

# **NATIONAL LABOR RELATIONS BOARD**



## **Fiscal Year 2016 Financial Statement Audit**

### **Management Letter Report**

November 03, 2016

Inspector General  
National Labor Relations Board

We have audited the accompanying balance sheet of the National Labor Relations Board (NLRB) as of September 30, 2016 and 2015 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

## **1. Improvements in the Internal Controls over the Management and Monitoring of Negative Leave are Needed (Repeat Condition from FY 2014 and FY 2015)**

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, 2016. 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 the Division of Administration for advanced annual and/or sick leave.
- For five (5) employees, some of the advanced leave requests were approved after leave was taken.
- For (2) samples, we observed that the leave slip documentation was not approved by the supervisor or the supervisor signed on behalf of the employee. Additionally, several leave slips contained signatures that were typed in instead of manually or digitally signed or were checked for both accrued and advanced annual leave and we were unable to determine if correct documentation for the advanced leave was provided.

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 the previous years' findings; therefore, new recommendations are not deemed necessary at this time.

**Management's Response:**

Management commented that Workforce Relations is working to address the internal control issues identified in the FY 2016 audit. Workforce Relations is preparing additional guidance on correctly completing leave requests with the appropriate supporting documentation that will be available on the SharePoint site on February 1, 2017. Additionally, semi-annual reminder notices will be sent to all Agency officials regarding the timely requirements for reporting advanced leave to Workforce Relations and the appropriate process for review and approval. Agency employees will also be reminded to submit all advanced leave documents to a central email account. Lastly, Workforce Relations will perform a monthly audit of all advanced annual and sick leave requests received for Field Office and Headquarters employees and contact offices regarding any discrepancies within one pay period following the review.

**Auditor's Response:**

The auditors concur with management's response.

**2. Lack of multi-factor authentication used by NLRB to govern access to PII systems by privileged users.**

During our interviews and review of the supporting documentation provided by NLRB, Castro & Co found that NLRB has seven (7) privileged users with Domain Admin rights. Currently, all privileged Domain Admin users have the option to utilize Personal Identity Verification (PIV) cards and/or username/passwords to access all NLRB servers and workstations instead of requiring that privileged users with Domain Admin rights only utilize the PIV card to gain access to NLRB computing

resources. There is also no additional authentication required for users to access additional systems housed within the Agency's network.

NLRB does not have formal policies and procedures in place surrounding multi-factor authentication requirements for privileged users. In addition, appropriate resources were not allocated to address the issue that not all NLRB laptops have PIV card slots installed, which prevent the use of PIV card only access. As a result, all individuals who have been authorized to access NLRB computing resources are not required to only use PIV cards to gain access.

OMB Memorandum M-16-04 dated October 30, 2015 states,

Privileged user accounts are a known target for malicious actors but can be protected by an existing, strong authentication solution: Personal Identity Verification (PIV) credentials. Implementing strong authentication PIV credentials, as directed in *Homeland Security Presidential Directive 12: Policy for a Common Identification Standard for Federal Employees and Contractors (HSPD-12)* and *Federal Information Processing Standard (FIPS) 201-2: Personal Identity Verification (PIV) of Federal Employees and Contractors* is a cost-effective and immediate action that agencies should take to drastically reduce their risk profiles. PIV credentials efficiently authenticate an employee's identity and reduce the risk of identity fraud, tampering, counterfeiting, and exploitation.

By not requiring multi-factor authentication for privileged users, there is a possibility that unauthorized users could gain privileged access if they obtain a privileged user's network username and password. As a result, the Agency's sensitive information is susceptible to theft and/or modification.

#### **Recommendations:**

We recommend that the Office of the Chief Information Officer (OCIO) configure the Agency's servers and workstations, as well as establish applicable policies and procedures, requiring that all privileged users only utilize their PIV card to access NLRB computer resources in order to prevent unauthorized access of PII. In addition, as a compensating control until the PIV card control is implemented, we recommend that all systems and databases housed and accessed through the Agency's network require an additional user id and/or password for access by any user. This provides an additional layer of protection against the potential theft and/or modification of sensitive information.

#### **Management's Response:**

OCIO stated that it has completed implementation of the technical requirement for PIV logical access to computer workstations for all OCIO staff and contractors, including the seven (7) privileged account users, on August 31, 2016. Implementation of the technical requirement for PIV logical access to the server infrastructure will begin in October 2016. In addition, OCIO is participating in the Department of Homeland Security's "Privileged Access Management Task Order," which will implement additional logical access controls beyond PIV logon for all privileged account users. Depending on the DHS schedule this Task Order is expected to be completed in 2017.

**Auditor’s Response:**

The auditors concur with management’s response.

**Status of Prior Year Management Letter Comments**

The FY 2015 and FY 2014 Management Letter Reports issued by Castro & Company and the FY 2012 Management Letter report issued by the predecessor auditor identified the following control deficiencies:

<b>Fiscal Year</b>	<b>Finding Identified</b>	<b>Status in FY 2016</b>
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
FY 2015	Improvements in the Management, Monitoring and Reporting of Budget and Available Spending Amounts Needed	Partially Resolved