

DEMBO·JONES

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Carol Waller Pope, Chairman
Federal Labor Relations Authority

In planning and performing our audit of the financial statements of the Federal Labor Relations Authority (the Authority) as of and for the year ended September 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operating matters that are presented for your consideration. This letter does not affect our report dated November 15, 2016 on the financial statements. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendation. Our comments are summarized as follows:

Follow-up on Prior Year Findings

I. Timely Finalization of Contract Award Documents

While conducting our audit procedures we noted that in certain instances, signed obligating documents were not in place prior to the date that the service period began. In accordance with Federal Acquisition Regulation (FAR) 1.602-3, such agreements could potentially be classified as unauthorized commitments. We recommend that procedures be put in place to ensure that obligating documents are signed prior to the beginning of the service period specified in the agreement or contract.

Fiscal Year 2016 Follow-up:

In 9 of 32 instances tested, we found the period of performance preceded the date the obligating documents were signed. While technically this is not prohibited, we recommend that the Authority improve its system so that the obligating document is signed closer to the effective date of the contract to lessen the potential for confusion or disputes. This would also reduce the risk of an obligating document not being in place timely. We will test this in future audits.

II. Administrative Controls of Funds

The Authority Administrative Controls of Funds Instructions are in draft form and appear to have been drafted in 2001. We recommend that the Instructions be updated and approved in final form.

Fiscal Year 2016 Follow-up:

In reviewing the internal control documents provided, the Administrative Controls of Funds Instructions documentation remains in draft form from 2001. In addition, these controls were written under a previous executive director. We recommend the Authority review the Administrative Controls of Funds, update if necessary, and finalize under the current executive director. We understand management will have this document updated by the end of December 2016. We will review the documentation provided in future audits.

New finding:

I. Employee Payroll Transactions

When auditing employee payroll transactions, we noted 3 of 32 instances where the proper forms could not be provided to justify the amount stated on the employee's "Labor Cost Details" payroll report and/or the "Earnings and Leave Statement" in the pay period selected for testing. We recommend FLRA improve internal controls on their files to ensure all documents are maintained to document the amounts being recorded.

We sincerely appreciate the opportunity to provide services to the Federal Labor Relations Authority and hope you find the information included in this correspondence useful and informative. If you have any questions or wish to discuss these matters further, please let us know.



Dembo Jones, P.C.
November 16, 2016