



# **FEDERAL LABOR RELATIONS AUTHORITY**

## **PERFORMANCE AND ACCOUNTABILITY REPORT**

**FY 2006**

## *Foreword*

On November 7, 2002, enactment of *The Accountability of Tax Dollars Act*<sup>1</sup> subjected the Federal Labor Relations Authority (FLRA) to a statutory requirement to file an annual audited financial statement with the President of the United States and Congress. During December 2002, the Director of the Office of Management and Budget (OMB) issued guidance that directed agencies to combine their annual audited financial statement with their annual Government Performance and Results Act (GPRA) report. The combined report is termed the *Performance and Accountability Report* (PAR). The OMB requires agencies to file a PAR for Fiscal Year 2004 and subsequent years.

This document, the FLRA PAR, includes both the FY 2006 GPRA performance report data, as well as the FY 2006 financial report. The financial report section also includes the annual report on internal controls, required under the *Federal Managers' Financial Integrity Act* (FMFIA). To avoid unnecessary duplication of this information, in 2004, the FLRA PAR replaced the FLRA Annual Report, which is no longer published as a separate document. Upon review by OMB and transmission to the President and Congress, the FLRA PAR will be posted in electronic form on the FLRA website ([www.flra.gov](http://www.flra.gov)).

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<sup>1</sup> Public Law 107-289.

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## *Chairman's Message . . .*

This message transmits the Fiscal Year 2006 Performance and Accountability Report (PAR) for the Federal Labor Relations Authority (FLRA). The year was one of transition throughout the agency. We followed up on several studies conducted in prior years and initiated several projects directed at improving the management and accountability of the agency's programs and thus, our accountability to the Taxpayers.

The FLRA has a statutory role in resolving disputes between Federal agencies and employee labor organizations, and in this way, supports effective Federal labor-management relations. The FLRA carries out its statutory responsibilities through five case types: resolving complaints of unfair labor practice cases; appropriateness of representation; adjudicating exceptions to arbitration awards; adjudicating legal issues relating to duty to bargain (negotiability); and resolving impasses during negotiations.

FY 2006 was a year of change for the FLRA. General Counsel Colleen Duffy Kiko was confirmed by the Senate and joined the FLRA in October 2005, filling a vacancy of nearly 10 months. During the second quarter of FY 2006, the Authority Members successfully recruited and appointed a Chief Administrative Law Judge. The Authority Members also appointed a permanent Executive Director, ending a nearly four-year vacancy for this statutory, agency-wide position, previously filled through details and on an "acting" basis by a number of different agency managers. With these key positions filled, the FLRA was positioned to follow-up on prior year studies and to revise program performance management initiatives to improve service and accountability. Sadly, Authority Member Othoniel (Tony) Armendariz, a good friend and colleague, passed away March 30, 2006, after a brief illness. The President submitted a nominee to the Senate for confirmation and the Authority continued with two of three Members through the end-of-the-fiscal year.

The FLRA did not achieve all of its FY 2006 performance goals; however, we did make significant strides in aligning program management and performance which we expect will result in superior future performance. FY 2006 was the first year for new performance measures reflecting agency-wide performance goals for specific program areas. Additionally, during FY 2006, we transitioned our accounting and financial reporting activities to Department of Interior's National Business Center. We undertook agency-wide management assessment activities, which we followed-up by engaging consultants to begin the process of revising, updating, or creating, as needed, agency-wide internal controls policies and procedures for management, administrative, financial, and human resources functions.

This report provides various legally-required assurances regarding our performance, financial data, and management controls over our financial system. In accordance with law and OMB guidance, I have determined that the performance and financial data included in this report are complete and reliable. All program data reported were obtained from the Agency's case management system. There are no material inadequacies or non-conformances in either the completeness or reliability of the performance or financial data.

I am pleased to certify, with reasonable assurance, the FLRA's systems of accounting and internal control are in compliance with the provisions of the *Federal Managers' Financial Integrity Act* for the periods relevant to this report.

*Dale Cabaniss*  
Chairman

## MANAGEMENT'S DISCUSSION & ANALYSIS

The Federal Labor Relations Authority (FLRA) is an independent administrative federal agency created by Title VII of the Civil Service Reform Act of 1978, also known as the *Federal Service Labor-Management Relations Statute* (the Statute).<sup>2</sup> The Statute allows certain non-postal federal employees to organize, bargain collectively, and participate through labor organizations of their choice in decisions affecting their working lives.<sup>3</sup>

Congress modeled the Statute after the *National Labor Relations Act* (NLRA), applicable to the private sector. The Statute, however, differs from the NLRA in several ways, as delineated below:

### Some General Differences Between the Statute and the NLRA

#### **Federal Sector (the Statute)**

bargaining is generally limited to the way that personnel policies, practices, and procedures are implemented

strikes and lockouts are prohibited

Federal sector employees generally are entitled to select a union to represent them, but cannot be compelled to join or to pay a fee for the representation that the union is required to provide.

#### **Private Sector (NLRA)**

bargaining generally includes wages, fringe benefits, and issues related to hiring/firing, and promotion/retention.

strikes and lockouts may occur

The Statute defines and lists the rights of employees, labor organizations, and agencies so as to reflect the public interest demand for the highest standards of employee performance and the efficient accomplishment of the operations of the Government.<sup>4</sup> Specifically, the Statute requires that its provisions “should be interpreted in a manner consistent with the requirement of an effective and efficient Government.”<sup>5</sup>

## FLRA Mission, Administration, and Structure

The FLRA does not initiate cases. All proceedings before the FLRA originate from filings arising through the affirmative actions of Federal employees, Federal agencies, or Federal labor organizations. The FLRA mission is to carry out five (5) primary statutory responsibilities as efficiently as possible and in a manner that gives full effect to the rights afforded employees and agencies under the Statute.

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<sup>2</sup> Public Law 95-454, 5 U.S.C. § 7101 *et seq.*

<sup>3</sup> The Postal Reorganization Act (Public Law 91-375, Aug. 12, 1970) governs labor-management relations in the Postal Service.

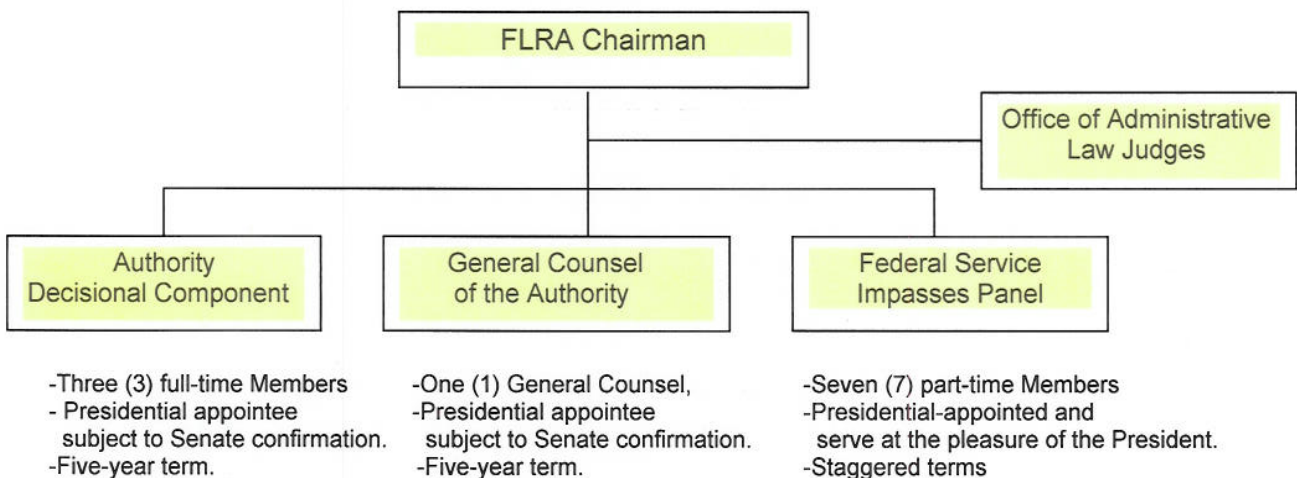
<sup>4</sup> See generally, 5 U.S.C. § 7101(a)(2).

<sup>5</sup> 5 U.S.C. § 7101(b).

The FLRA's responsibilities include the following:

1. determining the appropriateness of units for Labor organization representation,
2. resolving complaints of unfair labor practices,
3. adjudicating exceptions to arbitrator's awards,
4. adjudicating legal issues relating to duty to bargain (e.g., negotiability), and
5. resolving impasses during negotiations.

The FLRA conducts its case-processing activities through four major organizational components: the *General Counsel of the Authority*, the *Authority Decisional Component*, the *Federal Service Impasses Panel*, and the *Office of Administrative Law Judges*. Presidential appointees head three of these four components. The three-Member Authority appoints Administrative Law Judges (ALJs) to hear and prepare decisions in cases involving alleged unfair labor practices, as well as decisions involving applications for attorney fees filed pursuant to the *Back Pay Act* or the *Equal Access to Justice Act*. The FLRA also provides full staff support to two other organizations - - the *Foreign Service Impasse Disputes Panel* and the *Foreign Service Labor Relations Board*.<sup>6</sup>



Each FLRA component exercises some statutorily independent responsibilities, either prosecutorial or adjudicative. The immediate staffs of Authority Members, the General Counsel of the Authority, and the Federal Service Impasses Panel are under the general, day-to-day, supervision of their respective members or component head. Although the components have different and separate roles with respect to various legal proceedings, the Statute requires the President to designate one Member of the Authority Decisional

<sup>6</sup> Created by the Foreign Service Act of 1980, the FSIDP is a five-member board, chaired by the FLRA Chairman, that resolves bargaining impasses between Federal agencies and Foreign Service personnel in the U.S. Information Agency, the Agency for International Development, and the Departments of State, Agriculture, and Commerce, over conditions of employment. Also under the same Act, the three-member FSLRB administers the labor-management relations program for Foreign Service employees in the U.S. Information Agency, the Agency for International Development, and the Departments of State, Agriculture, and Commerce.

Component to serve also as the FLRA Chairman, e.g., the Agency Head.

The Authority, General Counsel, and FSIP maintain their respective headquarters offices at a common site in Washington, D.C. The FLRA Office of the General Counsel also maintains a network of regional and satellite offices in the following locations:

Atlanta, GA	Brea, CA <i>satellite office</i>
Boston, MA	Cleveland, OH <i>satellite office</i>
Chicago, IL	
Dallas, TX	
Denver, CO	
San Francisco, CA	
Washington, D.C.	

The FLRA's annual congressional appropriation is a single line item. The FLRA Chairman is statutorily responsible for the budget regarding agency-wide administrative functions, such as purchasing; human resources staffing, performance, and training; budgeting and finance; information technology; leasing of office space; and agency wide performance management.

To carry out the Chairman's statutory responsibilities, the FLRA Office of the Chairman oversees the following operational offices:

***Office of the Executive Director*** provides agency-wide operational support through the following sections: Budget and Finance, Administrative Services and Procurement, Human Resources, and Information Technology Services. At the Chairman's direction, the Office of the Executive Director jointly develops and implements agency-wide initiatives with the Office of Policy & Performance Management. A statutory position, the Executive Director represents the Chairman's policies and positions to the Solicitor, EEO Director, and Inspector General and, externally, to the GAO, congressional staff, OMB, and others. The Executive Director also serves as the FLRA's *Chief FOIA Officer* and *Chief Human Capital Officer*.

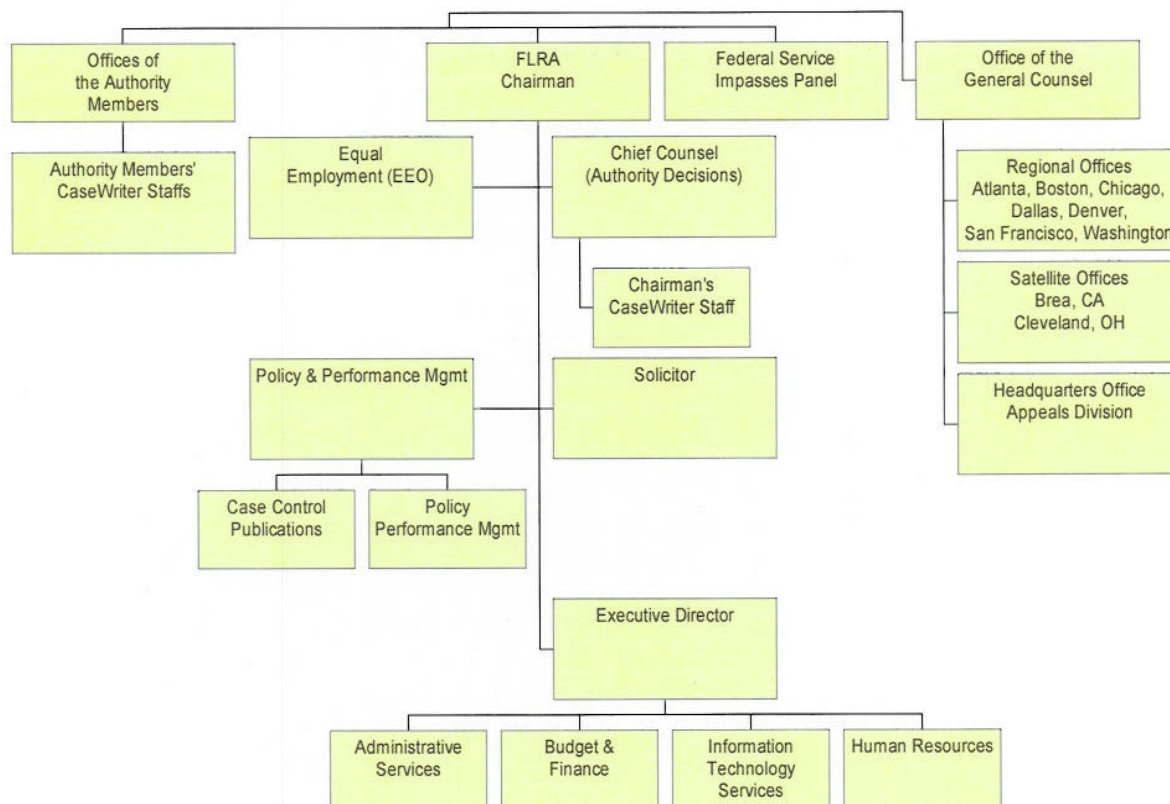
***Office of Policy & Performance Management*** provides agency-wide strategic policy and planning support and counsel, including agency-wide instructions and policies, and overseeing the Chairman's and the Administration's initiatives. The Director of Policy & Performance Management may also serve as the Chairman's *Chief of Staff*.

***Office of the Solicitor*** represents the FLRA in court proceedings before all United States Courts, including the U.S. Supreme Court, U.S. Courts of Appeals, and Federal District Courts. The Solicitor's Office provides the Chairman legal advice on various issues, particularly those with potential agency-wide impact. The Solicitor also serves as the FLRA's *Designated Ethics Officer*.

***Office of the Clerk of the Authority (Case Control – Legal Publications Office)*** serves as the central intake point for Authority cases. This office also oversees the FLRA Headquarters Library services and is responsible for publication of agency decisions and reports and related correspondence.



## Federal Labor Relations Authority



### FY 2006 Performance Highlights

The FLRA's FY 2006 *Annual Performance Plan* consisted of 18 performance goals under the single strategic goal of the agency's FY 2004-2009 Strategic Plan. The FLRA met or demonstrated progress in meeting most goals, with lapses explainable by the loss of key personnel and challenges experienced as the agency shifts to identifying performance drivers and accountabilities on an agency wide basis for cases, such as ULP or REP, that are addressed by more than one program. Because all FLRA programs performed under new performance goals, comparison with prior year goals does not necessarily provide meaningful data upon which to review each program. Program performance data are presented, however, as required, in the program performance section.

#### ***Strategic Plan Goal* To resolve disputes impartially and promptly.**

The FLRA addresses this goal through six performance goal categories that incorporate the objectives of each individual component involved in agency-wide achievement of the performance goal. These six performance goals include:

1. Provide timely adjudication of cases through E-Filing and case tracking.
2. Provide timely review and disposition of Unfair Labor Practice (ULP) cases.
3. Provide timely review and disposition of Representation (REP) cases.

4. Provide timely review and disposition of Arbitration (ARB) cases.
5. Provide timely review and disposition of Negotiability (NEG) cases.
6. Provide timely review and disposition of Bargaining Impasse cases.

## **FY 2006 Performance Goals**

### ***Strategic Plan Goal 1 – Timely Adjudication through E-Filing and Case Tracking***

The FLRA did not meet this goal. Unforeseen issues with a contractor resulted in this project's timeline being extended into the next year.

### ***Strategic Plan Goal 2 – Timely review and Disposition of Unfair Labor Practice (ULP) Cases***

The FLRA did not meet its stated performance goals for processing ULP cases during FY 2006. It should be noted, however, that with respect to ULP charges within the *Office of General Counsel*, the volume of complaints issued was twice that of the prior year (5.4% of charges filed resulted in a complaint issuing or 271 complaints resulted from 4,951 charges filed). This is because complaints cannot issue in the absence of a Presidential-appointed, Senate-confirmed General Counsel. The proportion of FY 2006 charges that resulted in issuance of a complaint, however, was consistent with the level of complaints issued during the previous two fiscal years. The performance goal turnaround times were new case-tracking goals which were tested and refined for FY 2007.

The *Office of Administrative Law Judges (OALJ)* did not meet its new case-tracking goals for FY 2006. This was due primarily to a focus by the newly appointed Chief Administrative Law Judge to clear overage cases and backlog in order for new goals to be meaningful. By the end of FY 2006, all overage cases had been closed, with only four FY 2006 cases pending.

Finally, the *Authority Decisional Component* did not meet its FY 2006 performance goals. Vacancies in key positions, including the untimely death of a Presidential-appointed, Senate-confirmed Member, and the decision by another Member not to support new agency goals, were among the significant reasons for the lapse in performance.

### ***Strategic Plan Goal 3 – Timely review and Disposition of Representation (REP) Cases***

The FLRA substantially met its stated performance goals for processing REP cases during FY 2006. The OGC issued certifications in REP cases within the stated 110 days of filing of petition with the OGC 61% of the time. Additionally, the OGC achieved a 94% success rate in having 90% of all REP elections occur within 60 days of filing of a petition with the OGC. During FY 2006, the *Authority Decisional Component, Case Control Office (CCO)*, for the first time, operated under an agency performance goal. The CCO realized a 50% success rate in its goal of processing cases to a Member staff within two work-days upon completion of filing requirements, or otherwise disposing of the case. As this was a new goal, refinement of expectations and terms for future is expected to result in improved performance. The Authority Member staffs achieved a success rate of 83% in meeting the 90-day goal for decision whether to grant review *and* issuance of a final decision. This goal represented a “stretch” goal over the statutory 60-day requirement that the Authority grant review, which the Authority had always met, by virtue of its being a statutory requirement.

### ***Strategic Plan Goal 4 – Timely review and Disposition of Arbitration (ARB) Cases***

The FLRA did not meet either performance goal under this strategic goal. Various reasons accounted for this performance. During the second quarter of FY 2006, one of the three Presidential-appointed, Senate-

confirmed Authority Members passed away. A nomination was forwarded to the Senate and remains pending, with the office remaining vacant through the close of FY 2006. Also during FY 2006, two long-term staff, each of who served as a chief counsel to an Authority Member and a long-time senior attorney on a Member staff retired. Recruitment efforts were not successful.

**Strategic Plan Goal 5 – Timely review and Disposition of Negotiability (NEG) Cases**

The FLRA did not meet either performance goal under this strategic goal. Various reasons accounted for this performance. During the second quarter of FY 2006, one of the three Presidential-appointed, Senate-confirmed Authority Members passed away. A nomination was forwarded to the Senate and remains pending, with the office remaining vacant through the close of FY 2006. Also during FY 2006, two long-term staff, each of who served as a chief counsel to an Authority Member, and a long-time senior attorney on a Member staff retired. Recruitment efforts were not successful.

**Strategic Plan Goal 6 – Timely review and Disposition of Bargaining Impasse Cases**

The FLRA met all three of the performance goals under this strategic goal.

**FY 2006 Workload Highlights**

The FY 2006 workload, as compared to previous year workloads, is presented below, listing type of case and each component that handles/may handle the case.

**Unfair Labor Practice Caseload**

Unfair Labor Practice (ULP) cases enter the FLRA through the *Office of the General Counsel of the Authority (OGC)* as a charge. During FY 2006, complaints issued for 5.4% of charges. This was more than twice the number of complaints issued during FY 2005; however, complaints cannot issue in the absence of a General Counsel, and this office was vacant for the last three quarters of FY 2005. With a newly appointed General Counsel on October 31, 2005, complaints began to issue. The 5.4% issued during FY 2006 represents a constant level seen since FY 2003 and FY 2004 (4.5% and 5.7% complaints issuing, respectively).

**Office of the General Counsel**

	<b>FY2003</b>	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>
Charges pending, start of year	1,362	641	55	163
Charges Filed	<u>5,129</u>	<u>4,551</u>	<u>4,036</u>	<u>4,788</u>
Total Charges	6,491	5,192	4,091	4,951
Charges Closed:				
Charges Withdrawn	2,742	2,423	1,904	2,370
Charges Dismissed	1,305	1,271	964	1,021
Charges Settled	1,507	1,146	974	832
Complaints Issued	<u>296</u>	<u>297</u>	<u>86</u>	<u>271</u>
Total Charges Closed	5,805	5,137	3,928	4,494
Charges Pending, end of year	641	55	163	457

When a ULP complaint issues, the case moves to the *Office of the Administrative Law Judges (OALJ)*. The case may settle prior to hearing, at hearing, or be closed by decision. During FY 2006, with the appointment of a new General Counsel, ULP complaints were issued and increased the existing backlog of the OALJ. During the second quarter of FY 2006, following a retirement, FLRA Authority Members appointed a new Chief Administrative Law Judge. The Chief Judge focused on reducing overage cases and backlog. Since March

2006, no case has taken longer than 143 days to issue and the average number of days from the date the record closed to the issuance of a decision was 59 days. All overage cases pending from FY 2004 and FY 2005 have been closed. By the end of FY 2006, only four cases were pending from FY 2006.

**Office of Administrative Law Judges**

	<b>FY2003</b>	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>
Cases Pending, start of year	244	143	106	18
Case Intake	<u>321</u>	<u>310</u>	<u>100</u>	<u>265</u>
Total Caseload	565	453	206	283
Case Closings:				
Cases closed before hearing	361	281	134	216
Cases closed at hearing	0	1	0	2
Cases closed by decision	<u>61</u>	<u>65</u>	<u>54</u>	<u>39</u>
Total Case Closings	422	347	188	257
Cases Pending, End of Year				
Awaiting Hearing	95	71	3	19
Awaiting Decision	48	35	15	7
Total Cases Pending, end of year	143	106	18	26

After the OALJ renders a ULP decision, the parties may file exceptions to the *Authority Decisional Component* for review of that decision. During FY 2006, the Authority received 11 ULP cases, which, in addition to the 19 cases pending produced a caseload of 30 ULP cases. The Authority closed 12 cases. These numbers were substantially below previous years, both for case intake and for closures. Various reasons accounted for this performance. During the second quarter of FY 2006, one of the three Presidential-appointed, Senate-confirmed Authority Members passed away. A nomination was forwarded to the Senate and is pending, however, the office remained vacant through the remainder of FY 2006. Also during FY 2006, two long-term senior staff, each of whom served as a chief counsel to an Authority Member, and a long-time senior attorney on a Member staff, retired. Recruitment efforts were not successful.

**Authority Decisional Component**

	<b>FY2003</b>	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>
Cases Pending, start of year		24	17	19
Case Intake	53	<u>49</u>	<u>52</u>	<u>11</u>
Total ULP Caseload		73	69	30
Case Closings				
Procedural	34	36	32	1
Merits	<u>34</u>	<u>18</u>	<u>23</u>	<u>11</u>
Total ULP Closings	68	54	55	12
ULPs pending, end of year	24	17	19	1

**Representation (REP) Caseload**

Representation (REP) caseload has remained fairly constant in the *Office of General Counsel* during the past several fiscal years, both in terms of petitions filed as well as petitions closed. Within the *Authority Decisional*

*Component*, unlike any other cases worked, there is a statutory time requirement to complete a REP case. Such cases are given priority in order to meet the statutory requirement.

#### **Office of the General Counsel**

	<b>FY2003</b>	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>
Petitions Pending, start of year	145	153	109	113
Petitions Filed	<u>309</u>	<u>347</u>	<u>285</u>	<u>276</u>
Total Petitions	454	490	394	389
Petitions Closed				
Petitions Withdrawn	120	130	121	98
Merit Determinations	<u>181</u>	<u>251</u>	<u>160</u>	<u>132</u>
Total Petitions Closed	301	381	281	230
Petitions Pending, end of year	153	109	113	159

#### **Authority Decisional Component**

	<b>FY2003</b>	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>
Cases Pending, start of year		1	0	1
Case Intake	3	<u>7</u>	<u>11</u>	<u>38</u>
Total REP Caseload		8	11	39
Case Closings				
Procedural	2	0	1	25
Merits	<u>9</u>	<u>7</u>	<u>10</u>	<u>8</u>
Total REP Closings	11	7	11	33
REPs pending, end of year	1	0	1	24

#### **Arbitration (ARB) Caseload**

During FY 2006, the Authority received 136 Arbitration (ARB) cases, which, in addition to the 58 cases pending at the beginning of the year, produced a caseload of 194 ARB cases. The Authority closed 13 cases procedurally and 73 cases on the merits. These case closings were substantially below previous years, although case intake was fairly constant. Various reasons accounted for this performance. During the second quarter of FY 2006, one of the three Presidential-appointed, Senate-confirmed Authority Members passed away. A nomination was forwarded to the Senate and is pending. The office remained vacant through the close of FY 2006. Also during FY 2006, two long-term staff, each of who served as a Chief Counsel to an Authority Member and a long-time senior attorney on a Member staff retired. Recruitment efforts were not successful.

#### **Authority Decisional Component**

	<b>FY2003</b>	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>
Cases Pending, start of year		77	75	58
Case Intake	147	159	138	136
Total ARB Caseload		236	213	194
Case Closings				
Procedural	24	32	18	13
Merits	<u>144</u>	<u>144</u>	<u>124</u>	<u>73</u>
Total ARB Closings	168	176	142	86
ARBs pending, end of year	77	75	58	108

#### **Negotiability (NEG) Caseload**

During FY 2006, the Authority received 68 Negotiability (NEG) cases, which, in addition to the 25 cases pending produced a caseload of 93 NEG cases. The Authority closed only 12 cases. Various reasons

accounted for this performance. During the second quarter of FY 2006, one of the three Presidential-appointed, Senate-confirmed Authority Members passed away. A nomination was forwarded to the Senate and is pending. The office remained vacant through the close of FY 2006. Also during FY 2006, two long-term staff, each of who served as a Chief Counsel to an Authority Member and a long-time senior attorney on a Member staff retired. Recruitment efforts were not successful.

**Authority Decisional Component**

	<b>FY2003</b>	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>
Cases Pending, start of year		26	18	25
Case Intake	56	<u>49</u>	<u>66</u>	<u>68</u>
Total NEG Caseload		75	84	93
Case Closings				
Procedural	36	40	38	53
Merits	<u>27</u>	<u>21</u>	<u>20</u>	<u>13</u>
Total NEG Closings	64	61	58	66
NEGs pending, end of year	26	18	25	27

**Bargaining Impasse Caseload**

The Federal Service Impasses Panel (FSIP) resolves impasses between Federal agencies and unions representing Federal employees arising from negotiations over conditions of employment under the Federal Service Labor-Management Relations Statute and the Federal Employees Flexible and Compressed Work Schedules Act. If bargaining between the parties, followed by mediation assistance, proves unsuccessful, the FSIP recommends procedures and takes whatever action it deems necessary to resolve the impasse. In FY 2006, the FSIP received 134 requests for assistance. This, added to the pending caseload of 45, resulted in a total FY 2006 caseload of 179, a decline for the fourth consecutive year. The FSIP closed 145 cases, including declining jurisdiction, withdrawal, voluntary settlement, decision and order, or other means.

**Federal Service Impasses Panel (FSIP) Component**

	<b>FY2003</b>	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>
Cases Pending, start of year	71	61	48	45
Impasses Received	<u>184</u>	<u>154</u>	<u>146</u>	<u>134</u>
Total Caseload	245	215	194	179
Impasses Resolved	<u>194</u>	<u>167</u>	<u>149</u>	<u>145</u>
Cases pending, end of year	61	48	45	34

## Financial Statements

As of September 30, 2006, the financial condition of the FLRA was sound with respect to having sufficient funds to meet program needs and adequate controls of these funds in place to ensure that obligations did not exceed budget authority. The FLRA prepared its financial statements in accordance with accounting standards codified in *Statements of Federal Financial Accounting Standards* and OMB Circular A-136, *Financial Reporting Requirements*.

The FLRA's principle financial statements have been prepared to report FLRA's financial position and results of operations pursuant to requirements of 31 U.S.C. 3515. While the statements were prepared from FLRA's books and records in accordance with U.S. generally accepted accounting principles for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

## Systems, Controls, and Legal Compliance

In accordance with the *Federal Managers' Financial Integrity Act* (FMFIA), the FLRA has an internal management control system, which helps provide assurance that (1) obligations and costs comply with applicable law; (2) assets are safeguarded against waste, loss, unauthorized use or misappropriation; and (3) revenues and expenditures are properly recorded and accounted for. The FMFIA also requires assurance that funds are being used in accordance with the agency's mission and that they are achieving their intended results; that resources are protected from waste, fraud, and mismanagement, and that laws and regulations are followed. The FMFIA encompasses program, operational, and administrative areas, as well as accounting and financial management. The FMFIA requires the FLRA Chairman to provide an assurance statement on the adequacy of management controls and conformance of financial systems with Government-wide standards. The Chairman's assurance statement is contained in her transmittal letter.

During FY 2005, the FLRA obtained automated financial management support, including automated accounting system and payroll processing services, from the Department of the Interior (DOI). During FY 2006, the FLRA Chairman, who is also the FLRA Chief Financial Officer (CFO), closely monitored the financial management of the agency, given a vacant Director of Budget & Finance Division position. With appointment of a permanent Executive Director, the FLRA initiated a transition of the accounting and financial reporting functions to the Department of the Interior's *National Business Center*. Specifically, the FLRA entered into a service agreement with the DOI-National Business Center to implement and maintain Oracle Financial application for the FLRA. Implementation and maintenance is for the following applications: General Ledger, Accounts Payable, Accounts Receivable, Fixed Assets, Purchasing, Federal Administrator and Discoverer (reports system). This transition was undertaken as a response to the prior year auditor's management report.

## Management Controls and Assessment Activities

During FY 2006, the FLRA undertook an assessment of time & attendance (T&A) reporting as part of the FLRA's continuing responsibilities for ensuring proper internal controls under the FMFIA. Proper tracking and coding of time is required to guard against waste, fraud, and abuse of resources, and thus tax-payer dollars. The objective of the FLRA T&A system is to ensure that the hours worked, hours in pay status, and hours

absent are properly recorded. This is especially important given personnel represents the FLRA's largest expense. During FY 2006, the Office of Executive Director assessed the FLRA's T&A on an agency-wide basis and followed-up with a number of actions, agency-wide, to ensure proper internal controls. Such actions included: (1) creating and implementing a single, agency-wide timesheet; (2) requiring use of OPM-Form 71 for all leave requests; (3) designating specific individuals in each organization to serve as time-keepers and certifiers, thereby segregating duties; and (4) conducting two agency-wide training sessions, one for time-keepers and another for certifying officials. The Executive Director included the FLRA Inspector General in the agency training and drafted the slides that the Inspector General presented at each training session. All T&A certifying officials also received and discussed the GAO-03-352G, *Maintaining Effective Control over Employee Time and Attendance Reporting* guidance.

These actions, particularly Agency assignment of accountabilities for T&A activities supported the achievement of *control objectives* and enabled the FLRA to record and maintain, for each employee and pay period, the following information and documentation: (1) employee name and unique identifying number; (2) pay period number or dates; (3) hours worked; (4) hours of premium pay, by type, and overtime to which the employee is entitled; (5) dates and number of hours of leave (by type), credit hours, and compensatory hours earned and used; (6) evidence of approval by an authorized official (usually the supervisor); and (7) supporting documentation or records for absences.

The Chairman's reasonable assurance recognizes that (1) the cost of management controls should not exceed the projected derived benefits; and (2) the benefits consist of reductions in the risks of failing to achieve the stated objectives. The expected benefits and related costs of control procedures should be addressed using estimates and managerial judgment. Moreover, errors and irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, restrictions, and other factors. Finally, projection of any evaluation of the system to future periods is subject to risk that procedures may be inadequate because of changes in conditions or that the degree of compliance with the procedures may change.

## **Trends and Issues**

The most significant external trends and issues affecting the FLRA in carrying out its mission of resolving Federal labor-management disputes are: the increasing trend to institute flexible human resources management systems government-wide, the impact of the Base Realignment and Closure (BRAC) process on distribution of cases within the current FLRA regional office structure, the increasing trend towards electronic filing, and a continuing government-wide challenge to reduce Federal spending.

### ***Trend to Institute Flexible Human Resources Management Systems Government-wide***

Legislative and legal action in connection with Department of Defense (DoD) and Department of Homeland Security (DHS) personnel system reforms and their anticipated effect on the already existing (e.g., historical) downward trend of agency-wide workload, may have an impact on how the FLRA carries out its mission. A continuing emphasis on alternative human resources management systems government-wide, may also impact the FLRA, depending upon the extent to which Title 5, Chapter 71 provisions of such systems are waived, modified, or retained. As a neutral agency, the FLRA will strive to implement successfully whatever legislative or legal requirements may result from government-wide changes in human resources management systems.



### ***Base Realignment and Closure (BRAC) Process***

As the BRAC process proceeds, the FLRA may be impacted by changes in customer concentration within the various FLRA regions. Bases in some regions will close. Populations of bases in other regions will increase as employees are relocated. The FLRA will need to remain vigilant to the costs of operations within its regional offices. As base populations change, the FLRA may be impacted by an increase in Representation petitions, should labor organizations seek to consolidate membership or employees seek to change their representative organization(s).

### ***Electronic Filing***

The government-wide trend to E-Government continues. For the FLRA, this means a continuing effort to transition to electronic filing. With such transition, the FLRA will also need to address changes in case-processing and agency operations to ensure effectiveness and efficiency.

### ***Government-wide Challenge to Reduce Federal Spending***

As agencies continue to reduce spending, there may be a corresponding decrease in the size of the workforce or the make-up of the workforce (i.e., bargaining unit versus non-bargaining unit). Such actions may lead to increased filings before the FLRA. The FLRA will continue to monitor Congressional and Administration government-wide budget actions to ensure we are able to deploy resources accordingly to meet our customers' changing needs.

### ***FLRA Staff and Leadership***

Over time, work performed agency-wide has changed such that the complexity level has decreased. Such a finding is not necessarily surprising. The FLRA has applied the Statute for nearly 26 years. During this time, the FLRA has progressively developed a body of case law rooted in a Statute that has remained virtually unchanged. With parties' access to a growing body of precedent, fewer issues are presented to the FLRA de novo. Also, staff turnover at the FLRA has historically been very low. Similar to other agencies, the FLRA has a need to engage in succession planning in order to ensure the proper mix of skill sets and leaders for positions vacated by retiring and departing employees. During FY 2006, the FLRA engaged consultants to assist with succession planning, development of an agency-wide training program, and revision of Human Resources policies and internal instructions to ensure we attract and retain employees and leaders with the right skills to accomplish our mission.

## PROGRAM PERFORMANCE REPORT

### Strategic Plan

#### Performance Goal 1

Timely adjudication of cases through E-Filing and case tracking.

#### 2006 Performance Goals (New Goals)

Complete procurement action to build electronic case-filing system and integrate with existing web-based applications by end-of-fourth quarter and implement on-line filing.

#### Previous Goal

**FY 2005 Goal:** Streamline the agency-wide electronic case management system to improve Government-to-citizen and Government electronic communications, to provide performance metrics and to eliminate redundancies and paper-based processing systems, consistent with the FY 2005 phase of the agency's E-Government and GPEA Plan.

#### FY 2006 Actual Performance (New Goal)

This goal was not met due to unforeseen issues with the contractor. A new contract was awarded at the end-of-the-fiscal year to complete the transition of the operating system to XP. The 2006 performance goal target will remain for FY 2007

#### Previous Performance

##### FY 2005 Actual

FLRA did not specifically accomplish its goal; however, FLRA did undertake efforts to improve electronic communication within the agency. FLRA made effective use of the government's SmartBuy program to procure hardware and software at reduced cost and to determine hardware and software purchases necessary to support the Enterprise Architecture and are consistent with the FLRA upgrade sequence plan for FY 2004 and OMB's Government-wide Business Reference Model. Completed a network migration from Windows NT 4.0 to Windows 2003 using Active Directory services.

##### FY 2004 Actual

Streamlined the FLRA's case information database, reduced redundancy, and improved the quality and performance of agency-wide application systems.

##### FY 2003 Actual

All systems are sharing a single set of standardized, integrated party, representative, and individuals data. All systems reside within one ORACLE environment for first time. Internal E-Citator research tool developed and implemented with quick real-time reporting that contains program data from several offices.

**Strategic Plan**

**Performance Goal 2**

**Timely review and disposition of Unfair Labor Practice (ULP) cases.**

<p><b><u>Office of the General Counsel</u></b></p> <p><b>2006 Performance Goals (New Goals)</b></p> <p>A. All ULP charges will be resolved (issuance of a complaint, withdrawal, dismissal, or settlement of the charge) within 90 days from the date filed.</p> <p>B. Issue 80% of decisions on appeals within 60 days of receipt of the appeal of the Regional Director's dismissal of the charge.</p> <p>C. All ULP complaints will receive a hearing within 90 days or be otherwise settled.</p> <p><b>Previous Goals</b></p> <p><b>FY 2005 Goal:</b> Ensure that no more than <b>5%</b> of the ULP cases pending are over 90 days old without the issuance of a complaint, or without the dismissal, withdrawal, or settlement of the charge.</p> <p><b>FY 2004 Goal:</b> Ensure that no more than <b>15%</b> of the ULP cases pending are over 90 days old without the issuance of a complaint, or without the dismissal, withdrawal, or settlement of the charge.</p>	<p><b>FY 2006 Actual Performance (New Goal)</b></p> <p>Total charges = 4,240 Criterion Met = 1,915 charges (45%)</p> <p>Total cases = 581 Criterion Met = 85 (15%)</p> <p>Total cases = 26 Criterion Met = 17 (65%)</p> <p><b>Previous Performance</b></p> <p><b>FY 2005 Actual</b> 24% of pending ULP charges were over 90 days old without the issuance of a complaint, or without the dismissal, withdrawal, or settlement of the charge.</p> <p><b>FY 2004 Actual</b> 5% of pending ULP charges were over 90 days old without the issuance of a complaint, or without the dismissal, withdrawal, or settlement of the charge.</p> <p><b>FY 2003 Actual</b> 10% of charges pending over 90 days old without the issuance of a complaint, or without the dismissal, withdrawal, or settlement of the charge.</p>
<p><b><u>Office of the Administrative Law Judges</u></b></p> <p><b>FY 2006 Performance Goals (New Goals)</b></p> <p>D. Within 60 days of close of hearing, the Office of Administrative Law Judges will issue a decision.</p> <p><b>Previous Goals</b></p> <p><b><u>Unfair Labor Practice Hearing</u></b> Ensure median age of no more than <b>70 days</b> from date unfair labor practice complaint issued to hearing; no more than 10% of cases pending decision will reach hearing in</p>	<p><b>FY 2006 Actual Performance</b></p> <p>Total cases = 39 Criterion Met = 10 (26%)</p> <p><b>Previous Performance</b></p> <p><b>FY 2005 Actual</b> Median age of <b>93 days</b> of cases pending from date complaint issued to hearing; <b>60%</b> of cases pending decision reached hearing in more than 110 days.</p>

<p>more than 110 days.</p> <p><b>FY 2004 Goal:</b> Ensure median age of no more than <b>70 days</b> from date complaint issued to hearing; no more than <b>10 %</b> of cases pending decision will reach hearing in more than 110 days.</p> <p><b><u>Authority Decisional Component</u></b></p> <p><b>FY 2006 Performance Goals (New Goals)</b></p> <p>E. 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.</p> <p>F. Within 90 days of assignment to an Authority Member staff, a final ULP decision will issue.</p> <p><b>Previous Goals</b></p> <p><b>FY 2005 Goal:</b> <u>Arbitration (Arb), Negotiability (Neg), Unfair Labor Practice (ULP), Representation (Rep) Cases</u> Ensure median age of <b>180 days</b> from the date the parties have satisfied all filing requirements with the Authority to the issuance of a final merits decision; and as of the end of the fiscal year, that <b>no active cases pending decision are over one year old</b> from the date the parties satisfied all filing requirements.</p>	<p><b>FY 2004 Actual</b> Median age of <b>99 days</b> of cases pending from date complaint issued to hearing; <b>49%</b> of cases pending decision reached hearing in more than 110 days.</p> <p><b>FY 2003 Actual</b> Median age of <b>91 days</b> of cases pending from date complaint issued to hearing; <b>58%</b> of cases pending decision reached hearing in more than 120 days.</p> <p><b>FY 2006 Actual Performance</b></p> <p>Total cases = 8 Criterion Met = 0</p> <p><b>Previous Performance</b></p> <p><b>FY 2005 Actual</b> Median age of cases was <b>142 days</b> from the date all filing requirements were satisfied. <b>No cases</b> pending decision were over 1 year old from the date all filing requirements were satisfied.</p> <p><b>FY 2004 Actual</b> Median age of cases issued was <b>135 days</b> from the date all filing requirements were satisfied. 1 case pending decision was over 1 year old from the date all filing requirements were satisfied.</p> <p><b>FY 2003 Actual</b> Median age of cases issued was <b>187 days</b> from the date all filing requirements were satisfied.</p>
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**Office of the General Counsel (OGC)**

The OGC did not meet its goals for FY2006. Part of this was due to a backlog created as a result of the vacant General Counsel (GC) position through most of FY 2005 and part of FY 2006 (the GC assumed her role on October 31, 2005). Part was due to deliberative action by the new GC to undertake a complete review of how work is processed in the OGC and to institute a number of specific strategies designed to improve the quality, timeliness,

and oversight of the work of the OGC. These changes have improved the ability of the OGC to meet its performance goals.

After reviewing existing processes in light of agency goals established the previous year, the GC changed the methodology for generating case reports from the case tracking system to ensure that the numbers accurately reflect the status of ULP charges filed with the Regional Offices. Previously, the reports were general and reported cases at stages, rather than reporting how long a case actually takes to be processed in the OGC. The reports also focused on the “median age” of cases, which reflected the age of the case that was at the midpoint age of all the cases filed. The GC changed these reporting requirements to more accurately reflect the length of time it takes from when a ULP charge is filed to when the charge is completed either through withdrawal, dismissal, issuance of complaint or settlement, aiming to keep that process to only 90 days. The new reporting methodology provided a more accurate picture of timeliness in the OGC.

With accurate numbers, the GC then addressed overall productivity and timeliness issues, primarily by establishing timeliness as a top priority for the Regional Directors (RD) through close personal monitoring and oversight of the entire ULP process, from filing to disposition. The GC implemented a monthly reporting requirement, which requires each RD to provide explanations for each overage case. These reports also require RDs to explain the processing time for representation (REP) cases.

The GC instituted personal accountability for each RD for the results of his/her Regional Office, relative to the performance goals, and requires each RD to consider and implement strategies to improve performance. These actions increased the emphasis toward meeting the performance goals at every level of OGC. The performance goals were incorporated into each RD’s standards, and their ratings were directly tied to how the RD’s met their performance goals for both ULP and REP cases. Finally, the GC implemented procedures at OGC headquarters to ensure that complaints and appeals are not unreasonably held up by review at this level.

#### **Office of Administrative Law Judges (OALJ)**

The OALJ did not meet its goals for FY2006. Part of this was due to a backlog created prior to new goals being instituted and as a result of a vacancy in the Chief Administrative Judge position during the beginning of FY 2006. Part was due to deliberative action by the new Chief Judge to undertake a complete review of how work is processed in the OALJ and to institute a number of specific strategies designed to improve the quality, timeliness, and oversight of the work of the OALJ. These changes have improved the ability of the OALJ to meet its performance goals.

The Chief Judge retired during FY 2006 and the agency successfully recruited a Chief Judge external to the agency. Administrative Law Judges are not subject to the same administrative performance appraisal requirements as GS or SES employees. Since assuming his role in March 2006, the Chief Judge initiated regular review and follow-up regarding status of cases throughout the remainder of the fiscal year. During the last quarter of the year, nine of the 14 hearings conducted since March 2006, were issued in 61 days or less, and the average number of days pending for all 14 was 59 days.

To provide reasonable assurance that reported performance is relevant and reliable is a challenge that the new Chief Judge has undertaken during this performance year. The Chief Judge identified and emphasized closing of FY2004 and FY2005 cases, recognizing that until those cases close, the performance goals for the current year will be skewed and virtually impossible to meet, given the relative number of hearings per year. To address the underlying factors of prior year overage cases affecting the reported performance, the OALJ cleared all pending FY2004 cases (two) and FY2005 cases (four) during FY2006. By the end-of-the-fiscal year, there were only four cases pending from FY2006. Therefore, although the actual performance goal was not met for FY2006, the impediment that made it impossible for the performance goal to be met (i.e., overage case backlog) was removed. Notwithstanding, it is impossible to never have “pending” cases from one fiscal year to the next, but it is important

to note that such cases are not necessary backlog cases. Given the regulatory requirement of post hearing briefs and necessary decision preparation time, any hearing conducted in the last two or three months of the FY will always be carried over into the following fiscal year, and all four of the cases that carried over into FY2007 were that type of carry over and were not aged/backlogged from early FY2006.

**Authority Decisional Component (Authority)**

The Authority did not meet its goals for FY2006. During the year, a PAS Member passed away leaving one of the three Authority Member positions vacant. Additionally, during FY 2006, two Chief Counsels and one senior attorney retired. Part of the Authority not meeting its goals was also the result of a deliberate decision by a PAS Member, who directed her Chief Counsel to continue working under prior year goals rather than managing under the newly established goals.

***Strategic Plan***

***Performance Goal 3 Provide timely review and disposition of Representation (REP) cases.***

<p><b><u>Office of General Counsel</u></b></p> <p><b>2006 Performance Goal:</b></p> <ul style="list-style-type: none"> <li>A. Issue certifications in Representation cases within 110 days of filing of petition with the OGC.</li> <li>B. 90% of all Representation elections will occur within 60 days of filing of a petition with the OGC.</li> </ul> <p><b>Previous Goals</b></p> <p><b>FY 2005 Goal:</b> Ensure that no more than 5% of the Representation cases pending are over 90 days old without notice of hearing issued.</p> <p><b>FY 2004 Goal:</b> Ensure that no more than 15% of the cases pending are over 90 days without notice of hearing issued.</p>	<p><b>FY 2006 Actual Performance</b></p> <p>Total cases = 242 Criterion Met = 147 (61%)</p> <p>Total cases = 66 Criterion Met = 62 (94%)</p> <p><b>Previous Performance</b></p> <p><b>FY 2005 Actual</b> 9% of petitions pending over 90 days old without notice of hearing issued.</p> <p><b>FY 2004 Actual</b> There were no petitions pending over 90 days old without notice of hearing issued.</p> <p><b>FY 2003 Actual</b> 3% of petitions pending over 90 days old without notice of hearing issued.</p>
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<b><u>Authority Decisional Component</u></b>	
<p><b>2006 Performance Goals</b></p> <p>C. Upon completion of filing requirements pursuant to FLRA regulations, all REP cases will be assigned to an Authority Member staff within 2 work days or be otherwise disposed.</p> <p>D. Within 90 days of assignment of a REP case to an Authority Member staff, a decision whether to grant review AND a final decision will issue.</p> <p><b>Previous Goals</b></p> <p><b>FY 2005 Goal:</b> <u>Arbitration (Arb), Negotiability (Neg), Unfair Labor Practice (ULP), Representation (Rep) Cases</u>            Ensure median age of 180 days from the date the parties have satisfied all filing requirements with the Authority to the issuance of a final merits decision; and as of the end of the fiscal year, that <b>no active cases pending decision are over one year old</b> from the date the parties satisfied all filing requirements.</p>	<p><b>FY 2006 Actual Performance</b></p> <p>Total cases = 12            Criterion Met = 6 (50%)</p> <p>Total cases = 12            Criterion Met = 10 (83%)</p> <p><b>Previous Performance</b></p> <p><b>FY 2005 Actual</b>            Median age of cases was 142 days from the date all filing requirements were satisfied. No cases pending decision were over 1 year old from the date all filing requirements were satisfied.</p> <p><b>FY 2004 Actual</b>            Median age of cases issued was 135 days from the date all filing requirements were satisfied. 1 case pending decision was over 1 year old from the date all filing requirements were satisfied.</p> <p><b>FY 2003 Actual</b>            Median age of cases issued was 187 days from the date all filing requirements were satisfied.</p>

**Office of the General Counsel (OGC)**

**The goals were substantially met.** The OGC met one of its goals 61% of the time and a second goal 94% of the time. Part of this was due to the vacant General Counsel (GC) position through most of FY 2005 and part of FY 2006 (the GC assumed her role on October 31, 2005). Part was due to deliberative action by the new GC to undertake a complete review of how work is processed in the OGC and to institute a number of specific strategies designed to improve the quality, timeliness, and oversight of the work of the OGC. These changes have improved the ability of the OGC to meet its performance goals.

The GC implemented a monthly reporting requirement, which requires each Regional Director (RD) to explain the processing time for representation (REP) cases. The GC personally instituted accountabilities for each RD for the results of their respective Regions relative to the component performance goals, and required each regional RD to consider and implement strategies to improve performance. The GC also made major revisions to the performance plans of the RDs and other supervisors to incorporate performance goals into their standards and link their ratings to how they meet their performance goals for REP cases.

**Authority Decisional Component (Authority)**

**This goal was substantially met.** The Authority met its Representation case processing goal in 83% of the cases

FY2006. During the year, a PAS Member passed away leaving one of the three Authority Member positions vacant. Additionally, during FY 2006, two Chief Counsels and one senior attorney retired. Part of the Authority not meeting its goals was also the result of a deliberate decision by a PAS Member who directed her Chief Counsel to continue working under prior year goals rather than managing under the newly established goals. Notwithstanding, the goal was substantially met. This was attributed to a statutory requirement that a decision whether to grant review occur within 60 days of receipt of a REP case. With REP cases, the Case Control Office assigned cases to Member Offices without waiting for cure of procedural deficiencies or for the opposition, and without review by the agency Screening Team.

**Strategic Plan**

**Performance Goal 4 Provide timely review and disposition of Arbitration (ARB) cases.**

<p><b>2006 Performance Goal:</b></p> <p><b><u>Authority Decisional Component</u></b></p> <p>A. Upon completion of filing requirements pursuant to FLRA regulations, all ARB cases will be assigned to an Authority Member staff within 5 working days or be otherwise disposed.</p> <p>B. Within 90 days of assignment to an Authority Member staff, a final ARB decision will issue.</p> <p><b>Previous Goals</b></p> <p><b>FY 2005 Goal:</b> <u>Arbitration (Arb), Negotiability (Neg), Unfair Labor Practice (ULP), Representation (Rep) Cases</u> Ensure median age of 180 days from the date the parties have satisfied all filing requirements with the Authority to the issuance of a final merits decision; and as of the end of the fiscal year, that no active cases pending decision are over one year old from the date the parties satisfied all filing requirements.</p>	<p><b>Actual Performance</b></p> <p>Total cases = 120 Criterion Met = 4 (3%)</p> <p>Total cases = 66 Criterion Met = 2 (3%)</p> <p><b>Previous Performance</b></p> <p><b>FY 2005 Actual</b> Median age of cases was 142 days from the date all filing requirements were satisfied. No cases pending decision were over 1 year old from the date all filing requirements were satisfied.</p> <p><b>FY 2004 Actual</b> Median age of cases issued was 135 days from the date all filing requirements were satisfied. 1 case pending decision was over 1 year old from the date all filing requirements were satisfied.</p> <p><b>FY 2003 Actual</b> Median age of cases issued was 187 days from the date all filing requirements were satisfied.</p>
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**Authority Decisional Component (Authority)**

**This goal was not met.** During the year, a PAS Member passed away leaving one of the three Authority Member positions vacant. Additionally, during FY 2006, two Chief Counsels and one senior attorney retired. Part of the



Authority not meeting its goals was also the result of a deliberate decision by a PAS Member who directed her Chief Counsel to continue working under prior year goals rather than supporting and managing under the newly established goals. Unlike REP cases, there is no statutory time requirement within which a decision must issue.

**Strategic Plan**

**Performance Goal 5 Provide timely review and disposition of Negotiability (NEG) cases.**

<p><b>2006 Performance Goal:</b></p> <p><b><u>Authority Decisional Component</u></b></p> <p>A. Upon completion of filing requirements pursuant to FLRA regulations, all NEG cases will be assigned to an Authority Member staff within 5 working days or be otherwise disposed.</p> <p>B. Within 100 days of assignment (reflecting reasonable time period for a post-petition conference) to an Authority Member staff, a final NEG decision will issue.</p> <p><b>Previous Goals</b></p> <p><b>FY 2005 Goal:</b> <u>Arbitration (Arb), Negotiability (Neg), Unfair Labor Practice (ULP), Representation (Rep) Cases</u> Ensure median age of <b>180 days</b> from the date the parties have satisfied all filing requirements with the Authority to the issuance of a final merits decision; and as of the end of the fiscal year, that <b>no active cases pending decision are over one year old</b> from the date the parties satisfied all filing requirements.</p>	<p><b>Actual Performance</b></p> <p>Total cases = 19 Criterion Met = 1 (5%)</p> <p>Total cases = 14 Criterion Met = 1 (7%)</p> <p><b>Previous Performance</b></p> <p><b>FY 2005 Actual</b> Median age of cases was <b>142 days</b> from the date all filing requirements were satisfied. <b>No cases</b> pending decision were over 1 year old from the date all filing requirements were satisfied.</p> <p><b>FY 2004 Actual</b> Median age of cases issued was <b>135 days</b> from the date all filing requirements were satisfied. 1 case pending decision was over 1 year old from the date all filing requirements were satisfied.</p> <p><b>FY 2003 Actual</b> Median age of cases issued was <b>187 days</b> from the date all filing requirements were satisfied.</p>
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**Authority Decisional Component (Authority)**

**This goal was not met.** During the year, a PAS Member passed away leaving one of the three Authority Member positions vacant. Additionally, during FY 2006, two Chief Counsels and one senior attorney retired. Part of the Authority not meeting its goals was also the result of a deliberate decision by a PAS Member who directed her Chief Counsel to continue working under prior year goals rather than supporting and managing under the newly established goals. Unlike REP cases, there is no statutory time requirement within which a decision must issue.

**Strategic Plan**

**Performance Goal 6 Provide timely review and disposition of Bargaining Impasse cases.**

<p><b><u>Federal Service Impasses Panel</u></b></p> <p><b>2006 Performance Goal:</b></p> <p>A. Procedural review and jurisdictional screening process will be completed on all new cases within 30 days of filing with the FSIP. Cases in which FSIP declines jurisdiction will close within 30 days of such decision.</p> <p>B. 90% of FSIP Decisions and Orders will issue within a median age of 100 days.</p> <p><b>Previous Goals</b></p> <p><b>FY 2005 Goal:</b> Ensure median age of no more than <b>90 days</b> for cases where jurisdictional issues are raised and where jurisdiction is declined.</p> <p><b>FY 2004 Goal:</b> Ensure median age of no more than <b>100 days</b> for cases where jurisdictional issues are raised and jurisdiction is declined.</p>	<p><b>Actual Performance</b></p> <p>Total cases = 134 Criterion Met = 100%</p> <p>Total cases = 32 Criterion Met = 100%</p> <p><b>Previous Performance</b></p> <p><b>FY 2005 Actual (new goal)</b> Median age of <b>102.5 days</b> for cases where jurisdictional issues were raised and jurisdiction was declined.</p> <p><b>FY 2004 Actual</b> Median age of <b>112 days</b> for cases where jurisdictional issues were raised and jurisdiction was declined.</p> <p><b>FY 2003 Actual</b> Median age of <b>112 days</b> for cases where jurisdictional issues were raised and jurisdiction was declined.</p>
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**This goal was met.**

# FINANCIAL REPORT

## Overview of Financial Performance

The FLRA Chairman is also the FLRA's Chief Financial Officer. As such, the Chairman is ultimately responsible for overseeing all financial management activities relating to the components and operation of the agency, and is accountable for ensuring that financial management legislation such as the *Accountability of Tax Dollars Act of 2002*, the *Federal Managers' Financial Integrity Act (FMFIA) of 1982*, and the *Government Management and Reform Act (GMRA) of 1994*, are implemented.

The FLRA Budget and Finance Section provides services and guidance in connection with Agency financial management, including budget formulation and execution; funds control; invoice processing and payments; intra-governmental payments; Treasury reporting; quarterly and end-of-year financial statements; and liaison with the Department of Interior's National Business Center (NBC) for the Federal Financial System (FFS). During FY 2006, FLRA purchased the following services from NBC:

- System administration, operations, security, reports development, and computer processing for FFS.
- Accounting operations for travel related services including travel voucher processing; auditing, scheduling, and certifying vouchers for payments; and establishing obligations, payables and disbursements for travel payments.
- Payroll services using the Federal Payroll and Personnel System (FPPS).

### Budgetary Resources

FLRA receives its funding through an annual discretionary appropriation that includes Federal funds and miscellaneous reimbursements. The reimbursements, which are considered exchange revenue, come from Federal agencies for training that FLRA has provided on federal labor relations. The reimbursements are usually in the form of expenditure transfers (payments made from one account to another). In FY 2006, FLRA reimbursements totaled \$16,777.

### Analysis of Financial Statements

FLRA's FY 2006 financial statements report the Agency's financial position and result of operations on an accrual basis – where transactions are recorded when they occur, regardless of when cash is received or disbursed. This method of accounting allows an accurate evaluation of operations during a given fiscal period, and takes into account future operations.

The annual financial statements consist of a Balance Sheet; Statement of Net Cost; Statement of Changes in Net Position; Statement of Budgetary Resources; Statement of Financing and related Notes that provide a clear description of the Agency and its mission, as well as the significant accounting policies used to develop the statements.

### Balance Sheet

The Balance Sheet presents amounts of future economic benefits owned or managed by the reporting entity exclusive of items subject to stewardship reporting (assets), amounts owed by the entity (liabilities), and amounts that comprise the difference (net position).

### Assets

Assets represent Agency resources that have future economic benefits. FLRA's assets totaled \$9,700,144 in FY 2006. The fund balances with the U.S. Department of Treasury – mostly undisbursed cash balances from

appropriated funds – comprised 91.96% of the total assets. Fund balances represent dollars maintained at the U.S. Department of Treasury Department to pay current liabilities, accounts payable, and undelivered orders. FLRA does not maintain any cash balances outside of the U.S. Treasury and does not have any revolving or trust funds.

### **Liabilities**

Liabilities represent funded and unfunded activities that require future budgetary resources. Relative to assets, FLRA has few liabilities. In FY 2006, the Agency's liabilities totaled \$3,919,088. Accounts payable reflect funds owed primarily for contracts and other services. Accrued leave liabilities reflect both unfunded liabilities for estimated annual leave earned but not as yet paid as well as worker's compensation benefits.

### **Net Position**

FLRA's net position, which reflects the difference between assets and liabilities and signifies the Agency's financial condition, totaled \$5,781,056. Net position consists of two categories: *unexpended appropriations* – the amount of authority granted by Congress that had been obligated but not expended – and *cumulative results of operations* – the net results of operations since inception plus the cumulative amount of prior period adjustments.

### **Statement of Net Cost**

The Statement of Net Cost represents the gross cost incurred less any exchange revenue earned from activities. Net costs recognize costs when incurred, regardless of the year the funds were appropriated. The line item on this statement reflects salaries and expenses as appropriated. In FY 2006, the FLRA's net cost of operations was \$23,835,371.

### **Statement of Changes in Net Position**

The Statement of Changes in Net Position reports how the Agency financed its operations as well as the amount of costs covered by imputed financing – costs paid for by others. At the end of FY 2006, the FLRA's consolidated net position was \$(1,763,317).

### **Statement of Budgetary Resources**

The Statement of Budgetary Resources focuses on: budgetary resources available to FLRA (appropriated and reimbursable); the status of those resources (obligated or unobligated); and the relationship between the budgetary resources and outlays (collections and disbursements). In FY 2006, the FLRA's budgetary resources totaled \$29,240,320, with nearly all of these resources from spending authority. This statement reflects that approximately 81% (\$23,820,571) of the resources available in FY 2006 were obligated. FLRA's net outlays totaled \$22,931,652: specifically, \$22,963,473 in disbursements less \$31,821 in collections.

### **Statement of Financing**

The Statement of Financing links proprietary and budgetary accounting information and reconciles obligations incurred with the net cost of operations. While the budgetary accounting system tracks resources and the status of those resources, the financial accounting system facilitates the translation of budgetary resources into the financial statements on an accrual basis. For FY 2006, the resources used to finance FLRA totaled \$23,820,571, which represents obligations incurred and any other resources used to finance activities.

### **Limitations to Financial Statements**

The financial statements were prepared to report the financial position and results of the entity, pursuant to the requirements of Office of Management and Budget Circular No. A-136, *Financial Reporting Requirements* and the Accountability of Tax Dollars Act of 2002. Although these statements were prepared from the books and records of the entity in accordance with the formats prescribed by the Office of Management and Budget,

these statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

These statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One key implication of this fact is that liabilities cannot be liquidated without legislation that provides the resources to do so.

**Federal Labor Relations Authority  
Balance Sheets  
As of September 30, 2006 and 2005**

<b>ASSETS</b>	<b>2006</b>	<b>2005</b>
Intragovernmental		
Fund Balance with Treasury - Note 2	\$ 8,920,547	\$ 6,913,603
Accounts Receivable, Net - Note 3	20,696	38,350
Total Intragovernmental Assets	<u>8,941,243</u>	<u>6,951,953</u>
Property, Plant, and Equipment, Net - Note 4	<u>758,901</u>	<u>751,447</u>
<b>Total Assets</b>	<b>\$ 9,700,144</b>	<b>\$ 7,703,400</b>
 <b>LIABILITIES</b>		
Liabilities Covered by Budgetary Resources:		
Intragovernmental		
Accounts Payable	232,318	667,259
Total Intragovernmental Liabilities	<u>232,318</u>	<u>667,259</u>
Other Payables and Liabilities		
Accounts Payable Public	246,618	232,336
Accrued Payroll	929,077	1,013,713
Total Other Payables and Liabilities	<u>1,175,695</u>	<u>1,246,049</u>
Total Liabilities Covered by Budgetary Resources	<u>1,408,013</u>	<u>1,913,308</u>
Liabilities Not Covered by Budgetary Resources:		
Unfunded FECA Liability	\$ 227,907	\$ 202,527
Unfunded Actuarial FECA Liability	967,906	946,781
Unfunded Leave	1,315,262	1,351,546
Total Liabilities Not Covered by Budgetary Resources	<u>2,511,075</u>	<u>2,500,854</u>
<b>Total Liabilities</b>	<b>\$ 3,919,088</b>	<b>\$ 4,414,162</b>
 <b>NET POSITION</b>		
Unexpended Appropriations	\$ 7,544,373	\$ 5,056,973
Cumulative Results of Operations	<u>(1,763,317)</u>	<u>(1,767,735)</u>
<b>Total Net Position</b>	<b>5,781,056</b>	<b>3,289,238</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 9,700,144</b>	<b>\$ 7,703,400</b>

*The accompanying notes are an integral part of these statements.*

**Federal Labor Relations Authority  
Statements of Net Cost  
For the Years Ended September 30, 2006 and 2005**

<b>Program Costs</b>	<b>2006</b>	<b>2005</b>
Intragovernmental gross costs	\$ 11,285,315	\$ 11,877,939
Less: Intragovernmental earned revenue	<u>(6,986)</u>	<u>(36,185)</u>
Intragovernmental net costs	11,278,329	11,841,754
Public costs	<u>12,557,042</u>	<u>14,906,416</u>
<b>Net Cost of Operations</b>	<b><u>\$ 23,835,371</u></b>	<b><u>\$ 26,748,170</u></b>

*The accompanying notes are an integral part of these statements.*

**Federal Labor Relations Authority**  
**Statements of Changes in Net Position**  
**For the Years Ended**  
**September 30, 2006 and 2005**

	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
	<b>Cumulative</b>	<b>Unexpended</b>	<b>Cumulative</b>	<b>Unexpended</b>
	<b>Results</b>	<b>Appropriations</b>	<b>Results</b>	<b>Appropriations</b>
	<b><u>Of Operations</u></b>	<b><u>Of Operations</u></b>	<b><u>Of Operations</u></b>	<b><u>Of Operations</u></b>
Beginning Balances	\$ (1,767,735)	\$ 5,056,973	\$ (1,662,168)	\$ 8,021,481
<b>Budgetary Financing Sources:</b>				
Appropriations received	-	25,468,000	-	25,673,000
Other adjustments - Rescission	-	(254,680)	-	(3,205,384)
Other adjustments - Closed accounts	-	(274,724)	-	(300,256)
Appropriations used	22,451,196	(22,451,196)	25,131,868	(25,131,868)
<b>Other Financing Sources:</b>				
Imputed financing from costs absorbed by others	1,388,593	-	1,510,735	-
<b>Total Financing Sources</b>	<b>23,839,789</b>	<b>(2,487,400)</b>	<b>26,642,603</b>	<b>2,964,508</b>
<b>Less: Net Cost of Operations</b>	<b>23,835,371</b>	<b>-</b>	<b>26,748,170</b>	<b>-</b>
<b>Ending Balances</b>	<b>\$ (1,763,317)</b>	<b>\$ 7,544,373</b>	<b>\$ (1,767,735)</b>	<b>\$ 5,056,973</b>

*The accompanying notes are an integral part of these statements.*



**Federal Labor Relations Authority  
Statements of Budgetary Resources**

**For the Years Ended September 30, 2006 and 2005**

<b>Budgetary Resources:</b>	<b>2006</b>	<b>2005</b>
Unobligated balance, brought forward, October 1	\$ 3,735,713	\$ 5,891,527
Recoveries of prior year unpaid obligations	559,027	545,796
Budget Authority		
Appropriations Received	25,468,000	25,673,000
Spending Authority from Offsetting Collections:		
Earned		
Collected	31,821	38,722
Change in receivables from Federal Sources	(24,837)	(2,536)
Without advance from Federal Sources		
Anticipated Reimbursements		
Permanently not available		
Cancellations of expired and no-year accounts	(274,724)	(300,256)
Enacted Reductions	(254,680)	(3,205,384)
<b>Total Budgetary Resources</b>	<b><u>\$29,240,320</u></b>	<b><u>\$28,640,869</u></b>
<b>Status of Budgetary Resources:</b>		
Obligations Incurred:		
Direct	\$ 23,803,794	\$ 24,863,379
Reimbursable	16,777	41,777
Subtotal	23,820,571	24,905,156
Unobligated Balance:		
Apportioned	1,322,877	1,051,492
Unobligated Balance not Available	4,096,872	2,684,221
<b>Total Status of Budgetary Resources</b>	<b><u>\$ 29,240,320</u></b>	<b><u>\$ 28,640,869</u></b>
<b>Change in Obligated Balances:</b>		
Obligated Balance, net		
Unpaid obligations, brought forward, October 1	\$ 3,234,567	\$ 3,583,877
Uncollected customer payments from Federal sources	(56,676)	(59,213)
Total unpaid obligated balance, net	3,177,891	3,524,664
Obligations incurred	23,820,571	24,905,156
Gross outlays	(22,963,473)	(24,708,669)
Recoveries of prior year unpaid obligations, actual	(559,207)	(545,796)
Change in uncollected customer payments from Fed. Sources	24,837	2,536
Obligated balance, net, end of period:		
Unpaid Obligations	3,532,638	3,234,567
Uncollected customer payments from Federal sources	(31,839)	(56,676)
Total, unpaid obligated balance, net, end of period	3,500,799	3,177,891
<b>Net Outlays:</b>		
Disbursements	\$ 22,963,473	\$ 24,708,669
Collections	(31,821)	(38,722)
<b>Net Outlays</b>	<b><u>\$ 22,931,652</u></b>	<b><u>\$ 24,669,947</u></b>

*The accompanying notes are an integral part of these statements.*

**Federal Labor Relations Authority**  
**Statements of Financing**  
**For the Years Ended September 30, 2006 and 2005**

<b>Resources Used to Finance Activities:</b>	<b>2006</b>	<b>2005</b>
Budgetary Resources Obligated		
Obligations incurred	\$ 23,820,571	\$ 24,905,156
Less: Spending authority from offsetting collections and Recoveries	(566,013)	(581,982)
Obligations net of offsetting collections and recoveries	23,254,558	24,323,174
Other Resources		
Imputed financing from costs absorbed by others	1,388,593	1,510,735
<b>Total resources used to finance activities</b>	<b>24,643,151</b>	<b>25,833,909</b>
 <b>Resources Used to Finance Items Not Part of Net Cost of Operations:</b>		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	(803,364)	808,694
Resources that fund expenses recognized in prior periods	(36,284)	(115,180)
Resources that finance the acquisition of assets	(224,297)	(63,622)
<b>Total resources used to finance items not part of the net cost of operations</b>	<b>(1,063,945)</b>	<b>629,892</b>
<b>Total resources used to finance the net cost of operations</b>	<b>23,579,206</b>	<b>26,463,801</b>
 <b>Components of Net Cost of Operations Not Requiring or Generating Resources in the Current Period</b>		
Components Requiring or Generating Resources in Future Periods:		
Increase in unfunded FECA Liability and Unfunded Actuarial FECA Liability	46,505	96,274
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	216,843	191,506
Revaluation of assets or liabilities	-	-
Other	(7,183)	(3,411)
<b>Total Components Not Requiring or Generating Resources</b>	<b>209,660</b>	<b>188,095</b>
<b>Total Components of Net Cost of Operations not Requiring or Generating Resources in the Current Period</b>	<b>\$ 256,165</b>	<b>\$ 284,369</b>
<b>Net Cost of Operations</b>	<b>\$ 23,835,371</b>	<b>\$ 26,748,170</b>

*The accompanying notes are an integral part of these statements.*

## NOTES

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

The Federal Labor Relations Authority (FLRA) is an independent administrative federal agency created by Title VII of the Civil Service Reform Act of 1978 (also known as the *Federal Service Labor-Management Relations Statute*) (the Statute).<sup>7</sup> The Statute allows certain non-postal federal employees to organize, bargain collectively, and to participate through labor organizations of their choice in decisions affecting their working lives.<sup>8</sup>

The FLRA conducts its statutory, case-processing work through four components: the *General Counsel of the Authority*, the *Office of Administrative Law Judges*, the *Authority Decisional Component*, and the *Federal Service Impasses Panel*. A Presidential appointee heads three of these four components.

***The Office of the General Counsel*** the initial point-of-entry for unfair labor practice (ULP) cases filed with the FLRA. The General Counsel's Office investigates and prosecutes ULPs through the seven Regional Offices. The Office also processes representation (Rep) petitions filed with the FLRA and decides appeals of Regional Directors' decisions not to issue ULP complaints.

***Office of Administrative Law Judges*** the 3-Member Authority appoints Administrative Law Judges (ALJs) to hear and prepare decisions in cases involving alleged unfair labor practices and decisions involving applications for attorney fees filed under the *Back Pay Act* or the *Equal Access to Justice Act*.

***The Authority Decisional Component*** a quasi-judicial body with three full-time Members who are appointed for five-year terms by the President with the advice and consent of the Senate. One Member is appointed by the President to serve as Chairman of the Authority and as the Chief Executive and Administrative Officer of the FLRA. The Chairman also chairs the Foreign Service Labor Relations Board.

***The Federal Service Impasses Panel*** resolves impasses between Federal agencies and unions representing Federal employees arising from negotiations over conditions of employment under the Federal Service Labor-Management Relations Statute and the Federal Employees Flexible and Compressed Work Schedules Act. If bargaining between the parties, followed by mediation assistance, proves unsuccessful, the FSIP recommends procedures and takes whatever action it deems necessary to resolve the impasse.

Each FLRA component exercises some statutorily independent responsibilities, either prosecutorial or adjudicative. The immediate staffs of Authority Members, the General Counsel of the Authority, and the Federal Service Impasses Panel are under the general, day-to-day, supervision of their respective members or component heads.

The FLRA also provides full staff support to two other organizations - - the *Foreign Service Impasse Disputes*

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<sup>7</sup> Public Law 95-454, 5 U.S.C. § 7101 *et seq.*

<sup>8</sup> The Postal Reorganization Act (Public Law 91-375, Aug. 12, 1970) governs labor-management relations in the Postal Service.

*Panel and the Foreign Service Labor Relations Board.*<sup>9</sup>

The FLRA's financial activity is considered to be in the general government and central personnel management budget function.

### **Basis of Presentation**

The financial statements of FLRA were prepared from its accounting records to report its financial position, net costs, changes in net position, budgetary resources, and reconciliation of net cost to budgetary resources. Such statements have been prepared in accordance with generally accepted accounting principles (GAAP), and the form and content requirements specified by the Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements. The GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which has been designated as the official accounting standards-setting body for the U.S. Federal Government by the American Institute of Certified Public Accountants (AICPA).

### **Basis of Accounting**

FLRA uses both the accrual basis and budgetary basis of accounting to record transactions. Under the accrual basis, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. These financial statements were prepared following accrual accounting. Budgetary account balances are included in certain statements as appropriate. Budgetary accounting principles ensure that funds are obligated according to legal requirements. Balances on these statements may therefore differ from those on financial reports prepared pursuant to other OMB directives that are primarily used to monitor and control FLRA use of budgetary resources.

### **Use of Estimates in Preparing the Financial Statements**

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 assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Fund Balance with Treasury**

Funds within the Department of the Treasury primarily represent appropriated funds that are available to pay current liabilities and finance authorized purchase commitments.

### **Accounts Receivable, Net**

Accounts Receivable, Net, consists of claims by the FLRA for payment from other entities. Gross receivables are reduced to net realizable value by an allowance for doubtful accounts. Accounts receivable are recorded net of any related allowance for doubtful accounts.

### **Property, Plant, and Equipment, Net**

FLRA's property and equipment is recorded at cost and is depreciated using the straight-line method over the estimated useful life of the asset. Major alterations and renovations are capitalized, while maintenance and repair costs are charged to expense as incurred. FLRA's capitalization threshold was \$3,500 for individual purchases. Bulk purchases of similar items, which individually are worth less than \$3,500, but collectively are

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<sup>9</sup> Created by the Foreign Service Act of 1980, the FSIDP is a five-member board, chaired by the FLRA Chairman, that resolves bargaining impasses between Federal agencies and Foreign Service personnel in the U.S. Information Agency, the Agency for International Development, and the Departments of State, Agriculture, and Commerce, over conditions of employment. Also under the same Act, the three-member FSLRB administers the labor-management relations program for Foreign Service employees in the U.S. Information Agency, the Agency for International Development, and the Departments of State, Agriculture, and Commerce.

worth more than \$30,000 are also capitalized using the same property and equipment categories and useful lives as capital acquisitions.

Service lives are shown below:

<u>Description</u>	<u>Years</u>
Computer equipment	5
Software	3
Office equipment	7
Office furniture	15
Leasehold Improvements	Life of Lease

### **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 Government, acting in its sovereign capacity, can abrogate liabilities.

Liabilities that are covered by budgetary resources consist of intra-governmental and public accounts payable and accrued funded payroll. Liabilities not covered by budgetary resources consist of unfunded *Federal Employees Compensation Act* (FECA) for 2005 and 2006 (since agencies reimburse the Department of Labor two and one quarter years after the actual payment of expenses) as well as unfunded actuarial FECA liabilities. Liabilities not covered by budgetary resources also include unfunded leave.

### **Accrued FECA Liability**

A liability is recorded for actual and estimated future payments to be made for workers' compensation pursuant to the FECA. The actual costs incurred are reflected as a liability because Agencies will reimburse the Department of Labor (DOL) two and one quarter years after the actual payment of expenses. Future revenues will be used for their imbursement 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.

### **Actuarial FECA Liability**

An estimated actuarial liability for future Workers' Compensation benefits is included. The liability estimate is based on the Department of Labor's FECA actuarial model that takes the amount of benefit payments over the last nine to 12 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 2006. The ratios may vary from year to year as a result of economic assumptions and other factors but the model calculates a liability approximately 11 times the annual payments.

### **Annual, Sick and Other Leave**

Annual leave is accrued as it is earned, and the 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 funding is not available to cover annual leave earned but not taken, funding will be obtained from future financing sources. 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 CSRS-covered employee is transferred to the Office of Personnel Management upon the retirement of that individual. No credit is given for sick leave balances upon the retirement of FERS-covered employees. The CSRS and FERS retirement plans are discussed on the next page.

### **Accounts Payable and Other Payables and Liabilities**

Accounts payable and accrued liabilities represent a probable future outflow or other sacrifice 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 the resources to do so. Since the FLRA is a component of the U.S. Government, a sovereign entity, payments of all liabilities, other than contracts can be abrogated by the sovereign entity.

### **Net Position**

Net position is the residual difference between assets and liabilities and is composed of Unexpended Appropriations and Cumulative Results of Operations. Unexpended Appropriations represent the amount of unobligated and unexpended budget authority. Unobligated Balance is the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. Cumulative Results of Operations are the net result of FLRA's operations since inception, which principally comprise property, plant, and equipment less unfunded liabilities.

### **Retirement Plans**

FLRA's employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS).

#### **Civil Service Retirement System**

For employees hired prior to January 1, 1984, FLRA withholds 7.0 percent of each employee's salary and contributes 7.0 percent of the employee's basic salary to the retirement fund. These employees may also contribute, on a tax-deferred basis, to a defined contribution plan - the Thrift Savings Plan (TSP). Under the TSP, employees were able to contribute up to 10.0 percent of their salary up to the regular IRS limit of \$14,000 in 2005. In 2006, employees were not limited as to salary percentage, and the regular IRS limit was \$15,000. FLRA is not required to and does not contribute any matching amounts for CSRS employees.

#### **Federal Employees Retirement System**

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.

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 participating in FERS, a TSP account is automatically established. FLRA is required to make a mandatory contribution of 1.0 percent of the base salaries of all employees under FERS. Employees who elected to participate in the TSP were able to contribute up to 15 percent of their salary up to the regular IRS limit of \$14,000 in 2005. In 2006, employees were not limited as to salary percentage, and the regular IRS limit was \$15,000. FLRA is required to match the employee's contribution up to a maximum of 5.0 percent of their salaries. Matching contributions are not made to the TSP accounts established by CSRS employees.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, FLRA remits the employer's share of the required contribution.

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 Office of Personnel Management (OPM).

### **Imputed Costs/Financing Sources**

The FASAB's SFFAS Number 5, "Accounting for Liabilities of the Federal Government," requires that employing agencies recognize the full cost of pensions, health and life insurance benefits, during their employees' active years of service. OPM, as the 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, the Statement of Net Cost, and the Statement of Financing, respectively.

### **Revenue and Other Financing Sources**

*Reimbursable Work Agreements (Exchange)* — FLRA recognizes reimbursable work agreement revenue when earned, i.e., goods that have been delivered or services 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 FLRA executed agreements totaling \$41,777 and \$16,777 in FY 2005 and in FY 2006, respectively.

*Annual Appropriations (Financing Sources)* — FLRA receives an annual salaries and expense appropriation from Congress. Annual appropriations are used, within statutory limits, for salaries and administrative expenses and 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 2005 was \$25,673,000. A 0.8 percent rescission to the FY 2005 appropriation reduced that amount by \$205,384 for a total available of \$25,467,616. The annual appropriation for FY 2006 was \$25,468,000. A 1.0 percent rescission to the FY 2006 appropriation reduced that amount by \$254,680 for a total available of \$25,213,320.

### **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 canceled.

### **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 United States Department of the Treasury, the Department of the Interior's National Business Center, and the General Services Administration.

### **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.

**NOTE 2 – FUND BALANCE WITH TREASURY**

Fund Balances with Treasury:

	<u>2006 (CY)</u>	<u>2005 (PY)</u>
Fund Balances:		
Appropriated Funds	<u>\$ 8,920,547</u>	<u>\$ 6,913,603</u>
Status of Fund Balance with Treasury		
Unobligated Balance:		
Available	\$ 1,322,877	\$ 1,051,492
Unavailable	4,096,872	2,684,221
Obligated balance not yet disbursed	<u>3,500,798</u>	<u>3,177,890</u>
<b>Total</b>	<u>\$ 8,920,547</u>	<u>\$ 6,913,603</u>

**NOTE 3 – ACCOUNTS RECEIVABLE**

On the Balance Sheet, Accounts Receivable consists of the following:

	<u>2006 (CY)</u>	<u>2005 (PY)</u>
Accounts Receivable – Intragovernmental	\$ 31,840	\$ 56,677
Allowance for Bad Debts	<u>( 11,144)</u>	<u>( 18,327)</u>
Net Accounts Receivable	<u>\$ 20,696</u>	<u>\$38,350</u>

**NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT, NET**

Property, plant, and equipment is comprised of furniture, equipment, and computer software, and is comprised of the following:

	<u>2006 (CY)</u>	<u>2005(PY)</u>
Cost:		
Computer equipment	\$ 280,935	\$ 168,512
Software	217,372	186,469
Office equipment	246,265	167,294
Office furniture	526,524	526,524
Leasehold Improvements	<u>226,580</u>	<u>226,580</u>
Total Cost	1,499,676	1,275,379
Less accumulated depreciation	<u>(740,775)</u>	<u>(523,932)</u>
Net Book Value	<u>\$ 758,901</u>	<u>\$751,447</u>



### NOTE 5 – RECLASSIFICATIONS

Certain reclassifications to prior year balances have been made in the accompanying financial statements to make disclosures consistent with those of the current year.

### NOTE 6 – OPERATING LEASES

FLRA has operating leases for rental of office space and office equipment. The copier lease arrangements are renewable annually with five possible annual renewal periods. As a Federal Agency, the FLRA is not liable for any lease terms beyond one year. FLRA anticipates that space levels consistent with FY 2006 will be required for the next five years and has estimated space and copier payments consistent with that need in the schedule below.

Lease requirements per existing contracts are as follows:

<u>Fiscal Year</u>	<u>Bldg.</u>	<u>Copier</u>	<u>Total</u>
2006	\$ 2,327,193	\$ 40,000	\$ 2,367,193
2007	\$ 1,052,179	\$ 20,000	\$ 1,072,179
2008	\$ 336,812	\$ -	\$ 336,812
2009	\$ 268,594	\$ -	\$ 268,594
2010	\$ 145,012	\$ -	\$ 145,012
THEREAFTER	\$ 17,951	\$ -	\$ 17,951
<b>Total anticipated future lease payments</b>	<b>\$ 4,147,741</b>	<b>\$ 60,000</b>	<b>\$ 4,207,741</b>

### NOTE 7 – COMMITMENTS

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 FLRA has examined its obligations related to canceled FY 2001 authority and believes that it has no outstanding commitments that will require future resources.

### NOTE 8– APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

The following summarizes apportionment categories of obligations incurred:

<u>Category A</u>	<u>2006(CY) Budgetary</u>	<u>2005(PY) Budgetary</u>
Direct	\$23,803,794	\$24,863,379
Reimbursable	\$ 16,777	41,777

**NOTE 9 - EXPLANATION OF DIFFERENCES BETWEEN LIABILITIES NOT COVERED BY BUDGETARY RESOURCES AND COMPONENTS REQUIRING OR GENERATING RESOURCES IN FUTURE PERIODS**

The liabilities not covered by budgetary resources on the balance sheet include annual leave and FECA liability. This balance is reported in the Statement of Financing as a component requiring or generating resources in future periods. The FECA liability is reported as resources that fund expenses recognized in prior years on the Statement of Financing.