

UNITED STATES GOVERNMENT
NATIONAL LABOR RELATIONS BOARD
Office of Inspector General



SEMIANNUAL 
REPORT



APRIL 1, 2014 – SEPTEMBER 30, 2014

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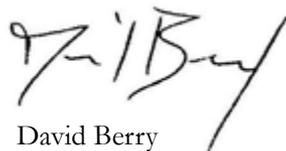
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EXECUTIVE SUMMARY

I hereby submit the Semiannual Report for the period April 1, 2014–September 30, 2014. This report summarizes the major activities and accomplishments of the Office of Inspector General of the National Labor Relations Board and its submission is in accordance with the Inspector General Act of 1978, as amended. Section 5 of the Inspector General Act requires that the Chairman transmit this report to the appropriate committees or subcommittees of Congress within 30 days of its receipt.

In the audit program, the Office of Inspector General issued two audit reports and completed the quality system review for the audit organization of the Office of Inspector General, Export-Import Bank of the United States. As a result of our audit work, we found \$49,612.66 in questioned costs. In the investigation program, the Office of Inspector General processed 131 contacts, initiated 4 cases, closed 3 cases, and issued 2 investigative reports. Our investigative efforts resulted in two separations while the investigation was pending and a suspension. Three matters were referred for prosecution.

I appreciate the support of all Agency employees in achieving the accomplishments set forth in this report.



David Berry
Inspector General
October 30, 2014

AGENCY PROFILE

The National Labor Relations Board (NLRB or Agency) is an independent Federal agency established in 1935 to administer the National Labor Relations Act. The National Labor Relations Act 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. NLRB jurisdiction includes the U.S. Postal Service; however, other government entities, railroads, and airlines are not within NLRB's jurisdiction.

The NLRB seeks to serve the public interest by reducing interruptions in commerce caused by industrial strife. It 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, the 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, by either employers or unions.

NLRB authority is divided by law and delegation. The five-member

Board primarily acts as a quasi-judicial body in deciding cases on formal records. The General Counsel investigates and prosecutes unfair labor practices 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.

The Board consists of the Chairman and four Members who are appointed by the President with the advice and consent of the Senate. Board Members serve staggered terms of 5 years each. The General Counsel is also appointed by the President with the advice and consent of the Senate and serves a term of 4 years.



Seated left to right: Philip A. Miscimarra, Mark Gaston Pearce, Kent Y. Hirozawa, Standing: Nancy J. Schiffer and Harry I. Johnson, III

During this reporting period, the Board consisted of Chairman Mark Gaston Pearce and Members Philip A. Miscimarra, Kent Y. Hirozawa, Harry I. Johnson, III, and Nancy J. Schiffer. Richard Griffin continued to serve as the General Counsel.

For Fiscal Year (FY) 2014, the NLRB's appropriation was \$274,224,000.

NLRB Headquarters is located at 1099 14th Street, NW, Washington, DC. In addition to the Headquarters

building, employees are located in 54 offices throughout the country. Three satellite offices for the administrative law judges are located in Atlanta, San Francisco, and New York City. NLRB maintains 51 field offices with 26 offices designated as Regional Offices.

Additional information about the NLRB can be found at www.NLRB.gov.

OFFICE OF INSPECTOR GENERAL

NLRB established the Office of Inspector General (OIG) pursuant to the 1988 amendments to the Inspector General Act of 1978 (IG Act).

Resources

During the reporting period, the OIG received sufficient funds to maintain its programs. In addition to the Inspector General, the OIG consists of a Counsel/Assistant Inspector General for Investigations, an Assistant Inspector General for Audits, and three auditors. At the time of this report, the OIG is fully staffed. Additionally, the OIG staff is augmented by contract auditors.



AUDIT PROGRAM

The Inspector General is to provide policy direction for and is to conduct, supervise, and coordinate audits relating to program operations of the Agency. During the reporting period, the OIG issued two audit reports and completed the quality system review for the audit organization of the Office of Inspector General, Export-Import Bank of the United States. As a result of our audit work, we found \$49,612.66 in questioned costs.

Reports Issued

We issued audit report OIG-AMR-72-14-02, **FY 2013**

Sequestration – Preparation, Implementation, and Impact, on June 26, 2014. We initiated this audit to review how the Agency planned for sequestration, how the Agency implemented sequestration, and the impact that sequestration could have on future years.

In general, we found that the National Labor Relations Board followed the guidance and directives of the Office of Management and Budget in preparing for the President’s sequestration order. We observed that the Agency created and implemented the Final Sequestration Operating Plan that provided the necessary precision

to achieve adequate budgetary guidance.

In determining the impact of sequestration, we estimated that \$4,251,977 in spending was shifted from Fiscal Year 2013 to a later fiscal year rather than being an elimination of operating costs. Additionally, a significant savings in budgetary resources was achieved through the reduction of personnel expenses. That savings resulted in part from a 5.2 percent reduction in personnel. We also estimated that the substitution of time off awards for GS-ratings based cash awards could potentially result in the loss of 45,710 hours in productivity.

A significant part of our efforts in conducting the audit was to review the periods of performance for all

procurement actions in Fiscal Years 2012 and 2013. We concluded that the NLRB was well-positioned by its Fiscal Year 2012 procurements to satisfy its basic operating needs in Fiscal Year 2013. Because of the deferment of acquiring essential goods and services during Fiscal Year 2013, however, we determined that the NLRB was not heading into the future in that same position.

Based upon our audit work, we concluded that although the NLRB effectively implemented short-term actions to meet the requirements of sequestration, not all of those actions could be repeated to achieve the same outcome in the future. We also determined that there were \$49,612.66 in duplicate time off awards that we reported as questioned costs. The error was reported to the Office of Human Resources and was corrected.

The Chief Financial Officer commented that he agreed with the draft report's conclusions and that the short-term actions, including severely limiting hiring, which in turn resulted in not backfilling critical positions, almost certainly cannot be repeated. The Chief Financial Officer also noted that a significant amount of time was expended by many senior Agency executives who were required to devote their efforts to planning for and responding to the challenges posed by sequestration and that



such time could not be applied to mission-related work.

We issued audit report OIG-AMR-74-14-03, **Cloud Computing**, on September 11, 2014. The purpose of this audit was to evaluate the Agency's efforts to adopt cloud computing technologies and review contracts for cloud services for compliance with applicable standards. Our audit was conducted in conjunction with a Governmentwide initiative by the Council of the Inspectors General on Integrity and Efficiency and the results of our audit were compiled into a Governmentwide report.

We generally found that the Agency is using and monitoring cloud computing services. We also noted areas where the acquisition and implementation processes would benefit from additional procedures and made appropriate recommendations.

The Chief Financial Officer and the Chief Information Officer provided comments on the draft report. They stated that they concurred with the report's recommendations.

Following the issuance of the report, we determined that there was an error regarding the FedRAMP compliance of one of the cloud service providers. The report was removed from the Web site, corrected, and reposted.

We completed the **Quality System Review** (peer review) for the audit organization of the Office of Inspector General, Export-Import Bank of the United States. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. Our report stated that the Office of Inspector General, Export-Import Bank of the United States, received a rating of *pass*.

Audit Follow-up

Agreed-upon actions were not completed within 1 year on five audit reports.

Purchase Cards, OIG-AMR-65-11-03, was issued on September 30, 2011, and we reached agreement with management on four of the five recommendations on January 4, 2012. Management has implemented four of the five recommendations made in the report.

Internal Controls in the Office of Equal Employment Opportunity, OIG-AMR-67-12-01, was issued

on January 9, 2012, and we reached agreement with management on March 9, 2012. Management has completed action on three of the five recommendations.

End-of-the-Year Spending

OIG-AMR-70-12-02, was issued on September 17, 2012, and we reached agreement with management on that date. Management implemented one of the two recommendations made in the report.

Audit of the NLRB Fiscal Year 2012 Financial Statements

OIG-F-17-13-01, was issued on December 6, 2012, and we reached agreement with management on that date. Management has implemented two of the three recommendations made in the report.

Compliance with Unfair Labor Practice Procedures

OIG-AMR-68-13-01, was issued on June 27, 2013, and we reached agreement with management on that date. Management has implemented 9 of the 12 recommendations made in the report.

INVESTIGATIONS PROGRAM

The Inspector General is to provide policy direction for and is to conduct, supervise, and coordinate investigations relating to the programs and operations of the Agency. During this reporting period, we processed 131 contacts, initiated 4 cases, closed 3 cases, and issued 2 investigative reports. Our investigative efforts resulted in two separations while the investigation was pending and a suspension. Three matters were referred for prosecution.

Case Workload		Contacts Processed	
Open (4/1/2014)	8	Received	131
Initiated	4	Initiated Investigation	2
Closed	3	Opened Case — Referred to Agency	0
Open (9/30/2014)	9	Non-Investigative Disposition	129

Investigative Highlights

Investigated an allegation that an employee used the identity of another Agency employee to launder proceeds from the criminal activity of a family member. During this reporting period, management imposed a 14-day suspension. **OIG-I-471**

Investigated and issued a report regarding an allegation that an employee improperly disclosed attorney work product and case-related information. The employee separated from the Agency prior to the issuance of the report. **OIG-I-476**

Investigated and issued a report regarding an employee’s use of a controlled substance. Management is considering appropriate disciplinary action. **OIG-I-498**

Investigated an allegation that an employee used official time and information technology resources to make derogatory comments on Facebook. Management terminated the employee. **OIG-I-500**



Hotline

Employees and members of the public with information on fraud, waste, and abuse are encouraged to contact the OIG. A log of calls to a nationwide toll-free number or the office numbers and a log of mail, e-mail, and facsimile messages are maintained. All information received, regardless of the method used, is referred to as Hotline contacts. Hotline contacts are analyzed to determine if further inquiry or action is warranted.

During this reporting period, the OIG received 131 Hotline contacts, of which 53 were telephone calls or walk-ins and 78 were in writing.

Most Hotline contacts are from members of the public seeking help on an employment-related problem

or issues outside OIG and/or Agency jurisdiction. As appropriate, the OIG refers those Hotline contacts to a NLRB Regional Office; local, state, or Federal agencies; or private resources to provide assistance.

LEGISLATION, REGULATIONS AND POLICY

The responsibilities and duties of an OIG include reviewing existing and proposed legislation and regulations relating to the programs and operations of its agency and making recommendations in the semiannual reports concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by the agency or the prevention and detection of fraud and abuse in such programs and operations.

Legislation

During the current Congress, 22 legislative proposals have been introduced that would amend the National Labor Relations Act or otherwise impact the programs and operations of the Agency:

- H.R. 557, Advice and Consent Restoration Act;
- H.R. 795, Protecting American Jobs Act;
- H.R. 976, To declare that certain Agency actions have no force or effect and prohibits further action by the Board until the matters involving the appointment of the Board Members are resolved;
- H.R. 1120, Preventing Greater Uncertainty in Labor-Management Relations Act;
- H.R. 1815, Union Coercion Prevention Act;
- H.R. 2346, Secret Ballot Protection Act;
- H.R. 2347, Representation Fairness Restoration Act;
- H.R. 2674, Job Creation Act of 2013;
- H.R. 3485, Employee Rights Act;
- H.R. 4304, Jumpstarting Opportunities with Bold Solutions Act;
- H.R. 4320, Workforce Democracy and Fairness Act;
- H.R. 4321, Employee Privacy Protection Act;
- H.R. 4379, To prohibit any appropriation of funds for the NLRB;



- S. 180, NLRB Freeze Act of 2013;
- S. 188, Advice and Consent Restoration Act;
- S. 190, Restoring the Constitutional Balance of Power Act of 2013;
- S. 850, Preventing Greater Uncertainty in Labor-Management Relations Act;
- S. 1166, Representation Fairness Restoration Act;
- S. 1712, Employee Rights Act;
- S. 2178, Workforce Democracy and Fairness Act;
- S. 2814, National Labor Relations Board Reform Act; and
- S. 2885, Protecting American Jobs Act.

Regulations

The Counsel to the Inspector General is an advisory member of the Agency's Rules Revision Committee that develops changes to the Agency's procedural regulations.

LIAISON

ACTIVITIES

The Inspector General is to recommend policies for, and is to conduct, supervise, or coordinate relationships between the Agency and other Federal agencies, state and local governmental agencies, and non-governmental entities. The Inspector General is to give particular regard to the activities of the Comptroller General of the United States. Similarly, we encourage OIG staff members to participate in Agency programs and activities.

Inspector General Community

The Inspector General is a member of the Council of the Inspectors General on Integrity and Efficiency (CIGIE). This organization consists of Inspectors General at the Federal Government's departments and agencies. The Inspector General sits as a member of the CIGIE Audit Committee and the CIGIE Information Technology Committee. The Inspector General is also the CIGIE representative to the Chief Financial Officers Council.

The Assistant Inspector General for Audits, or designated auditors, participated in the Federal Audit Executive Council, Financial Statement Audit Network, and the Interagency Fraud and Risk Data Mining Group. The Counsel to the Inspector General participates

in the Council of Counsels to Inspectors General.

Government Accountability Office

The IG Act states that each Inspector General shall give particular regard to the activities of the Comptroller General of the United States, as head of the Government Accountability Office with a view toward avoiding duplication and ensuring effective coordination and cooperation.

INFORMATION

REQUIRED BY THE ACT

Certain information and statistics based on the activities accomplished during this period are required by section 5(a) of the IG Act to be included in the semiannual reports. These are set forth below:

Section 5(a)

(1), (2), (7) OIG did not identify significant problems, abuses or deficiencies relating to the administration of programs. For the purpose of this section, we used the definition of significant as set forth in the Federal Managers' Financial Integrity Act.

(3) Except as noted on page 7, corrective action has been completed on all significant recommendations that were described in the previous semiannual reports.

(4) Three cases were referred to prosecutorial authorities.

(5) No reports were made to the Board that information or assistance requested by the Inspector General was unreasonably refused or not provided.

(6) A listing by subject matter is located on page 14.

(8), (9) One report issued during this period had questioned costs. *See Table 1.*

(10) There are no audit reports issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period.

(11) No significant revised management decisions were made during the reporting period.

(12) There are no significant management decisions with which I am in disagreement.

(13) There is no information to report under the requirements of section 05(b) of the Federal Financial Management Improvement Act of 1996.

(14) (15) A peer review of the audit program was conducted by the National Credit Union Administration OIG. The peer review report was issued on October 31, 2011. A copy of the peer review report is at the appendix. There were no recommendations. The OIG's investigative program is not subject to the peer review requirement.

(16) The OIG completed a peer review of the Office of Inspector General, Export-Import Bank of the United States, audit program on September 24, 2014. There were no recommendations from the prior peer review.

AUDIT REPORTS BY SUBJECT MATTER

Subject Matter and Title	Questioned Costs	Unsupported Costs	Funds To Be Put To Better Use
General Administration FY 2013 Sequestration – Preparation, Implementation, and Impact OIG-AMR-72-14-02	\$49,612.66	0	0
General Administration Cloud Computing OIG-AMR-74-14-03	0	0	0

**Table I. Reports With
Questioned Costs**

	Number of Reports	Dollar Value	
		Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the period	0	0	0
B. Which were issued during the reporting period	1	\$49,612.66	0
Subtotals (A+B)	1	\$49,612.66	0
C. For which a management decision was made during the reporting period	1	\$49,612.66	0
(i) Dollar value of disallowed costs	1	\$49,612.66	0
(ii) Dollar value of costs not disallowed	0	0	0
D. For which no management decision has been made by the end of the reporting period	0	0	0
Reports for which no management decision was made within six months of issuance	0	0	0

Table 2. Reports with Recommendations that Funds be Put to Better Use

	Number of Reports	Funds To Be Put To Better Use
A. For which no management decision has been made by the commencement of the period	0	0
B. Which were issued during the reporting period	0	0
Subtotals (A+B)	0	0
C. For which a management decision was made during the reporting period	0	0
(i) Dollar value of recommendations that were agreed to by management	0	0
(ii) Dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of the reporting period	0	0
Reports for which no management decision was made within six months of issuance	0	0

APPENDIX



National Credit Union Administration

System Review Report

Office of Inspector General

October 31, 2011

To David Berry, Inspector General
National Labor Relations Board

We have reviewed the system of quality control for the audit organization of the National Labor Relations Board (NLRB) in effect for the year ended September 30, 2011. A system of quality control encompasses the NLRB OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. The NLRB OIG is responsible for designing a system of quality control and complying with it to provide the NLRB OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the NLRB OIG's compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). During our review, we interviewed NLRB OIG personnel and obtained an understanding of the nature of the NLRB OIG audit organization, and the design of the NLRB OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the NLRB OIG's system of quality control. The engagements selected represented a reasonable cross-section of the NLRB OIG's audit organization, with emphasis on higher-risk engagements. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with NLRB OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the NLRB OIG's audit organization. In addition, we tested compliance with the NLRB OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the NLRB OIG's policies and procedures on selected engagements. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

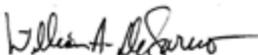
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There are inherent limitations in the effectiveness of any system of quality control, and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

Enclosure 1 to this report identifies the offices of the NLRB OIG that we visited and the engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of the NLRB OIG in effect for the year ended September 30, 2011, has been suitably designed and complied with to provide the NLRB OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The NLRB OIG has received a peer review rating of *pass*.

In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the CIGIE related to the NLRB OIG's monitoring of engagements performed by Independent Public Accountants (IPA) under contract where the IPA served as the principal auditor. It should be noted that monitoring of engagements performed by IPAs is not an audit and therefore is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether the NLRB OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion and accordingly, we do not express an opinion, on the NLRB OIG's monitoring of work performed by IPAs.



William A. DeSarno
Inspector General
National Credit Union Administration

Enclosures

SCOPE AND METHODOLOGY

Scope and Methodology

We tested compliance with the NLRB OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of two of two audit reports issued during the period October 1, 2010, through September 30, 2011. We also reviewed the internal quality control reviews performed by NLRB OIG.

In addition, we reviewed the NLRB OIG's monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period October 1, 2010, through September 30, 2011. During the period, the NLRB OIG contracted for the audit of its agency's Fiscal Year 2010 financial statements.

We visited the Washington, DC office of the NLRB OIG.

Reviewed Audit Engagements Performed by the NLRB OIG

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
OIG-AMR-66	3/23/11	Travel Cards
OIG-AMR-64	4/7/11	Case Processing Costs

Reviewed Monitoring Files of the NLRB OIG for Contracted Engagements

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
OIG-F-15	12/15/10	Audit Report on the NLRB's Financial Statements for Fiscal Year 2010

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