes and system controls in order to ensure the confidentiality, integrity, and availability of system-related information and information resources, as well as to ensure the security of agency records. To ensure compliance with Federal Information Security Management Act of 2002 requirements, the FLRA's Information Resources Management Division (IRMD), in collaboration with the U.S. Treasury Department's Bureau of Public Debt (BPD), established a program for information security management in late FY 2009 that is on-going. Part of this collaborative effort was the successful certification and accreditation of the FLRA general support system. A derivative of the certification and accreditation effort was a Plan of Action and Milestones. The results of this Plan of Action and Milestones indicate that there were a limited number – 16 – of low to moderate impact findings. Immediate and definite steps are being taken to resolve these findings no later than July 2011. The IRMD will continue the partnership with the BPD to begin a formal continuous monitoring program, continue development and enforcement of agency information assurance policy, and ensure that all security issues and threats are mitigated on an on-going basis. In addition, the FLRA will continue its efforts to ensure that policies, processes and procedures provide staff with clear instruction for handling all types of records, and ensuring compliance with agency policies concerning the appropriate handling and safeguarding of agency documents and records.

Moving forward, the FLRA intends to continue to take steps necessary to restore confidence in the agency's leadership, its management, and staff to accomplish our important mission of providing guidance in resolving labor-management disputes in the Federal sector. We recognize that a renewed and revitalized FLRA depends on not only funding but also creativity in using existing resources as well as vigorous dedication to improving program performance, agency management, and employee morale and satisfaction.

FEDERAL LABOR RELATIONS AUTHORITY
1400 K Street, N.W.
Washington, DC 20424
www.flra.gov