



FEDERAL LABOR RELATIONS AUTHORITY

OFFICE OF THE INSPECTOR GENERAL

SEMIANNUAL REPORT TO THE CONGRESS
Covering the Period
October 1, 1992 thru March 31, 1993

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

WASHINGTON, D.C. 20424

April 30, 1993

*Honorable Jean McKee
Chairman
Federal Labor Relations Authority
Washington, D.C. 20424-0001*

Dear Chairman McKee:

In compliance with Section 5 of the Inspector General Act of 1978 (Pub. L. 95-452), as amended by the Inspector General Act of 1988 (Pub. L. 100-504), I respectfully submit this, the seventh, Semiannual Report on the activities of the Office of the Inspector General (OIG). This report summarizes the activities and accomplishments of the OIG during the period October 1, 1992 through March 31, 1993. In accordance with Section 5(b) of the Act, please forward the Semiannual Report to the appropriate committees of the Congress within thirty days.

During this reporting period, the Office completed two (2) audits and closed three (3) investigations. One (1) audit was initiated. Two (2) investigations are in progress.

I appreciate your continued support of and cooperation with this Office. I hope that both the audit and investigative activities of the OIG will be of assistance to the FLRA in achieving its goals and objectives in this period of constrained resources.

Sincerely,

A handwritten signature in black ink that reads "Paul D. Miller". The signature is written in a cursive style.

*Paul D. Miller
Inspector General*

EXECUTIVE SUMMARY

This is the seventh semiannual report issued by the Office of the Inspector General (OIG) at the Federal Labor Relations Authority (FLRA). This report, submitted pursuant to Section 5 of the Inspector General Act of 1978 (Pub. L. 95-452), as amended by the Inspector General Act Amendment of 1988 (Pub. L. 100-504), summarizes the major activities and accomplishments of the Office during the period October 1, 1992 through March 31, 1993.

As defined in the above statutes, the mission of the OIG is to prevent and detect fraud, waste and abuse in agency programs and operations. At the same time, the OIG is charged with promoting economy, efficiency, and effectiveness in the same areas. The activities of the Office are planned to meet those objectives.

During this report period, two (2) Final Audits were issued. Two (2) new investigations were carried out and closed during this report period. One (1) investigation which had been previously closed was reopened based on new information. After thoroughly investigating the new material it was closed. Two (2) other matters continue under active investigation from the preceding reporting period.

INTRODUCTION AND BACKGROUND

The Federal Labor Relations Authority (FLRA), an independent entity within the Executive Branch, was created to oversee the labor-management relations program of the Federal Service and to provide leadership in establishing policies and guidance regarding labor-management relations in the Federal Service. It administers Title VII of the Civil Service Reform Act of 1978, known as the Federal Service Labor-Management Relations Statute (5 U.S.C. §§ 7101-7135) (the Statute). As part of its operations, the FLRA provides full support to the Foreign Service Labor Relations Board in connection with the implementation of Chapter 10 of the Foreign Service Act of 1980. The Statute protects the rights of employees of the Federal Government to bargain collectively and to participate through labor organizations of their own choosing in decisions affecting many conditions of their employment. The FLRA ensures compliance with the statutory rights and obligations of Federal agencies, Federal employees, and the labor organizations that represent Federal employees in their dealings with Federal agencies.

The agency is composed of the Authority, the Office of the General Counsel, and the Federal Service Impasses Panel. The Authority is composed of three full-time members appointed for 5-year terms by the President with the advice and consent of the Senate. One Member is designated by the President to serve as Chairman of the Authority and is the chief executive and administrative officer of the agency.

The Chairman and members adjudicate cases brought before them pursuant to the provisions of the Federal Service Labor-Management Relations Statute. The Authority is empowered by the Statute to determine the appropriateness of units for labor organization representation and to supervise and conduct elections to determine whether a labor organization has been selected as an exclusive representative by a majority of the employees in an appropriate unit. The Authority also prescribes criteria relating to the granting of consultation rights, and resolves disputes based on unfair labor practices, negotiability issues and arbitration awards.

The General Counsel of the Federal Labor Relations Authority is appointed by the President, with the advice and consent of the U.S. Senate, for a term of five years. The General Counsel has independent authority to investigate all unfair labor practice charges pursuant to the Federal Service Labor-Management Relations Statute, the Panama Canal Act, and the Foreign Service Act.

Working through Regional Directors in seven regional offices, the General Counsel issues and prosecutes complaints after conducting investigations and obtaining evidence on the charges. Parties are subsequently eligible to appeal to the General Counsel when a Regional Director issues a decision declining to issue a complaint. The Regional Directors also have authority delegated from the Authority Members to investigate representation petitions, supervise representation elections, and certify to the parties the results of such elections.

The role of the Federal Service Impasses Panel is to resolve impasses between Federal agencies and unions representing Federal employees arising from negotiations over conditions of employment. The Statute provides that the Panel shall be composed of a Chairman and at least six other members who are appointed by the President from among individuals who are familiar with Government operations and knowledgeable in labor-management relations.

If bargaining between the parties and mediation assistance, usually from the Federal Mediation and Conciliation Service (FMCS), proves unsuccessful, the Panel, as an entity within the FLRA, has the authority under section 7119 of the Statute to recommend procedures or provide direct assistance to the parties using appropriate methods for resolution of the impasse. If these efforts do not lead to a settlement, the Panel may take whatever action it deems necessary to resolve the impasses. The Panel also has jurisdiction to resolve disputes under the Federal Employees Flexible and Compressed Work Schedules Act of 1982, 5 U.S.C. Section 6120, et seq. (Compressed Work Schedules Act) where an agency refuses to establish a flexible or compressed work schedule or decides to terminate one.

The Foreign Service Act of 1980 created a statutory labor-management relations program covering Foreign Service employees in the U.S. Information Agency, the Agency for International Development, and the Departments of State, Agriculture and Commerce. The Act is similar in many respects to the Federal Service Labor-Management Relations Statute.

The Act established the Foreign Service Labor Relations Board within the FLRA. The Board administers the Act and is composed of three Members. The Board has no separate staff as the staff of the Authority provides support for the Board. The General Counsel of the FLRA investigates alleged unfair labor practices and prosecutes unfair labor practice complaints.

In fiscal year 1993, the Federal Labor Relations Authority has an authorized total of 251 full-time equivalent positions and a total appropriation of \$21.6 million. The majority of the Authority's personnel are located in Washington, D.C. The General Counsel maintains Regional Offices in Boston, Washington, Atlanta, Dallas, Denver, Chicago and San Francisco. Sub-Regional Offices are located in New York, Philadelphia, Cleveland and Los Angeles.

OFFICE OF THE INSPECTOR GENERAL

The Office of the Inspector General at the Federal Labor Relations Authority was established pursuant to Pub. L. 100-504, the Inspector General Act Amendments of 1988, which amended Pub. L. 95-452, the Inspector General Act of 1978. The Office was formally established on March 24, 1989, and the first Inspector General was appointed on September 25, 1989. The Inspector General reports directly to the Chairman.

As set forth in the creating legislation, under the authorizing legislation, the Office of the Inspector General is to:

- Conduct and supervise audits and investigations relating to the programs and operations of the FLRA.

- Provide leadership and coordination, and recommend policies which
(1) promote economy, efficiency and effectiveness in agency

programs and operations; and (2) prevent and detect fraud and abuse in those same areas.

-Keep the Chairman and the Congress fully informed regarding problems and deficiencies, as well as the necessity for and the progress of corrective action.

The Office of the Inspector General at the FLRA is presently staffed at four (4) positions; the Inspector General, a Senior Auditor, an Attorney/Criminal Investigator, and an Inspection Assistant. For Fiscal year 1993, the total Office budget is \$277,000. Approximately \$10,000 is available for the OIG to augment its own audit endeavors by contracting with private independent CPA firms. Such contracting, when undertaken, is governed by the same stringent standards and guidelines which apply to OIG performed audits.

AUDIT ACTIVITY

The Office of Inspector General completed two audits pertaining to the Authority's operations during this period. In addition, the Office, along with the Inspector General of the Securities Exchange Commission, completed a "peer" review of another Inspector General member of the Executive Council on Integrity and Efficiency. The review, which is required every three years, covered that member's compliance to the Government Auditing Standards.

AUDITS COMPLETED

The following is a description of the two audit reports issued on Authority operations.

•HEADQUARTERS IMPREST FUND OPERATIONS REPORT NO. 93-01, OCTOBER 30, 1992

This audit was completed in response to a \$145 imprest fund shortage reported to us by the head cashier on June 29, 1992. The shortage involved the fund portion controlled by the alternate cashier. Our audit found several problems with the internal control system for the fund and we made nine recommendations to improve these controls. Some of the more significant control weaknesses were as follows:

- The Authority had not required any background check on the alternate cashier.
- Because of late submissions of fund replenishment vouchers to Finance, the head cashier sometimes lacked sufficient cash for reimbursing the alternate cashier for submittal of her paid imprest claim receipts.
- Paid imprest fund receipts were not kept in a secure place by the cashiers prior to submittal with the replenishment voucher.

-Three of the last 11 fund counts, which are required on a quarterly and surprise basis, were not conducted by management. Furthermore, no counts were made during the eleven months just prior to the reported shortage.

In regards to the above weaknesses, we recommended that the Authority's existing Directive be revised to add requirements for: (1) requesting, as a minimum, a National agency check, inquiry, and credit search" for all cashiers; (2) logging in claim requests as received in order to better time replenishment actions, and reimbursing the alternate's paid claim receipts on a daily basis; (3) securing paid claim receipts prior to Finance submission; and (4) including the status of the required quarterly counts on the monthly accountability reports to management.

Management agreed with all recommendations except for the recommendation regarding the logging of claim requests which it believed was unnecessary. We disagreed with management's decision on this matter and accordingly are leaving this recommendation as open on our tracking system.

**•REVIEW OF CONSULTING SERVICES, LOBBYING ACTIVITY,
AND EMPLOYEES DETAILED TO LEGISLATIVE COMMITTEES
REPORT NO. 93-02, MARCH 4, 1993**

We made four recommendations to improve controls in these areas. Some of the problems found included inappropriate waivers of the required "statement of employment and financial interests" for six consultants appointed (without compensation) during the 18 month period of our review. In addition, we found inadequate competitive procurement for a public relations consultant who was contracted to develop a General Counsel training brochure. Only three sources were solicited, even though our search of the Small Business Administration's Procurement Automated Source Service (PASS) revealed, at least, 55 potential sources in the Washington D.C. area. The solicitation resulted in two quotes, one of which was later withdrawn.

Our office recommended use of checklists in the Personnel and EEO Division and the Administrative Services Division to ensure that applicable consultant regulatory requirements are met. The Personnel checklist would contain the various requirements of the Federal Personnel Manual, Chapter 304, including the statements of employment and financial interests. The Administrative Services checklist would include a requirement to utilize the PASS system when applicable. Management agreed with all recommendations.

PRIOR REPORT SIGNIFICANT RECOMMENDATIONS

None of the four significant recommendations made in prior audit reports have been implemented as of the end of this reporting period. No action was taken on two of the recommendations, incorrect action was taken on the third, and uncertain action was taken on the last. Because all recommendations related to the Office of the Executive Director, we believe one of the major factors causing the inaction was the recent Headquarters move in which the Executive Director's staff was heavily involved. The following is the status of each recommendation:

Review of the Authority's ADP Procurement Plans, Report No. 92-01, March 30, 1992

Recommendation: Enlarge upon the recently established 5-year Strategic IRM Plan to include a summary of the security plan for the proposed computer system, and a descriptive listing of individual projects projected for the next 5-years.

Status: No additional action has been taken since our prior semiannual reporting.

Financial Audit of Federal Labor Relations Authority Fiscal Year 1990 Financial Statements, Report No. 92-02, September 30, 1992

Recommendation: Require the Director of the Financial Management Division to personally review all payment voucher requests exceeding \$1,000 and, at least, 10 percent of the payment requests less than \$1,000.

Status: This recommendation was made in order to ensure supervisory review over the payment process. Previously, payment vouchers were prepared by the voucher examiner and reviewed and approved by one of the two accountants depending upon the type of payment -- travel voucher versus commercial vendor. The respective accountant would also sign the Treasury request for

payment (SF-1166). We recommended that the Director review 10 percent of the payment vouchers (and all over \$1,000) and the accompanying SF-1166's already approved by the accountants. The Division misinterpreted this recommendation and implemented an action whereby the Director reviewed 10 percent of the vouchers prepared by the voucher examiner prior to approval by the accountants. This action precluded supervisory review of the accountants' work. The OIG will issue a letter to management clarifying the objective of the recommendation.

Recommendation: Require preparation of a formal monthly reconciliation of the "Fund Balance with Treasury" ("cash") account between FLRA and Treasury records for the Director's review and signature.

Status: Implementation action of this recommendation can not be verified at this time. We have been informed that the reconciliations were initiated and submitted to the Director of Financial Management Division. However, the Director has been on extended sick leave for the past four months, and it is not known whether any of the reconciliations were reviewed or signed.

Review of Federal Employees' Compensation Act Claims, Report No. 92-03, September 30, 1992

Recommendation: Revise the Authority's directive on the Federal Employees Compensation Act program to require submittal of injured employee time sheets to the headquarters oversight official.

Status: This recommendation was made to provide higher echelon control over the respective organization's time sheet entries for the injured employee's sick leave, continuation of pay, regular work status, or other pay categories following the injury. No action has been taken toward revising the directive.

OTHER AUDIT REPORTING REQUIREMENTS

Serious or flagrant problems requiring reporting within 7 days

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

Access to Information

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

Significant Recommendations of Prior Semiannual Reports Not Implemented

There were four significant recommendations from prior reports requiring implementation. See Appendix 3 for details.

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Significant Revised Management Decisions

No management decision was revised during the reporting period.

OIG Disagreement With Significant Management Decisions

The OIG agrees with the management decisions made on the reports issued during the period with the exception of management's decision regarding the logging of imprest fund claim requests. This recommendation was not classified as a significant recommendation.

INVESTIGATIVE ACTIVITY

Two (2) new investigations were opened and investigated to closure during this reporting period. One (1) previously closed matter was reopened for further investigation based upon receipt of additional information. Two (2) other cases continue under active investigation from the preceding reporting period.

Of the two new investigations undertaken during this report period, the first dealt with an allegation that a senior management employee's time and attendance submissions were inconsistent with actual hours worked. Investigation disclosed that these allegations had no basis in fact and the matter was closed.

The other investigation opened during this period was an attempt to determine the source of an unauthorized order for ball point pens bearing the FLRA seal, logo and phone number. The investigation was unable to identify the individual or individuals who had submitted this order. The pens were returned to the manufacturer and no unobligated funds were expended by the FLRA.

The matter which was reopened for additional investigation dealt with an allegation that the name of a former employee had been intentionally, unethically, and improperly removed from various FLRA case citations. Further investigation determined this allegation to be completely without factual basis and untrue.

Nothing was developed in the course of the above investigations which warranted referral to prosecutive authorities. Information developed during one of the ongoing investigations, however, was referred to the U.S. Department of Justice, Criminal Division, Public Integrity Section. This matter is still under active investigation and pending grand jury action.

OTHER OIG ACTIVITY

Regulatory and Legislative Review

During this reporting period, the OIG provided comments to the Office of Management and Budget regarding its draft revision of OMB Circular A-123. This circular provides guidance for implementing the Federal Managers' Financial Integrity Act. We concur with the intent of the revision, which was to clarify the existing circular. However, we are somewhat concerned with the additional costs from certain requirements and recommendations, such as the requirement for detailed internal control reviews, which are to be conducted every five years, and the recommendation that these reviews be conducted by independent parties. Although the OIG is an independent party, our audit cycle for many of the agency programs is 10 years. Contracting with CPA firms or assignment of agency staff outside the program being reviewed to conduct the balance of these reviews may be cost prohibitive. The OIG believes that the existing circular recommendation for alternative internal control reviews, which are less detailed and can be conducted by program personnel, is more realistic and more in line with the intent of the Act.

Participation In Mandated Agency Ethics Training

The Office of the Inspector General reviewed mandated ethics training developed by the FLRA Designated Agency Ethics Official (DAEO) and created additional material which was presented in concurrent sessions in Washington and the regional offices (via video tape).

The Office of Government Ethics has designated the Legal Counsel to the Inspector General of FLRA to chair a panel at the National Ethics Conference to examine, illustrate and enhance the relationship between IG's and DAEO's.

The panel "Common Ground in a Community of Interest" will be composed of representatives from the President's Counsel on Integrity and Efficiency, the Executive Counsel of Integrity and Efficiency, the Council of Counsels to Inspectors General, a DAEO, and representatives of the Public Integrity Section, Criminal Division, Department of Justice, and the Office of Government Ethics.

PARTICIPATION IN THE EXECUTIVE COUNCIL ON INTEGRITY AND EFFICIENCY

The Executive Council on Integrity and Efficiency (ECIE), established by Executive Order in 1992 (by elevating the former Coordinating Conference of the President's Council on Integrity and Efficiency to Council status), is intended to coordinate and implement Government-wide activities to combat fraud, waste and abuse in Federal programs and operations. The FLRA's Inspector General is a member of the ECIE and participates on a number of committees established by that organization.

OFFICE RELOCATION, ESTABLISHMENT OF 800 HOTLINE AND OTHER MATTERS

In March 1993, the FLRA national headquarters, including the OIG, moved to new quarters at 607 Fourteenth Street, NW., Washington, D.C. 20424-0001. The new telephone number for the OIG is (202) 482-6570.

Upon completion of the move, the OIG initiated new nationwide HOTLINE service at telephone number 800-331-FLRA (800-331-3572). In addition, a private off-site Post Office Box accessible only to employees of the OIG to receive mail was put into service to receive information regarding fraud, waste and abuse from those who did not wish to telephone.

Finally, the OIG initiated a fax telephone line for both normal business, as well as, to receive information regarding fraud, waste and abuse. This service can be utilized on both the 800 HOTLINE, as well as, normal phone service. It is located within the secure OIG offices and is accessible only to OIG personnel to receive messages.

TABLE I
INSPECTOR GENERAL ISSUED REPORTS
WITH QUESTIONED COSTS

	<u>NUMBER OF REPORT</u>	<u>QUESTIONED COSTS</u>	<u>UNSUPPORTED COSTS</u>
A. For which no management decision has been made by the commencement of the reporting period.	0	0	
B. Which were issued during the reporting period.	<u>0</u>	<u>0</u>	
Subtotal (A plus B)	<u>0</u>	<u>0</u>	
C. For which a management decision was made during the reporting period.			
(i) dollar value of disallowed costs.	<u>0</u>	<u>0</u>	
(ii) dollar value of costs not disallowed			
D. For which no management decision has been made by the end of the reporting period.	0	0	
<hr/>			
E. Reports for which no management decision was made within six months of issuance.	0	0	

TABLE II

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

NUMBER OF REPORTSDOLLAR VALUE

A. For which no management decision has been made by the commencement of the reporting period.

B. Which were issued during the reporting period.

Subtotal (A plus B)

C. For which a management decision was made during the reporting period.

During the period October 1, 1992 to March 31, 1993 the Office of the Inspector General did not issue any audit reports which recommended that funds be put to better use.

(i) dollar value of recommendations that were agreed to by management.

(ii) dollar value of recommendations were not agreed to by management.

D. For which no management decision has been made by the end of the reporting period.

E. Reports for which no management decision was made within six months of issuance.

GLOSSARY

MANAGEMENT DECISION

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

QUESTIONED COSTS

Expenditures questioned by the OIG due to:

-UNSUPPORTED COSTS which involve inadequate documentation.

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

-Unnecessary or unreasonable costs.

FUNDS BE PUT TO BETTER USE

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

FINAL ACTION

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

SIGNIFICANT RECOMMENDATIONS

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

MANAGEMENT LETTER

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

REPORT: FRAUD, WASTE, ABUSE, AND MANAGEMENT

TO:

**FLRA's
OFFICE OF THE INSPECTOR GENERAL**

HOTLINE

800-331-FLRA

(800-331-3572)

Toll Free 24 Hour Answering Service

or write

FLRA

Office of the Inspector General

P.O. Box 27488

Washington, D.C. 20038-7488

**INFORMATION IS CONFIDENTIAL
CALLER CAN BE ANONYMOUS**

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

