UNITED STATES GOVERNMENT
National Labor Relations Board
Office of Inspector General

Audit of the NLRB Fiscal Year 2015 Financial Statements

Report No. OIG-F-20-16-01

December 14, 2015

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National Labor Relations Board
Office of Inspector General

EXECUTIVE SUMMARY

The Accountability of Tax Dollars Act of 2002 requires that the National Labor Relations Board prepare and submit to the Congress and the Director of the Office of Management and Budget audited financial statements.

The Office of Inspector General, National Labor Relations Board, contracted with Castro & Company, LLC (Castro & Company) to perform the audit. The objectives of the audit were to issue an opinion on the fair presentation of the principal financial statements, obtain an understanding of the National Labor Relations Board's internal controls, and test compliance with laws and regulations that could have a direct and material effect on the financial statements. The audit was conducted by Castro & Company in accordance with Government Auditing Standards issued by the Comptroller General of the United States and Office of Management and Budget Bulletin No. 15-02, Audit Requirements for Federal Financial Statements.

This document is our comprehensive report related to auditing the National Labor Relation Board's financial statements and includes Castro & Company's independent auditors' report, independent auditors' report on internal control, independent auditors' report on compliance with laws and regulations, and management letter; the National Labor Relations Board's financial statements and related notes; and the National Labor Relations Board's responses to the independent auditors' reports and management letter.

Castro & Company is responsible for the independent auditors' reports and the conclusions expressed in the reports. We reviewed Castro & Company's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on the financial statements or internal control or conclusions on compliance with laws and regulations. Our review disclosed no instances in which Castro & Company did not comply, in all material respects, with generally accepted government auditing standards.

On November 4, 2015, we transmitted Castro & Company's independent auditors' reports, which were included in the National Labor Relations Board's Fiscal Year 2015 Performance and Accountability Report. The audit results were:

- The financial statements present fairly, in all material respects, the financial condition and activity of the National Labor Relations Board as of and for the years ending September 30, 2014 and 2015.

- The tests on internal controls over financial reporting identified no material weaknesses. Castro & Company identified a significant deficiency resulting from inadequate controls over undelivered orders, accounts payable, and expenditures. A significant deficiency is defined as "a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance." This finding was reported in the FY 2014 report on internal controls as a material weakness.

  Castro & Company's report on internal controls did not provide any assurances on the effectiveness of internal control over financial reporting. Providing assurances on internal control or on the effectiveness of National Labor Relations Board's internal control over financial reporting was not an objective of the audit.

- The tests on compliance with laws and regulations identified no instances of noncompliance with laws and regulations that would be reportable under U.S. generally accepted government auditing standards or Office of Management and Budget's audit guidance. Providing an opinion on compliance with laws and regulations, however, was not an objective of the audit and, accordingly, such an opinion was not expressed.

Castro & Company's independent auditors' report on internal control stated that because their testing confirmed that not all of the FY 2014 recommendations had been properly implemented, no new recommendations were deemed necessary. Comments submitted by the Chief Financial Officer expressed concurrence with the findings and recommendations and that a management plan will be developed to track the progress on the recommendations.

Castro & Company also issued a management letter that contained two repeat findings related to improvements in internal controls over the management of Government charge cards and the management and monitoring of negative leave balances and a new finding related to the management, monitoring, and reporting of budget and available funds. The management letter incorporates the unimplemented recommendations from the prior year related to Government charge cards and negative leave balances. The management letter also adds three recommendations related to the budget matter. The management letter also provides information on the status of prior year recommendations.

The Chief Financial Officer and the Acting Director of Administration provided comments to the draft management letter. With regard to the finding related to the negative leave balances, the comments assert that the Office of Human Resources implemented corrective actions at the beginning of calendar year 2015. The auditors responded that the actions cited by management were not sufficient to prevent the finding. With regard to the Government charge card finding and recommendations, management's comments appear to concur with the auditor's finding and recommendations. The comments related to the budget finding expressed disagreement with the finding and recommendations.

The comments to the independent auditors' reports and the management letter are presented in their entirety in this report.

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Independent Auditor's Report

Inspector General
National Labor Relations Board

We have audited the accompanying balance sheets of the National Labor Relations Board (NLRB) as of September 30, 2015 and 2014 and the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the audit considers internal control relevant to the agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the NLRB as of September 30, 2015 and 2014, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary and Other Information

U.S. generally accepted accounting principles require that the information in the *Required Supplementary Information,* including *Management's Discussion and Analysis,* be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The information presented in the *Other Accompanying Information* and *Appendices* is presented for purposes of additional analysis and is not required as part of the basic financial statements. Such information has not been subjected to auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with U.S. *Government Auditing Standards* and OMB Bulletin No. 15-02, we have also issued our reports dated November 4, 2015, on our consideration of NLRB's internal control over financial reporting and the results of our tests of its compliance with certain provisions of laws, regulations, and other matters that are required to be reported under *Government Auditing Standards*. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with U.S. *Government Auditing Standards* and OMB Bulletin 15-02 in considering the NLRB's internal control and compliance, and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management and the NLRB Office of Inspector General, OMB, GAO, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Castro & Company, LLC

November 4, 2015
Alexandria, VA

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Independent Auditor's Report on Internal Control

Inspector General
National Labor Relations Board

We have audited the financial statements of the National Labor Relations Board (NLRB) as of and for the years ended September 30, 2015 and 2014, and have issued our report thereon dated November 4, 2015. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.

In planning and performing our work, we considered NLRB's internal control over financial reporting by obtaining an understanding of the design effectiveness of NLRB's internal control, determining whether controls had been placed in operation, assessing control risk, and performing tests of NLRB's controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not to express an opinion on the effectiveness of NLRB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of NLRB's internal control over financial reporting. We limited our internal control testing to those controls necessary to achieve the objectives described in the Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations.

Our consideration of internal control over financial reporting was for the limited purposes described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. However, we consider the internal control deficiency described below to be a significant deficiency.
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis. During our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described below to be a significant deficiency.

NLRB's response to the finding identified in our audit is described in the accompanying Audit Response Letter. NLRB's response was not subject to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted less significant matters involving internal control and its operations which we have reported to NLRB management in a separate letter dated November 4, 2015.

This report is intended solely for the information and use of the management and the NLRB Office of Inspector General, OMB, the Government Accountability Office, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Castro & Company, LLC

November 4, 2015
Alexandria, VA

SIGNIFICANT DEFICIENCY

I. Inadequate Controls over Undelivered Orders, Accounts Payable, and Expenditures

We noted overall improvements in the process for reviewing Undelivered Order (UDOs) and corresponding accruals in order to support the validity of UDO balances, in addition to the implementation of quarterly reviews from the prior fiscal year. Although there were improvements in the internal controls, we still noted issues due to the recording of incorrect accruals, and lack of monitoring of expired contracts and initiating the contract-close-out procedures in a timely manner to properly de-obligate funds.

During our testing, we noted several issues surrounding the accounting for UDO, AP, and expenditures as summarized below.

- During our year-end procedures, we performed an analysis of the Open Obligations as of September 30, 2015. As a result of our analysis, we noted multiple UDOs for which the period of performance had expired and for which no activity had occurred since either Fiscal Year (FY) 2013 or FY 2014. However, NLRB was still reporting those as valid obligations as of September 30, 2015. Upon further discussion with management, it was determined that an adjustment was necessary in order to remove those obligations and properly state the UDO balance as of September 30, 2015. As a result, NLRB had to record an audit adjustment of $1,114,548 before detailed testing was performed.

- We continued to note differences noted as a result of invalid obligations. For example, for two (2) General Services Administration (GSA) obligations for which the Period of Performance expired, NLRB had not commenced contract close-out procedures in order to de-obligate the remaining UDO balance. For one (1) of those GSA obligations, NLRB over-obligated an amount for an anticipated rent increase related to FY 2013 space at the HQ but due to an oversight, the amount was not de-obligated. For the other GSA obligation, the contract was funded in FY 2010 for a project that was cancelled but which remained on the books as of September 30, 2015 (both exceptions were noted during the FY 2014 testing and discussed with management but still had an open obligation amount and had not been corrected as of 6/30/15 and as of 9/30/15).

- During our interim and year-end procedures, we continued to note differences as a result of incorrect accruals. Certain accruals recorded by Finance were incorrect, as methodologies used contained accruals for services for which invoices were already paid and recognized in the General Ledger (GL), but for which the accrual was not adjusted, causing overstatements of Accounts Payable (AP) and understatements of the UDO balance. In addition, certain accruals were incorrect as a result of NLRB not properly accruing for the correct or entire period for which services had been received, resulting in an understatement of the AP and overstatement of the UDO.

- We continued to note instances in which NLRB was not consistently monitoring or following up with GSA to determine the status of completion for various on-going projects in order to properly accrue for services that have been received and for projects which have been completed and to commence contract-close out procedures for any remaining UDO balance.

- We noted instances where improvements are needed in the administration of contracts. For example, we noted some instances where the contract modifications were not properly recorded in the GL. In addition, we noted one instance where there was no official form/documentation to authorize the contract's increase in funding.

Government Accountability Office's *Standards for Internal Control in the Federal Government* states,

> Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity. Internal control serves as the first line of defense in safeguarding assets. In short, internal control helps managers achieve desired results through effective stewardship of public resources.
>
> Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions.
>
> Management should remediate identified internal control deficiencies on a timely basis.
>
> Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.
>
> Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

Statement of Federal Financial Accounting Standards (SFFAS) No. 1, *Accounting for Selected Assets and Liabilities*, states,

> Accounts payable are amounts owed by a Federal entity for goods and services received from, progress in contract performance made by, and rents due to other entities…When an entity accepts title to goods, whether the goods are delivered or in transit, the entity should recognize a liability for the unpaid amount of the goods. If

invoices for those goods are not available when financial statements are prepared, the amounts owed should be estimated.

Not monitoring expired contracts and initiating the contract-close-out procedures in a timely manner to properly de-obligate funds, resulted in an under/overstatement in AP and under/overstatement in the obligations. In addition, by not properly monitoring open obligations, expenditures, and AP on a routine basis, the financial data used to generate management reports and financial reports required by applicable laws and regulations are not accurate. As a result, those charged with governance have no reasonable assurance as to whether they have reliable financial information to manage the operations of the Agency.

Recommendations:

Even though improvements were noted over the prior year, our testing results confirmed that not all of our FY 2014 audit recommendations have been properly implemented; therefore, new recommendations are not deemed necessary at this time.

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Independent Auditor's Report on
Compliance with Laws and Regulations

Inspector General
National Labor Relations Board

We have audited the financial statements of the National Labor Relations Board (NLRB) as of and for the year ended September 30, 2015 and 2014, and have issued our report thereon dated November 4, 2015. We conducted our audits in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.

The management of NLRB is responsible for complying with laws and regulations applicable to NLRB. We performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in the Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*, including the requirements referred to in the Federal Managers' Financial Integrity Act of 1982 (FMFIA). We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to NLRB.

The results of our tests of compliance with applicable laws and regulations, and government-wide policies, described in the preceding paragraph identified no instances of noncompliance that are required to be reported under *Government Auditing Standards* or OMB guidance.

Providing an opinion on compliance with certain provisions of laws and regulations and government-wide policies was not an objective of our audit, and accordingly, we do not express such an opinion.

This report is intended solely for the information and use of management and the NLRB Office of Inspector General, OMB, GAO, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Castro & Company, LLC

November 4, 2015
Alexandria, VA

UNITED STATES GOVERNMENT
National Labor Relations Board
Office of the Chief Financial Officer
Memorandum

November 2, 2015

TO: David P. Berry, Inspector General

FROM: Ronald E. Crupi, Chief Financial Officer

SUBJECT: Response to the Audit of the National Labor Relations Board Fiscal Year 2015 Financial Statements

We have reviewed the subject report and concur with the factual findings and recommendations. We would like to thank you and the auditors for noting the improvements made over the course of the past year. We appreciate the auditor's unmodified opinion and determination that our financial statements present fairly, in all material respects, the financial position of the National Labor Relations Board as of September 30, 2015.

The Office of the Chief Financial Officer (OCFO) continues to document processes and is implementing strategies to measure risk, manage risk, and improve internal controls to mitigate risk. The OCFO assesses processes on an ongoing basis to ensure that they are efficient, effective, and accurate.

Below is our response to the auditor's specific recommendations. A management action plan will be developed to track the progress on these recommendations.

- The Office of the Chief Financial Officer (OCFO) continues to partner with other agency stakeholders to improve methods for monitoring obligations, operating expenses, and related accounts payable on a quarterly basis.
- The OCFO has established and continues to review its quarterly accrual methodology to improve accuracy and timeliness of reporting and recording.
- The OCFO continues its data clean-up of all open obligations and accounts payable.
- The OCFO continues its training program to ensure that responsible personnel monitor obligations, operating expenses, and accounts payable balances.

Ronald E. Crupi

Ronald E. Crupi
Chief Financial Officer

NATIONAL LABOR RELATIONS BOARD

Fiscal Year 2015 Financial Statement Audit

Management Letter Report

Castro & Company

Auditors ✓ Advisors

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November 04, 2015

Inspector General
National Labor Relations Board

We have audited the accompanying balance sheet of the National Labor Relations Board (NLRB) as of September 30, 2015 and 2014 and the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended.

In planning and performing our work, we considered NLRB's internal control over financial reporting by obtaining an understanding of the design effectiveness of NLRB's internal control, determining whether controls had been placed in operation, assessing control risk, and performing tests of NLRB's controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not to express an opinion on the effectiveness of NLRB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of NLRB's internal control over financial reporting.

We noted certain matters involving internal control and other operational matters that are summarized in this letter. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses or deficiencies in internal control, policies or procedures that may exist.

We would like to express our appreciation to you and all other NLRB personnel who assisted us in completing our work.

This report is intended solely for the information and use of NLRB management, the NLRB Office of Inspector General, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Castro & Company, LLC

Castro & Company, LLC

1. **Improvements in the Internal Controls over the Management and Monitoring of Negative Leave are Needed (Repeat Condition from FY 2014)**

As part of our testing of accrued leave, we selected a sample of ten (10) employees with a negative leave balance as of September 30, 2015. The purpose of our testing was to assess management controls and compliance with applicable laws, regulations, and procedures relative to accrued annual and sick leave balances.

During our procedures we noted that NLRB did not always properly approve and maintain documentation to support employees' negative annual and sick leave balances. Specifically, we noted that:

- For four (4) employees, only partial or incomplete documentation was received to show proper approval by the supervisor and Human Resources for advanced annual and/or sick leave.
- For six (6) employees, some of the advanced leave requests were approved after leave was taken.
- For three (3) employees, the approval documentation did not properly indicate approval/disapproval of advanced leave taken.
- For one (1) employee, the request for advanced sick leave was approved without the support of medical documentation. A letter from the employee's doctor was obtained in October 2015, after the leave was taken.

By not ensuring proper controls are maintained, including obtaining the proper approvals and maintaining applicable documentation to support employees' leave balances in a centralized location, NLRB increases its risk that the accrued leave balance is incorrectly reported, and ultimately causing accrued annual and sick leave to be misstated.

U.S. Office of Personnel Management (OPM) – *Leave Administration*, states,

> *Annual Leave:*
> At its discretion, an agency may advance annual leave to an employee in an amount not to exceed the amount the employee would accrue within the leave year. An agency should not advance annual leave to an employee when it is known (or reasonably expected) that the employee will not return to duty, e.g., when the employee has applied for disability retirement. Before granting advanced annual leave, it is recommended that the approving authority consider such matters as the expectation of return to duty, the need for the employee's services, and the benefits to the agency of retaining the employee.
>
> Employees and their supervisors are mutually responsible for planning and scheduling the use of employees' annual leave throughout the leave year. Employees should request annual leave in a timely manner, and supervisors should provide timely responses to employees' requests.
>
> *Advanced Sick Leave:*
> At its discretion, an agency may advance sick leave to an employee, when required by the exigencies of the situation, for the same reasons it grants sick leave to an employee,

> subject to the limitations described below. An agency should not advance sick leave to an employee when it is known (or reasonably expected) that the employee will not return to duty, e.g., when the employee has applied for disability retirement. Before granting advanced sick leave, it is recommended that the approving authority consider such matters as the expectation of return to duty, the need for the employee's services, and the benefits to the agency of retaining the employee.
>
> An employee must request sick leave within such time limits as the agency may require. An agency may require employees to request advanced approval for sick leave for their own medical, dental, or optical examination or treatment. To the extent possible, an employee may be required to request advanced approval for sick leave to attend to a family member receiving medical, dental, or optical examination or treatment, to care for a sick family member or one with a serious health condition, for bereavement purposes, and for adoption-related proceedings. If the employee complies with the agency's notification and medical evidence/certification requirements, the agency must grant sick leave.

Recommendations:

Our testing confirmed a lack of remediation of last years' findings; therefore, new recommendations are not deemed necessary at this time.

Management's Response:

Management commented that action was taken during the "first half of FY 2015" to address the internal control issues identified in the FY 2014 audit. Management also stated that "[f]or the most part, compliance with the new protocol for requesting, approving and documenting advance leave requests has been successful." Management intends to work with NLRB's managers and supervisors by issuing reminder instructions and asking upper management in each office to establish a high priority for compliance.

Auditor's Response:

Actions by management to date have in fact not been sufficient to remediate the deficiencies in the internal control environment. We note that our testing occurred at year-end, and that NLRB managers had sufficient time to ensure compliance by its managers and supervisors with its "new protocol." We note also that the Office of Inspector General has requested quarterly updates on the status of FY 2014 recommendations, and determined that the actions taken by management to date are not sufficient to warrant closing the prior year's recommendations.

2. Improvements in the Management of Government Cards are Needed (Repeat Condition from FY 2014)

As part of our testing of cash disbursements, we selected a sample of 45 disbursements made during the period of October 1, 2014 through March 31, 2015. The purpose of our testing was to assess management controls and compliance with applicable laws, regulations, and procedures relative to cash disbursement transactions. The following conditions were noted:

- NLRB did not always oversee the establishment and maintenance of master file/official cardholder records including training, appointment, single and monthly purchase limits, and related records. Specifically, we noted that:
  - For 12 cardholders (one purchase cardholder and 11 travel cardholders), official cardholder records were not maintained by NLRB to evidence the proper appointment of such cardholders.
  - For one travel cardholder, we noted that the GSA certificate on file had a completion date of April 2011; however, as of May 2015 the required refresher training, which should be completed at a minimum every three years, had not been completed by the cardholder as required.
  - For four travel cardholders, there were no certificates on the employees' file to support the cardholders' completion of the required training.

NLRB's Travel Card Management Plan requires travel card applications, credit score and training to be documented as complete before a new credit card account is processed by the bank; however, NLRB did not consistently maintain on file documentation of cardholder appointments.

In the prior fiscal year, we recommended that NLRB management review, implement, and monitor control activities related to the training and appointment of cardholders. We reviewed NLRB Management's Decision regarding this recommendation, and even though NLRB management reviewed policies and updated the Travel Card Management Plan, the written policies were not always followed.

Additionally, in the prior fiscal year, we recommended that NLRB management establish and implement procedures for the periodic review of all active cardholders to determine whether each cardholder has a need for the purchase/travel card, and whether all applicable documentation, including completion of initial and refresher trainings, is maintained. We reviewed NLRB Management's Decision regarding this recommendation, and determined that management's review of the cardholder files had not been completed as the time of our testing in May 2015.

The ''Government Charge Card Abuse Prevention Act of 2012'', enacted in October 2012 states,

> § 1909(a) The head of each executive agency that issues and uses purchase cards and convenience checks shall establish and maintain safeguards and internal controls to ensure the following:
>
> (1)There is a record in each executive agency of each holder of a purchase card issued by the agency for official use, annotated with the limitations on single transactions and total transactions that are applicable to the use of each such card or check by that purchase card holder… .
> (8) Periodic reviews are performed to determine whether each purchase card holder has a need for the purchase card.
> (9) Appropriate training is provided to each purchase card holder and each official with responsibility for overseeing the use of purchase cards issued by the executive agency.
> (10) The executive agency has specific policies regarding the number of purchase cards issued by various component organizations and categories of component organizations, the credit limits authorized for various categories of card holders, and categories of

> employees eligible to be issued purchase cards, and that those policies are designed to minimize the financial risk to the Federal Government of the issuance of the purchase cards and to ensure the integrity of purchase card holders.

OMB Circular A-123, Appendix B, Revised, *Improving the Management of Government Charge Card Programs*, states,

> [E]ach agency must develop and maintain written policies and procedures for the appropriate use of charge cards consistent with the requirement of this guidance. The plan should be updated annually, or more frequently, if necessary to maintain current. Agencies shall submit a copy of their plan to OMB, Office of Federal Financial Management, on an annual basis, not later than January 31 of each calendar year.

Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* states:

> Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions.
>
> Management should remediate identified internal control deficiencies on a timely basis.
>
> Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

The establishment of written, formal policies and procedures are critical in assuring that a system of internal controls is followed. The lack of monitoring compliance with established procedures can increase the risk of fraud, waste, and abuse occurring in government charge cards.

Recommendations:

Our testing confirmed a lack of remediation of last years' findings; therefore, new recommendations are not deemed necessary at this time.

Management's Response:

Management's comments appear to state concurrence with the finding and the determination that the prior year's recommendations are not fully implemented.

Auditor's Response:

The auditors concur with management's response.

3. Improvements in the Management, Monitoring and Reporting of Budget and Available Spending Amounts Needed

In June 2013, NLRB established the Administrative Systems Integrated Project Team (IPT) to oversee the development of administrative Information Technology (IT) systems. The IPT has various members, including the Deputy General Counsel (Deputy GC), the Chief Financial Officer (CFO), and the Chief Information Officer (CIO). In addition, the CIO is responsible for advising Agency officials on IT-related needs and acquisitions. The Office of the Chief Financial Officer (OCFO) was created to properly manage the Agency's financial operations.

In October 2015, the Office of Inspector General became aware that the NLRB entered into an Interagency Agreement (IAA), in the amount of $699,781, with the Department of Interior, Interior Business Center (IBC), for the acquisition of Oracle's Contract Lifecycle Management (CLM) system, an Oracle procurement module that will be configured to use as an integrated tool for acquisitions. The acquisition was approved by the Deputy GC and the IAA was executed by the CFO using FY 2015 funds.

As a result of inquiries regarding the Oracle acquisition we noted that:

- NLRB did not properly document how the acquisition was approved, including what information was provided to the Deputy GC to establish the need for the module or the funding requirements to complete the acquisition process;
- The acquisition did not undergo legal review as required for all IAA acquisitions as stated in NLRB's internal policy;
- The IPT was not involved in the decision or approval process. In addition, the CIO was unaware of the decision to acquire the system. Therefore, the acquisition was approved without knowing and documenting the potential impact on the OCIO operations for future years;
- The IAA was signed by the CFO. However, the IAA should have been signed by the CIO and Contracting Officer; and
- NLRB does not have a Budget system in place for the management and monitoring of spending amounts, to include how much funding the Agency has and how it can be spent. Some of the funding information is maintained by the Budget Branch on spreadsheets outside the financial system, and not properly tracked or reported so that the Board and Agency management can make sound and timely financial decisions.

While we do not question the determination that the there was a need for an integrated procurement system, the facts involved in the acquisition of the Oracle module raise significant concerns regarding how the OCFO is managing the NLRB's appropriation, including how the availability of funds from the appropriation is maintained, monitored, and reported to those in Governance. It is also of significant concern that the officials within the OCFO circumvented the NLRB's financial internal controls to effectuate the acquisition of the Oracle procurement module.

GAO's *Standards for Internal Control in the Federal Government* states,

> Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions.
>
> Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.
>
> Transactions are authorized and executed only by persons acting within the scope of their authority. This is the principal means of assuring that only valid transactions to exchange, transfer, use, or commit resources are initiated or entered into. Management clearly communicates authorizations to personnel.
>
> Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.
>
> Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

NLRB's *Requirements for Legal Review of Acquisition Actions* Policy (effective 11/18/2013) states, in part,

> Special Counsel will provide legal advice and services to the Acquisitions Management Branch (AMB) on acquisition and contractual matters for the National Labor Relations Board. The advice and services covers all phases of the acquisition process to include contract formation, administration and litigation. In addition, Special Counsel will provide legal advice regarding fiscal law, federal procurement law, software or other license agreements, and Interagency Agreements or other Reimbursable Agreements with Federal or State Agencies[;] and
>
> The following contracting actions will be submitted for legal review without regard to any threshold amount of the contracting action:…Interagency Acquisitions (Economy Act, Interagency Agreements, Interpersonal Agreements).

The CIO should be aware of and be involved in the procurement of all IT systems. This allows him to advise the Board and General Counsel of how much money the Agency needs and to prioritize so that limited resources are used efficiently. For example, the CIO needed funding for the unified communications project and was told by the Budget Branch that funds were not available. When he communicated that at the IPT committee meeting, the Deputy GC released additional funding to him. Had he known that there was additional funding available for IT procurements, he would have discussed with the committee the priorities that could have been funded with that money.

In addition, not involving the IPT and OCIO degraded the internal control environment by circumventing the segregation of duties controls that should be in place. The OCFO was created in part because of internal control issues related to the financial management of the NLRB.

Recommendations:

We recommend that the NLRB ensure that:

1. All IT potential procurements or decisions are made with the full knowledge of and involvement of the IPT, including the procurements that are intended to meet the OCFO's needs.
2. All IT decisions are properly documented, to include the approval process and funding requirements.
3. A Financial Operating Plan is created and maintained by the Budget Branch in order to properly manage and monitor spending at the Agency. The plan should be updated, at a minimum, on a quarterly basis to contain budgeted and spending levels as well as available funding. In addition, the plan should be distributed, on a quarterly basis, to the Board, the General Counsel, and management personnel for review and discussion.

Management's Response:

Management's comments restate the finding that the auditors do not question the acquisition of the Oracle module and add that the module will improve the procurement internal controls. Management states that the NLRB should implement a formal decision-making process for all IT investments before the Administrative IPT and states that the CFO recommends that the guidance, policies and processes be formalized.

Management also states that the Budget Branch has an operating plan called a "Spend Plan" that is briefed to the "senior leadership" on a quarterly basis. Management states the spend plan is also briefed and reviewed with program managers and that the auditors were briefed on the process without any "finding resulting."

Auditor's Response:

We interpret management's comments as disagreement with the finding's recommendations. We are concerned that the CFO has apparently disregarded the fact the he degraded the internal control process by circumventing the Administrative IPT process for the almost $700,000 acquisition. The documentation that is lacking is a result of the CFO's actions, not the actions of the Administrative IPT. There is no documentation that the Deputy GC was briefed on the details of the acquisition or the amount of funding that would be utilized. There is likewise no documentation that the Deputy GC had the authority to approve the use of funds for the acquisition of the Oracle module or that the Board was made aware of that acquisition in advance of funds being obligated for that purpose. The facts of the Oracle acquisition demonstrate that the OCFO budgeting process is inadequate to prevent the unauthorized use of NLRB's funds and that program managers do not in fact know what funding resources are available to meet mission needs.

We are also concerned that the CFO is reading the statement that we are not questioning the need for the Oracle module as an approval or concurrence that the need for the module existed. It simply states that this finding is related to the acquisition process. During our audit, we did not develop the facts to determine whether the module was needed, and the statement is simply a limitation on our finding.

Status of Prior Year Management Letter Comments

The FY 2014 Management Letter Report issued by Castro & Company and the FY 2012 Management Letter report issued by the predecessor auditor identified the following control deficiencies:

Fiscal Year	**Finding Identified**	**Status in FY 2015**
FY 2012	Information Technology – Active Directory Accounts	Partially Resolved
FY 2014	Improvements in the Internal Controls over the Management of Government Charge Cards are Needed.	Partially Resolved
FY 2014	Improvements in the Internal Controls over the Management and Monitoring of Negative Leave are needed.	Unresolved.

UNITED STATES GOVERNMENT
National Labor Relations Board

Memorandum

To: **David P. Berry, Inspector General**

From: **Ronald E. Crupi, Chief Financial Officer**
Roxanne Rothschild, Acting Director of Administration

Date: **December 10, 2015**

Subject: **Response to Draft FY 2015 Financial Statement Audit Management Letter Report**

The purpose of this memorandum is to respond to the Office of Inspector General's (OIG's) Draft Fiscal Year 2015 Financial Statement Audit Management Letter Report (Report).

1. Improvements in the Internal Controls over the Management and Monitoring of Negative Leave are Needed (Repeat Condition from FY 2014)

D of A Response: The Report identified improvements needed in the internal controls for the management and monitoring of negative leave (advanced leave). This finding was also included in the FY 2014 Management Letter Report. We agreed then and we agree now with the OIG's recommendation that advanced leave requests and supporting documentation should be maintained in a centralized location. Based upon last year's Report, the Division of Administration instituted a process for the Office of Human Resources (OHR) to receive and retrieve information from each Regional and Headquarters office about their respective advanced leave approvals for each pay period. As a part of this protocol, managers and supervisors are expected to properly document the amount of requested advanced leave, and justification for approval of the advanced leave, via the leave form or and/or related memo, which is to be submitted electronically to OHR. This information is to be separately stored electronically within OHR. We also agree that review of advanced leave requests from employees with negative sick balances is necessary to verify that requests were approved in accordance with policies and procedures and to determine whether stated balances are valid. As such, OHR has established a protocol whereby Workforce Relations staff within the OHR regularly review the information provided regarding approved requests for advanced leave to determine whether stated balances are valid and to verify that advanced leave was approved in accordance with applicable policies and procedures. These improvements were instituted during the first half of FY 2015.

For the most part, compliance with the new protocol for requesting, approving and documenting advanced leave requests has been successful. There are certain offices, however, that have presented a challenge with regard to transitioning to these new requirements. Workforce Relations staff within OHR has been working diligently to initiate regular contact with these offices to remind them of the requirements and request documentation regarding advanced leave.

To improve compliance with the protocol for requesting, approving and documenting advanced leave, NLRB managers and supervisors will receive reminder instructions for complying with this reporting requirement. OHR will also enlist the assistance of upper management for each office to establish a high priority for compliance with this important protocol.

2. Improvements in the Management of Government Cards are Needed (Repeat Condition from FY 2014)

NLRB's Chief Financial Officer (CFO) has reviewed and concurs with the prior recommendations pertaining to the internal controls over the management of government charge cards. The Finance Office will implement improvements to the travel card enrollment process and maintain supporting documentation for cardholders, including current and refresher training certificates. These improvements will be implemented during Fiscal Year 2016.

3. Improvements in the Management, Monitoring and Reporting of Budget and Available Spending Amounts Needed

> *Recommendation: All IT potential procurements or decisions are made with the full knowledge of and involvement of the IPT, including the OCFO.*

OCFO Response: The CFO notes that the auditors did not question the determination that there was a need for an integrated procurement system, and the activation of the Contract Lifecycle Management (CLM) module will strengthen the internal controls and standardize contract clauses across all NLRB contracting efforts. Further, similar to the rest of the Oracle Federal Financials (OFF) suite, the CLM module is a commercial-off-the-shelf solution entirely housed in the larger OFF suite and does not have any software development or customization to satisfy the NLRB requirements.

That being said, the OCFO concurs that the NLRB should implement a formal decision-making process for all IT investments brought before the Administrative Systems IPT (i.e., formal decision memorandums that are coordinated through a formal staffing process to establish program documentation). Included in this decision memorandum are clear goals, objectives, milestones, priorities, funding, dependencies, interoperability between systems, secondary and tertiary system implications (i.e. physical construction), and return on investments detailing cost savings and lifecycle maintenance costs, and demo/sunset costs.

The OCFO recommends that guidance, policies and processes be formalized by the Administrative Systems IPT that establishes a quantifiable method and criteria for rating and ranking proposed NLRB administrative system priorities. This information is provided to the Administrative Systems IPT prior to a meeting and allows all new IT investments to be ranked in priority order. Program managers are offered the opportunity to answer questions raised by the panel and defend the proposed system. The results of these meetings are documented and used as supporting information for funding decisions brought in front of the Chairman, Board Members, General Counsel, and other senior leaders.

> *Recommendation: All IT decisions are properly documented, to include approval process and funding requirements.*

OCFO Response: The OCFO concurs. See response to the above Recommendation.

> *Recommendation: A Financial Operating Plan is created and maintained by the Budget Branch in order to properly manage and monitor spending at the Agency. The plan should be updated, at a minimum, on a quarterly basis to contain budgeted and spending levels as well as available funding. In addition, the plan should be distributed, on a quarterly basis, to the Board, the General Counsel, and management personnel for review and discussion.*

OCFO Response: The Budget Branch maintains an operating plan called a Spend Plan, which is actively monitored, reconciled with Oracle Federal Financials on a monthly basis, and briefed to senior leadership on a quarterly basis. All the program managers are given the Spend Plan on a quarterly basis with their quarterly spending and it is reviewed with program managers, such as the OCIO, on a quarterly basis. The auditors had previously been briefed on this process without any findings resulting. In the last two years, based on continuous dialogue with program managers, the Budget Office has made significant strides in identifying and forecasting static requirements.

The CFO agrees that, in order to assist in the management and monitoring of spending at the Agency, program managers need to timely obtain their respective operating plans so that they can assess and prioritize appropriate and necessary mission-critical expenditures from the Budget Branch, who will educate the program managers on the handling of their respective budgets and continuously communicate with them throughout the fiscal year regarding their available funding levels.

ROXANNE ROTHSCHILD

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Roxanne Rothschild, Acting Director of Administration

RONALD CRUPI

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Ronald E. Crupi, Chief Financial Officer

cc: Chairman
General Counsel
Deputy General Counsel

PRINCIPAL FINANCIAL STATEMENTS

AUDITOR'S REPORTS AND PRINCIPAL FINANCIAL STATEMENTS

Principal Statements

National Labor Relations Board

BALANCE SHEET

As of September 30, 2015 and 2014 *(in dollars)*

	FY 2015	FY 2014
Assets:		
Intragovernmental:		
Fund balance with Treasury	$ 32,608,920	$ 32,894,527
Advances and Prepayments	62,105	97,195
Total Intragovernmental Assets	**32,671,025**	**32,991,722**
Accounts and Interest Receivable (Note 5)	66,435	56,171
Advances and Prepayments (Note 4)	36,082	0
General property, plant and equipment (Note 6)	10,653,716	5,065,456
Total Assets	**$ 43,427,258**	**$ 38,113,349**
Liabilities:		
Intragovernmental:		
Accounts Payable	$ 5,177,074	$ 4,414,162
Employer Contributions & Payroll Taxes Payable	4,617,546	1,190,012
FECA Liabilities	402,892	444,171
Total Intragovernmental	**10,197,512**	**6,048,345**
Liabilities with the Public:		
Accounts Payable	1,923,396	3,843,641
Fed Employee Benefits - FECA Actuarial Liability	863,428	916,494
Unfunded Annual Leave	13,997,114	14,129,842
Employer Contributions Payroll & Taxes Payable	2,006,748	4,296,251
Contingent Liabilities	63,947	0
Total Liabilities	**$ 29,052,145**	**$ 29,234,573**
Net Position:		
Unexpended Appropriations	18,951,372	19,217,677
Cumulative Results of Operations	(4,576,259)	(10,338,901)
Total Net Position	**14,375,113**	**8,878,776**
Total Liabilities and Net Position	**$ 43,427,258**	**$ 38,113,349**

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

National Labor Relations Board

STATEMENT OF NET COST

For the Years Ended September 30, 2015 and 2014 *(in dollars)*

	FY 2015	FY 2014
Program Costs:		
Resolve Representation Cases		
Net Cost	**$ 33,375,761**	**$ 34,567,665**
Resolve Unfair Labor Practices:		
Net Cost	**$ 247,564,985**	**$ 253,496,211**
Other:		
Costs	$ 0	$ 0
Less: Earned Revenue	0	0
Net Cost	**$ 0**	**$ 0**
Total:		
Costs	$ 280,940,746	$ 288,063,876
Less: Earned Revenue	0	0
Net Cost of Operations	**$ 280,940,746**	**$ 288,063,876**

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

National Labor Relations Board

STATEMENT OF CHANGES IN NET POSITION

For the Years Ended September 30, 2015 and 2014 *(in dollars)*

	FY 2015	FY 2014
Cumulative Results of Operations:		
Beginning Balance	$ (10,341,523)	$ (1,626,148)
Adjustments:		
Correction of Errors	2,622	0
Beginning balance, as adjusted	(10,338,901)	(1,626,148)
Budgetary Financing Sources:		
Appropriations Used	271,251,582	263,749,337
Non-exchange Revenue	(336,287)	(160,231)
Other Financing Sources (Non-Exchange):		
Imputed Financing	15,788,093	15,762,017
Total Financing Sources	**286,703,388**	**279,351,123**
Net Cost of Operations	(280,940,746)	(288,063,876)
Net Change	**5,762,642**	**(8,712,753)**
Cumulative Results of Operations	**(4,576,259)**	**(10,338,901)**
Unexpended Appropriations:		
Beginning Balance	19,220,299	9,852,964
Adjustments:		
Correction of Errors	(2,622)	0
Beginning balance, as adjusted	19,217,677	9,852,964
Budgetary Financing Resources:		
Appropriations received	274,224,000	274,224,000
Appropriations used	(271,251,582)	(263,749,337)
Other Adjustments	(3,238,723)	(1,109,950)
Total Budgetary Financing Sources	**(266,305)**	**9,364,713**
Total Unexpended Appropriations	**18,951,372**	**19,217,677**
Net Position	**$ 14,375,113**	**$ 8,878,776**

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

National Labor Relations Board

STATEMENT OF BUDGETARY RESOURCES

For the Years Ended September 30, 2015 and 2014 *(in dollars)*

	FY 2015	FY 2014
Budgetary Resources:		
Unobligated balance, brought forward, October 1:	$ 4,428,811	$ 4,988,244
Unobligated balance brought forward, October 1, as adjusted	$ 4,428,811	$ 4,988,244
Recoveries of prior year unpaid obligations	3,861,517	2,450,471
Other changes in Unobligated Balance	(3,238,723)	(1,110,159)
Unobligated balance from prior year budget authority, net	5,051,605	6,328,556
Appropriations (discretionary and mandatory)	274,224,000	274,224,000
Spending authority from offsetting collections (discretionary and mandatory)	61,815	158,656
Total Budgetary Resources (Note 15)	**$ 279,337,420**	**$ 280,711,212**
Status of Budgetary Resources:		
Obligations incurred:	$ 274,476,353	$ 276,282,401
Unobligated balance, end of year:		
Apportioned	481,752	333,058
Unapportioned	4,379,315	4,095,753
Total Unobligated balance, end of year	4,861,067	4,428,811
Total Budgetary Resources (Note 15)	**$ 279,337,420**	**$ 280,711,212**
Change in Obligated Balance:		
Unpaid Obligations:		
Unpaid obligations, brought forward, October 1 (gross)	$ 28,465,715	$ 18,223,752
Obligations incurred	274,476,353	276,282,401
Outlays (gross)	(271,333,858)	(263,589,967)
Recoveries of prior year unpaid obligations	(3,861,517)	(2,450,471)
Unpaid obligations, end of year (gross)	27,746,693	28,465,715
Memorandum (non-add) entries:		
Obligated balance, start of year (net)	$ 28,465,715	$ 18,223,752
Obligated balance, end of year (net)	**$ 27,746,693**	**$ 28,465,715**
Budget Authority and Outlays, Net:		
Budget authority, gross (discretionary and mandatory)	$ 274,285,815	$ 274,382,656
Actual offsetting collections (discretionary and mandatory)	(61,815)	(158,656)
Budget Authority, net (discretionary and mandatory)	**$ 274,224,000**	**$ 274,224,000**
Outlays, gross (discretionary and mandatory)	$ 271,333,858	$ 263,589,967
Actual offsetting collections (discretionary and mandatory)	(61,815)	(158,656)
Outlays, net (discretionary and mandatory)	271,272,043	263,431,311
Agency Outlays, net (discretionary and mandatory)	**$ 271,272,043**	**$ 263,431,311**

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

NOTES TO PRINCIPAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The National Labor Relations Board (NLRB) is an independent federal agency established in 1935 to administer the National Labor Relations Act (NLRA). The NLRA is the principal labor relations law of the United States, and its provisions generally apply to private sector enterprises engaged in, or to activities affecting, interstate commerce. The NLRB's jurisdiction includes the U.S. Postal Service; other government entities, railroads, and airlines are not within the NLRB's jurisdiction. The NLRB seeks to serve the public interest by reducing interruptions in commerce caused by industrial strife. The NLRB does this by providing orderly processes for protecting and implementing the respective rights of employees, employers, and unions in their relations with one another. The NLRB has two principal functions: (1) to determine and implement, through secret ballot elections, free democratic choice by employees as to whether they wish to be represented by a union in dealing with their employers and, if so, by which union; and (2) to prevent and remedy unlawful acts, called unfair labor practices (ULP), by either employers, unions, or both. The NLRB's authority is divided both by law and delegation. The five-member Board (Board) primarily acts as a quasi-judicial body in deciding cases on formal records. The General Counsel investigates and prosecutes ULP charges before administrative law judges, whose decisions may be appealed to the Board; and, on behalf of the Board, conducts secret ballot elections to determine whether employees wish to be represented by a union.

B. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost, changes in net position, and budgetary resources of the NLRB as required by the Accountability of Tax Dollars Act of 2002. These financial statements have been prepared from the books and records of the NLRB in accordance with generally accepted accounting principles (GAAP), and the form and content requirements of the Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements, revised as of August 4, 2015.* GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official standard-setting body for the Federal government. While the statements have been prepared from the books and records of the NLRB in accordance with GAAP 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 which are prepared from the same books and records. These financial statements present proprietary and budgetary information.

The Balance Sheet presents agency assets and liabilities, and the difference between the two, which is the agency's net position. Agency assets include both entity assets — those which are available for use by the agency — and non-entity assets — those which are managed by the agency but not available for use in its operations. Agency liabilities include both those covered by budgetary resources (funded) and those not covered by budgetary resources (unfunded). If investments are made for backpay, these funds are not recognized on the balance sheet of any federal entity. A note disclosure is required to provide information about its fiduciary activities. See Note 1F, Fiduciary Activities, for additional information.

The Statement of Net Cost presents the gross costs of programs less earned revenue to arrive at the net cost of operations for both programs and for the Agency as a whole.

The Statement of Changes in Net Position reports beginning balances, budgetary and other financing sources, and net cost of operations, to arrive at ending balances.

The Statement of Budgetary Resources provides information about how budgetary resources were made available as well as their status at the end of the period. Recognition and measurement of budgetary information reported on this statement is based on budget terminology, definitions, and guidance in OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget, dated June 30, 2015.*

The Agency is required to be in substantial compliance with all applicable accounting principles and standards established, issued, and implemented by the FASAB, which is recognized by the American Institute of Certified Public Accountants (AICPA) as the entity to establish GAAP for the Federal government. The Federal Financial Management Integrity Act (FFMIA) of 1996 requires the Agency to comply substantially with (1) federal financial management systems requirements, (2) applicable federal accounting standards, and (3) the United States Standard General Ledger at the transaction level.

OMB financial statement reporting guidelines for FY 2015 require the presentation of comparative financial statements for all of the principal financial statements. The NLRB is presenting comparative FY 2015 financial statements for the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources, and these statements have been prepared in accordance with generally accepted accounting principles.

The financial statements should be read with the realization that they are for a component of the United States Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources and legal authority to do so.

The accounting structure of federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of federal funds.

The information as presented on the Statement of Net Cost is based on the programs below:

Representation Cases are initiated by the filing of a petition by an employee, a group of employees, an individual or labor organization acting on their behalf, or in some cases by an employer. The petitioner requests an election to determine whether a union represents, or in some cases continues to represent, a majority of the employees in an appropriate bargaining unit and therefore should be certified as the employees' bargaining representative. The role of the Agency is to investigate the petition and, if necessary, conduct a hearing to determine whether the employees constitute an appropriate bargaining unit under the NLRA. The NLRB must also determine which employees are properly included in the bargaining unit, conduct the election if an election is determined to be warranted, hear and decide any post-election objections to the conduct of the election and, if the election is determined to have been fairly conducted, to certify its results.

ULP Cases are initiated by individuals or organizations through the filing of a charge with the NLRB. If the NLRB Regional Office believes that a charge has merit, it issues and prosecutes a complaint against the charged party, unless settlement is reached. A complaint that is not settled or withdrawn is tried before an administrative law judge (ALJ), who issues a decision, which may be appealed by any party to the Board. The Board acts in such matters as a quasi-judicial body, deciding cases on the basis of the formal trial record according to the law and the body of case law that has been developed by the Board and the federal courts.

C. Budgets and Budgetary Accounting

Congress annually adopts a budget appropriation that provides the NLRB with authority to use funds from the U.S. Treasury (Treasury) to meet operating expense requirements. The NLRB has single year budgetary authority and all unobligated amounts at year-end are expired. At the end of the fifth year, all amounts not expended are canceled. All revenue received from other sources must be returned to the Treasury.

Budgetary accounting measures appropriation and consumption of budget/spending authority or other budgetary resources and facilitates compliance with legal constraints and controls over the use of federal funds. Under budgetary reporting principles, budgetary resources are consumed at the time of purchase. Assets and liabilities, which do not consume current budgetary resources, are not reported, and only those liabilities for which valid obligations have been established are considered to consume budgetary resources.

D. Financing Sources

The NLRB receives funds to support its programs through annual appropriations. These funds may be used to pay program and administrative expenses, primarily salaries and benefits, occupancy, travel, and contractual service costs.

For accounting purposes, appropriations are recognized as financing sources (appropriations used) at the time expenses are accrued. Appropriations expended for general property, plant and equipment are recognized as expenses when the asset is consumed in operations (depreciation and amortization).

E. Fund Balance with the Treasury

The NLRB does not maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the Treasury. The agency's records are reconciled with those of Treasury. The fund balances with the Treasury are primarily appropriated funds that are available to pay current liabilities and to finance authorized purchases. Funds with the Treasury represent the NLRB's right to draw on the Treasury for allowable expenditures. In addition, funds held with the Treasury also include escrow funds that are not appropriated but are backpay funds that are the standard Board remedy whenever a violation of the NLRA has resulted in a loss of employment or earnings. Cash received and investments made for backpay funds are not recognized on the balance sheet. A note disclosure is required to provide information about its fiduciary activities. See Note 1F, Fiduciary Activities, for further explanation.

See Note 2 for additional information on Fund Balance with Treasury.

F. Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, and investment, and disposition by the Federal government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal government must uphold. Fiduciary cash and other assets are not assets of the Federal government. Fiduciary activities are not recognized on the proprietary financial statements, but are reported on schedules in the notes to the financial statements. (See SFFAS No. 31, Accounting for Fiduciary Activities).

The fiduciary funds collected by NLRB and held in escrow accounts with the Treasury are funds that are not appropriated but are backpay funds that are the standard Board remedy whenever a violation of the NLRA has resulted in a loss of employment or earnings. The NLRB may invest funds in Federal government securities for backpay that are held in the escrow account at Treasury. Any cash received for the investments made for backpay funds will not be recognized on the balance sheet of any federal entity. A note disclosure is still required to provide information about its fiduciary activities. See Note 3, Fiduciary Activities.

The Federal government securities include Treasury market-based securities issued by the Federal Investment Branch of the Bureau of the Fiscal Service. Market-based securities are Treasury securities that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms.

It is expected that Investments will be held until maturity; therefore they are valued at cost and adjusted for amortization of discounts, if applicable. The discounts are recognized as adjustments to interest income, utilizing the straight-line method of amortization for short-term securities (i.e., bills). Investments, redemptions, and reinvestments are controlled and processed by the Department of the Treasury.

There exists a signed Memorandum of Understanding (MOU) between the NLRB and the Treasury establishing the policies and procedures that the NLRB and the Treasury agree to follow for investing monies in, and redeeming investments held by, the deposit fund account in Treasury.

See Note 3 for additional information on Fiduciary Activities.

G. Advances

Advances consist of amounts advanced by the NLRB for postage meter funding and for the Department of Transportation transit subsidy program.

See Note 4 for additional information on the Advances.

H. Accounts Receivable, Net of Allowance for Doubtful Accounts

Accounts Receivable primarily consists of amounts due the NLRB from Agency employees. Accounts receivable are stated net of allowance for doubtful accounts. The allowance is estimated based on an aging of account balances, past collection experience, and an analysis of outstanding accounts at year-end.

See Note 5 for additional information on Accounts Receivable.

I. General Property, Plant and Equipment

General property, plant and equipment consist primarily of leasehold improvements, telephone systems, and computer hardware and software. Please see subsequent reference to remainder interest in Florida real estate obtained as a remedy in a ULP case.

Personal property costing $15,000 or more per unit is capitalized at cost and depreciated using the straight-line method over the useful life. Other property items are expensed when purchased. Expenditures for repairs and maintenance are charged to operating expenses as incurred. The useful life for this category is three to twelve years. Leasehold improvements costing $100,000 or more are capitalized at cost and amortized using the straight-line method over the life of the lease. There are no restrictions on the use or convertibility of general property, plant and equipment.

Internal Use Software. Internal use software (IUS) includes purchased commercial off-the-shelf software (COTS), contractor-developed software, and software that was internally developed by Agency employees. IUS is capitalized at cost if the acquisition cost is

$100,000 or more. For COTS software, the capitalized costs include the amount paid to the vendor for the software; for contractor-developed software it includes the amount paid to a contractor to design, program, install, and implement the software. Capitalized costs for internally developed software include the full cost (direct and indirect) incurred during the software development stage. During FY 2014, the Agency performed an evaluation of the Internal Use Software capitalization policy and changed the standard useful life to three years, in order to more accurately match expenses with the time period in which the benefits were received from the software. The NLRB continues to use the conventional straight-line method.

Internal Use Software in Development. Internal use software in development is software that is being developed, but not yet put into production. At the time the software is moved into production the costs will be moved into the IUS account and amortized accordingly, as described above. The NLRB continues to enhance a major software development project called the Next Generation Case Management System (NXGen) that replaced a number of case tracking systems with one enterprise-wide system. NXGen supports the President's Management Agenda, such as for e-Gov, E-Filing, e-FOIA, and public web-based access to NLRB data. This project has been a multiple year undertaking in which a large portion of the system was rolled out in FY 2011.

See Note 6 for additional information on General Property, Plant and Equipment, Net.

J. Non-Entity Assets

Assets held by the NLRB that are not available to the NLRB for obligation are considered non-entity assets.

See Note 9 for additional information on Non-Entity Assets.

K. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by the NLRB as the result of a transaction or event that has already occurred. However, no liability can be paid by the NLRB absent an appropriation. Liabilities for which an appropriation has not been enacted are therefore classified as Liabilities Not Covered by Budgetary Resources and there is no certainty that the appropriation will be enacted. Also, liabilities of the NLRB arising from other than contracts can be abrogated by the government, acting in its sovereign capacity.

L. Liabilities Not Covered by Budgetary Resources

Liabilities represent the amount of monies or other resources that are likely to be paid by the NLRB as the result of a transaction or event that has already occurred. Liabilities not covered by budgetary resources result from the receipts of goods or services in the current or prior periods, or the occurrence of eligible events in the current or prior periods for which appropriations, revenues, or other financing sources of funds necessary to pay the liabilities have not been made available through Congressional appropriations or current earnings of the reporting entity.

Intragovernmental

The U.S. Department of Labor (DOL) paid Federal Employees Compensation Act (FECA) benefits on behalf of the NLRB, which had not been billed or paid by the NLRB as of September 30, 2015 and 2014, respectively.

Federal Employees Workers' Compensation Program

The Office of Workers' Compensation Programs (OWCP) provides income and medical cost protection to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The OWCP is administered by DOL, which pays valid claims and subsequently seeks reimbursement from the NLRB for these paid claims.

The FECA liability consists of two components. The first component is based on actual claims paid by DOL but not yet reimbursed by the NLRB. The NLRB reimburses DOL for the amount of the actual claims as funds are appropriated for this purpose. There is generally a two- to three-year time period between payment by DOL and reimbursement by the NLRB. As a result, the NLRB recognizes a liability for the actual claims paid by DOL and to be reimbursed by the NLRB.

The second component is the estimated liability for future benefit payments as a result of past events. This liability includes death, disability, medical, and miscellaneous costs. The NLRB determines this component annually, as of September 30, using a method that considers historical benefit payment patterns.

Due to the small number of claimants, the NLRB uses the methodology of reviewing the ages of the claimant on a case-by-case basis to evaluate the estimated FECA liability. The determination was made to use the life expectancy of claimants of 80 and 84 years for male and female, respectively.

See Notes 8 and 10 for additional information on the FECA liability.

Accrued Annual Leave

Accrued annual leave represents the amount of annual leave earned by the NLRB employees but not yet taken.

See Notes 8 and 10 for additional information on Accrued Annual Leave.

M. Contingencies

The criteria for recognizing contingencies for claims are:

1. a past event or exchange transaction has occurred as of the date of the statements;
2. a future outflow or other sacrifice of resources is probable; and
3. the future outflow or sacrifice of resources is measurable (reasonably estimated).

The NLRB recognizes material contingent liabilities in the form of claims, legal action, administrative proceedings and suits that have been brought to the attention of legal counsel, some of which will be paid by the Treasury Judgment Fund. It is the opinion of management and legal counsel that the ultimate resolution of these proceedings, actions and claims, will not materially affect the financial position or results of operations.

Contingencies are recorded when losses are probable, and the cost is measurable. When an estimate of contingent losses includes a range of possible costs, the most likely cost is reported; where no cost is more likely than any other, the lowest possible cost in the range is reported. This item will normally be paid from appropriated funds.

See Note 16 for additional information on Contingencies.

N. Unexpended Appropriations

Unexpended appropriations represent the amount of the NLRB's unexpended appropriated spending authority as of the fiscal year-end that is unliquidated or is unobligated and has not lapsed, been rescinded, or withdrawn.

O. Annual, Sick, and Other Leave

Annual and Sick Leave Program.

Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefit costs. Each year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. Annual leave earned but not taken, within established limits, is funded from future financing sources. Sick leave and other types of non-vested leave are expensed as taken.

See Notes 8 and 10 for additional information on Annual Leave.

P. Life Insurance and Retirement Plans

Federal Employees Group Life Insurance (FEGLI) Program.

Most NLRB employees are entitled to participate in the FEGLI Program. Participating employees can obtain "basic life" term life insurance, with the employee paying two-thirds of the cost and the NLRB paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. The Office of Personnel Management (OPM) administers this program and is responsible for the reporting of liabilities. For each fiscal year, OPM calculates the U.S. Government's service cost for the post-retirement portion of the basic life coverage. Because the NLRB's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the NLRB has recognized the entire service cost of the post-retirement portion of basic life coverage as an imputed cost and imputed financing source.

Retirement Programs.

The NLRB employees participate in one of two retirement programs, either the Civil Service Retirement System (CSRS), a defined benefit plan, or the Federal Employees Retirement System (FERS), a defined benefit and contribution plan. On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most of the NLRB employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS. Employees covered by CSRS are not subject to Social Security taxes, nor are they entitled to accrue Social Security benefits for wages subject to CSRS. The NLRB contributes a matching contribution equal to 7 percent of pay for CSRS employees.

FERS consists of Social Security, a basic annuity plan, and the Thrift Savings Plan. The Agency and the employee contribute to Social Security and the basic annuity plan at rates prescribed by law. In addition, the Agency is required to contribute to the Thrift Savings Plan a minimum of 1 percent per year of the basic pay of employees covered by this system and to match voluntary employee contributions up to 3 percent of the employee's basic pay, and one-half of contributions between 3 percent and 5 percent of basic pay. For FERS employees, the Agency also contributes the employer's share of Medicare. The maximum amount of base pay that an employee participating in FERS may contribute is $18,000 in calendar year (CY) 2015 to this plan. Employees belonging to CSRS may also contribute up to $18,000 of their salary in CY 2015 and receive no matching contribution from the NLRB. The maximum for catch-up contributions for CY 2015 is $6,000. For CY 2015, the regular and catch-up contributions may not exceed $24,000. The sum of the employees' and the NLRB's contributions are transferred to the Federal Retirement Thrift Investment Board.

OPM is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to CSRS participants and FERS employees government-wide, including the NLRB employees. The NLRB has recognized an imputed cost and imputed financing source for the difference between the estimated service cost and the contributions made by the NLRB and covered CSRS employees.

The NLRB does not report on its financial statements FERS and CSRS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of OPM. The portion of the current and estimated future outlays for CSRS not paid by the NLRB is, in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 5, Accounting for Liabilities of the Federal government, included in the NLRB's financial statements as an imputed financing source.

Liabilities for future pension payments and other future payments for retired employees who participate in the Federal Employees Health Benefits and the FEGLI programs are reported by OPM rather than the NLRB.

SFFAS No. 5, Accounting for Liabilities of the Federal government, requires employing agencies to recognize the cost of pensions and other retirement benefits during their employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future, and provide these factors to the agency for current period expense reporting. Information was also provided by OPM regarding the full cost of health and life insurance benefits.

As of fiscal year-end September 30, 2015, the NLRB, utilizing OPM provided cost factors, recognized $7,490,172 of pension expenses, $8,270,495 of post-retirement health benefits expenses, and $27,426 of post-retirement life insurance expenses, beyond amounts actually paid. The NLRB recognized offsetting revenue of $15,788,093 as an imputed financing source to the extent that these intra-governmental expenses will be paid by OPM. In comparison, in FY 2014, the NLRB recognized $7,744,311 of pension expenses, $7,991,274 of post-retirement health benefits expenses, and $26,486 of post-retirement life insurance expenses, beyond amounts actually paid. The NLRB recognized offsetting revenue of $15,762,071 as an imputed financing source from OPM.

See Note 13 for additional information.

Q. Operating Leases

The NLRB has no capital lease liability or capital leases. Operating leases consist of real and personal property leases with the General Services Administration (GSA) and commercial copier leases. NLRB leases all buildings through GSA. The NLRB pays GSA a standard level users charge for the annual rental. The standard level users charge approximates the commercial rental rates for similar properties. The NLRB is not legally a party to any building lease agreements, so it does not record GSA-owned properties as assets. The real property leases are for NLRB's Headquarters and Regional Offices and the personal property leases are for Fleet vehicles and commercial copiers.

See Note 12 for additional information on Operating Leases.

R. 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 balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. The cumulative results of operations are the net result of the NLRB's operations since inception.

S. Use of Management Estimates

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenues, and expenses. Actual results could differ from these estimates.

T. Tax Status

The NLRB, as an independent Board of the Executive Branch, a federal agency, is not subject to federal, state, or local income taxes, and, accordingly, no provision for income tax is recorded.

U. Comparative Data

Comparative data for the prior year have been presented for the principal financial statements and their related notes.

V. Subsequent Events

Subsequent events and transactions occurring after September 30, 2015 through the date of the auditor's opinion have been evaluated for potential recognition or disclosure in the financial statements. The date of the auditors' opinion also represents the date that the financial statements were available to be issued.

Note 2. Fund Balance with Treasury

Treasury performs cash management activities for all federal agencies. The net activity represents Fund Balance with Treasury. The Fund Balance with Treasury represents the right of the NLRB to draw down funds from Treasury for expenses and liabilities. Fund Balance with Treasury by fund type as of September 30, 2015 and September 30, 2014 consists of the following:

(in thousands)	General Funds	Escrow Funds	Total Fund Balance with Treasury
FY 2015 Entity Assets	$ 32,609	$ -	$ 32,609
Non-Entity Assets	-	336	$ 336
Total	$ 32,609	$ 336	$ 32,945
FY 2014 Entity Assets	$ 32,735	$ -	$ 32,735
Non-Entity Assets	-	$ 160	$ 160
Total	$ 32,735	$ 160	$ 32,895

Fund Balance with Treasury by Fund Type:

The status of the fund balance may be classified as unobligated available, unobligated unavailable, and obligated. Unobligated funds, depending on budget authority, are generally available for new obligations in current operations. The unavailable balance includes amounts appropriated in prior fiscal years, which are not available to fund new obligations.

The obligated but not yet disbursed balance represents amounts designated for payment of goods and services ordered but not yet received or goods and services received but for which payment has not yet been made.

Obligated and unobligated balances reported for the status of Fund Balance with Treasury do not agree with obligated and unobligated balances reported on the Statement of Budgetary Resources because the Fund Balance with Treasury includes items for which budgetary resources are not recorded, such as deposit funds and miscellaneous receipts.

Status of Fund Balance with Treasury as of September 30, 2015 and September 30, 2014 consists of the following:

Fund Balance with Treasury by Availability:

(in thousands)	FY 2015	FY 2014
Unobligated Balance		
Available	$ 482	$ 333
Unavailable	4,380	4,096
Obligated balance not yet disbursed	27,747	28,306
Non-budgetary fund balance with Treasury	336	160
Total	$ 32,945	$ 32,895

Note 3. Fiduciary Activities

Effective for the period beginning after September 30, 2008, the cash received and the investments made for backpay funds will not be recognized on the balance sheet of any federal entity. A note disclosure is still required to provide information about its fiduciary activities. See Note 1F, Fiduciary Activities, for further explanation.

Backpay funds are the standard Board remedy whenever a violation of the NLRA has resulted in a loss of employment or earnings. NLRB holds these funds in an escrow account with Treasury or invests the funds that are authorized by the Regional Compliance Officers and other management officials in market-based Treasury securities issued by the Federal Investment Branch of the Bureau of the Fiscal Service.

There exists a signed MOU between the NLRB and the U.S. Treasury (Treasury) establishing the policies and procedures that the NLRB and the Treasury agree to follow for investing monies in, and redeeming investments held by, the deposit fund account in Treasury.

Schedule of Fiduciary Activity
As of September 30, 2015 and 2014

(in thousands)	FY 2015	FY 2014
Fiduciary net assets, beginning of the year	$ 6,549	$ 2,587
Fiduciary revenues	2,609	8,953
Investment earnings	0	0
Disbursements to and on the behalf of beneficiaries	(4,615)	(4,991)
Increase (Decrease) in fiduciary net assets	$ (2,006)	$ 3,962
Fiduciary net assets, end of year	$ 4,543	$ 6,549

Fiduciary Net Assets
As of September 30, 2015 and 2014

(in thousands)	FY 2015	FY 2014
Fiduciary Assets		
Cash and cash equivalents	$ 4,543	$ 6,549
Investments	0	0
Fiduciary Liabilities		
Less: Liabilities	0	0
Total Fiduciary net assets	$ 4,543	$ 6,549

Note 4. Advances

Advances to the Public

Advances to the public were paid for postage meter funding.

Intragovernmental

Intragovernmental Advances were paid to the Department of Transportation for the employee transit subsidy program.

Note 5. Accounts Receivable, Net of Allowances for Doubtful Accounts

Intra-governmental accounts receivable for year-end FY 2015 and FY 2014 is zero.

(in thousands)	FY 2015	FY 2014
With the public		
Accounts receivable	$ 92	$ 74
Allowance doubtful accounts	(26)	(18)
Accounts receivable-net	$ 66	$ 56

Note 6. General Property, Plant and Equipment, Net

General property, plant and equipment consist of that property which is used in operations and consumed over time. The table below summarizes the cost and accumulated depreciation for general property, plant and equipment.

Depreciation expense for the fiscal year ended September 30, 2015 and September 30, 2014 was $3,213,836 and $6,748,970 respectively.

(in thousands) FY 2015	Asset Cost	Accumulated Depreciation/ Amortization	Net Asset Value
Equipment	$ 2,775	$ 1,943	$ 832
Construction in Progress	15	0	15
Leasehold Improvements	5,347	135	5,212
Internal Use Software	31,051	26,485	4,566
Internal Use Software in Development	29	0	29
Totals	$ 39,217	$ 28,563	$ 10,654

(in thousands) FY 2014	Asset Cost	Accumulated Depreciation/ Amortization	Net Asset Value
Equipment	$ 3,383	$ 2,641	$ 742
Internal Use Software	27,785	23,666	4,119
Internal Use Software in Development	204	0	204
Totals	$ 31,372	$ 26,307	$ 5,065

Note 7. Intragovernmental Accounts Payable

These accounts payables are with our federal trading partners, of which the largest amounts are with the General Services Administration (GSA).

Note 8. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources represent amounts owed in excess of available congressionally appropriated funds or other amounts. The custodial liability represents amounts collected from the public for court costs, freedom of information requests and other miscellaneous amounts that must be transferred to the Treasury.

The composition of liabilities not covered by budgetary resources as of September 30, 2015 and September 30, 2014, is as follows:

(in thousands)	FY 2015	FY 2014
Intragovernmental:		
FECA-Unfunded	$ 403	$ 444
Total Intragovernmental	403	444
Estimated Future FECA	863	917
Accrued Annual Leave	13,997	14,130
Total Liabilities not covered by budgetary resources	15,263	15,491
Total Liabilities covered by budgetary resources	13,789	13,744
Total Liabilities	$ 29,052	$ 29,235

Note 9. Non-Entity Assets

Non-Entity assets, restricted by nature, consist of miscellaneous receipt accounts. These amounts represent cash collected and accounts receivable (net of allowance for doubtful accounts). The miscellaneous receipts represent court costs and freedom of information requests that must be transferred to the Treasury.

The composition of non-entity assets as of fiscal year ended September 30, 2015 and September 30, 2014, is as follows:

(in thousands)	FY 2015	FY 2014
Non-entity assets		
Fund Balance with Treasury	$ 336	$ 160
Fiduciary Net Assets	4,543	6,549
Total Non-Entity Assets	4,879	6,709
Entity assets	43,427	38,113
Total Assets	$ 48,306	$ 44,822

Additionally, NLRB received a remainder interest in real property valued at approximately $46,000 as part of a settlement. This asset is not included in the table above.

Note 10. Cumulative Results of Operations

(in thousands)	FY 2015	FY 2014
FECA paid by DOL	$ (178)	$ (173)
FECA – Unfunded	(403)	(444)
Estimated Future FECA	(863)	(917)
Accrued Annual Leave	(13,997)	(14,130)
General Property, Plant & Equipment, Net	10,654	5,065
Other	211	260
Cumulative Results of Operations	$ (4,576)	$ (10,339)

Note 11. Intragovernmental Costs and Exchange Revenue

For the intragovernmental costs, the buyer and seller are both federal entities. The earned revenue is the reimbursable costs from other federal entities. The NLRB has the authority to provide administrative law judges' services to other federal entities. There is no exchange revenue with the public.

(in thousands)	FY 2015	FY 2014
Resolve Representation Cases		
Intragovernmental Costs	$ 8,397	$ 10,547
Costs with the Public	24,979	24,021
Total Net Cost – Resolve Representation Cases	$ 33,376	$ 34,568
Resolve Unfair Labor Practices		
Intragovernmental Costs	$ 62,286	$ 77,342
Costs with the Public	185,279	176,154
Total Net Cost – Resolve Unfair Labor Practices	$ 247,565	$ 253,496
Other		
Other Costs	$ 0	$ 0
Less: Earned Revenue	0	0
Total Net Cost – Other	$ 0	$ 0
Net Cost of Operations	$ 280,941	$ 288,064

Note 12. Operating Leases

GSA Real Property. Most of NLRB's facilities are rented from the GSA, which charges rent that is intended to approximate commercial rental rates. The terms of NLRB's occupancy agreements (OA) with GSA will vary according to whether the underlying assets are owned by GSA or rented by GSA from the private sector. The NLRB has OAs with GSA, which sets forth terms and conditions for the space the Agency will occupy for an extended period of time. Included within the OAs are 120 to 180 day notification requirements for the Agency to release space. For purposes of disclosing future operating lease payments in the table below, federally-owned leases are included in years FY 2016 through FY 2020.

Rental expenses for operating leases for the fiscal year ended September 30, 2015 are $23,906,475 for Agency lease space and $3,227,167 for Agency building security. For FY 2014 the operating lease costs were $26,732,911 and the Agency building security portion was $3,287,279. NLRB Headquarters moved to a new location in July 2015, resulting in a reduction in rent costs. The rent credits realized in 2016 will be used to offset furniture and equipment costs.

(in thousands) Fiscal Year	GSA Real Property
2016	17,709
2017	23,305
2018	24,141
2019	24,728
2020	25,333
Total Future Lease Costs	$ 115,216

Note 13. Imputed Financing Costs

OPM pays pension and other future retirement benefits on behalf of federal agencies for federal employees. OPM provides rates for recording the estimated cost of pension and other future retirement benefits paid by OPM on behalf of federal agencies. The costs of these benefits are reflected as imputed financing in the consolidated financial statements. Expenses of the NLRB paid or to be paid by other federal agencies at September 30, 2015 and 2014 consisted of:

(in thousands)	FY 2015	FY 2014
Office of Personnel Management:		
Pension expenses	$ 7,490	$ 7,744
Federal employees health benefits	8,271	7,991
Federal employees group life insurance program	27	27
Total Imputed Financing	$ 15,788	$ 15,762

Note 14. Appropriations Received

The NLRB received $274,224,000 in warrants for both fiscal years ended September 30, 2015 and 2014.

Note 15. Statement of Budgetary Resources

The Statement of Budgetary Resources provides information about how budgetary resources were made available as well as their status at the end of the period. It is the only financial statement exclusively derived from the entity's budgetary general ledger in accordance with budgetary accounting rules that are incorporated into GAAP for the Federal government. The total Budgetary Resources of $279,337,421 as of September 30, 2015 and $280,711,212 as of September 30, 2014, includes new budget authority, unobligated balances at the beginning of the year, spending authority from offsetting collections, recoveries of prior year obligations and permanently not available.

The amount of budgetary resources obligated for undelivered orders was $27,746,693 for FY 2015 and $28,465,715 for FY 2014. The NLRB's unobligated balance available at September 30, 2015 was $481,752 and at September 30, 2014 was $333,058.

Apportionment Categories of Obligations Incurred. NLRB's obligations incurred as of September 30, 2015 and September 30, 2014 by apportionment Category A, B, and E is shown in the following table. Category A apportionments distribute budgetary resources by fiscal quarters; Category B apportionments typically distribute budgetary resources by activities, projects, objects or a combination of these categories; and Category E are not subject to apportionment. OMB does not require the Agency to separate its funding and therefore all obligations incurred were from one funding category.

(in thousands) FY 2015	Apportioned Category A	Apportioned Category B	Not Subject to Apportioned	Total
Obligations Incurred:				
Direct	$ 274,476	$ -	$ -	$ 274,476
Reimbursable	-	-	-	-
Total Obligations Incurred	$ 274,476	-	-	$ 274,476

(in thousands) FY 2014	Apportioned Category A	Apportioned Category B	Not Subject to Apportioned	Total
Obligations Incurred:				
Direct	$ 276,282	$ -	$ -	$ 276,282
Reimbursable	-	-	-	-
Total Obligations Incurred	$ 276,282	-	$ -	$ 276,282

Note 16. Contingencies

The NLRB is involved in various lawsuits incidental to its operations. While the ultimate outcome of these matters is not presently determinable, it is the opinion of management that the resolution of outstanding claims will not have a materially adverse effect on the financial position of the NLRB. It should also be noted that there is pending litigation against the General Services Administration concerning the NLRB's prior Headquarters facility lease that could impact the Agency. On June 17, 2015, the lessor of Franklin Court submitted a claim alleging that the government failed to vacate the entire premises at lease expiration. GSA issued a Contracting Officer's Final Decision (COFD) on August 14, 2015, denying the claim. NLRB may be required to budget in FY 2016 or FY 2017 for any judgment or settlement costs associated with a ruling against the Government. An estimate of the potential claim cannot be made at this time.

Note 17. Reconciliation of Net Cost of Operations to Budget

For the Years Ended September 30, 2015 and 2014

(in thousands)	FY 2015	FY 2014
Resources Used to Finance Activities		
Current Year Gross Obligations	$ 274,476	$ 276,282
Budgetary Resources from Offsetting Collections		
Spending Authority from Offsetting Collections		
Earned		
Collected	(62)	(159)
Recoveries of Prior Year Unpaid Obligations	(3,862)	(2,450)
Other Financing Resources		
Imputed Financing Sources	15,788	15,762
Other	0	0
Total Resources Used to Finance Activity	$ 286,340	$ 289,435
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Budgetary Obligations and Resources not in the Net Cost of Operations		
Change in Undelivered Orders	(7,967)	(4,893)
Current Year Capitalized Purchases	(530)	(2,929)
Components of the Net Cost of Operations which do not Generate or Use Resources in the Reporting Period		
Revenues without Current Year Budgetary Effect		
Other Financing Sources Not in the Budget	(15,788)	(15,762)
Costs without Current Year Budgetary Effect		
Depreciation and Amortization	3,214	6,749
Disposition of Assets	4	0
Future Funded Expenses	(110)	(210)
Imputed costs	15,788	15,762
Bad Debt Expense	9	7
Other Expenses Not Requiring Budgetary Resources	(19)	(95)
Net Cost of Operations	$ 280,941	$ 288,064