U.S. Merit Systems Protection Board

Agency Financial Report Fiscal Year 2022

November 2022

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Message from the **Acting** Chairman

U.S. MERIT SYSTEMS PROTECTION BOARD
Washington, DC 20419

Office of the Acting Chairman

It is my honor to present the fiscal year (FY) 2022 Agency Financial Report (AFR) for the U.S. Merit Systems Protection Board (MSPB). I am pleased to report that MSPB received an unmodified (clean) opinion on its financial statements as of September 30, 2022. The AFR is available on our website at www.mspb.gov, in compliance with the legal requirements referenced in Office of Management and Budget Circular A-136.

MSPB provides an enormous benefit to the Government and the taxpayer by protecting merit systems, promoting adherence to the merit system principles, and ensuring effective and efficient management policies and practices. These contributions lower Government-wide operational and personnel costs. They also reduce the number of prohibited personnel practices which improves employee engagement, organizational performance, and service to the public.

The agency's accomplishments provided in this report are the result of our collective commitment, diligence, and dedication to maintaining the highest standards of performance and integrity. It is an honor to work with the talented employees at MSPB who devote their careers to upholding the merit system principles that govern our Federal workforce.

I certify, with reasonable assurance of the completeness and reliability of the performance and financial data in this report, that no material weaknesses were found in MSPB's internal controls during the audit of our financial statements.

Respectfully,

Cathy A. Harris
Acting Chairman
November 15, 2022

How to Use This Report

The Agency Financial Report (AFR) presents financial information, as well as relevant performance information, on the U.S. Merit Systems Protection Board's (MSPB) operations. The report was prepared in accordance with the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, and covers activities from October 1, 2021 through September 30, 2022.

MSPB has chosen to produce an AFR and an Annual Performance Report (APR). MSPB will submit its FY 2022 APR with its Congressional Budget Justification and post it on the agency's website at http://www.mspb.gov at the time when the President's FY 2024 Budget is submitted to Congress in 2023.

This report is organized into the following major components:

Management Discussion and Analysis (MD&A)
This section provides an overview of the MSPB. It discusses the agency's mission, Board organization, program offices and their functions, and organization chart. Additionally, this section contains an overview of the performance information contained in the Interim of MSPB's FY 2022 Program Performance. It also includes relevant performance information related to the MSPB's strategic and management objectives.

Analysis of Financial Statements and Stewardship Information
This sections provides a summary of MSPB's financial position and addresses significant change factors affecting financial performance.

Analysis of Systems, Controls, and Legal Compliances
This section provides an overview of MSPB's management commitment to excellence and the importance of strong financial systems and internal controls to ensure accountability, integrity, and reliability. Management, administrative, and financial system controls have been developed to ensure the following:

- Obligations and costs are in compliance with applicable laws.
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation.
- Expenditures applicable to operations are properly recorded and accounted for to permit the preparation of reliable accounting, financial, and statistical reports.
- Accountability over assets is maintained.

Forward Looking Information
This section addresses future conditions that could significantly affect MSPB's future financial position and operating performance.

Financial Section
This section contains details of MSPB's financial position in FY 2022 including a message from the Chief Financial Officer (CFO) followed by the notes on the financial statements, independent auditor's report on the financial statements, financial statements, and notes to the financial statements.

Other Information
This section contains details of MSPB's financial statement audit and management assurances including material weaknesses, compliances, and civil monetary penalties adjustments.

Management Discussion and Analysis (MD&A)

About MSPB

MSPB has its origin in the Pendleton Civil Service Reform Act of 1883 (Pendleton Act), which established the Civil Service Commission (CSC) and a merit-based employment system for the Federal Government. The Pendleton Act was passed after the assassination of President Garfield by a disgruntled Federal job seeker and grew out of the 19th century reform movement to curtail the excesses of political patronage in government and ensure a stable highly qualified workforce to serve the public. Over time, it became clear that the CSC could not properly, adequately, and simultaneously set managerial policy, protect the merit systems, and adjudicate appeals. Concern over the inherent conflict of interest in the CSC's role as both rule-maker and judge was a principal motivating factor behind the passage of the Civil Service Reform Act of 1978 (CSRA). The CSRA replaced the CSC with three new agencies: MSPB as the successor to the Commission;[1] the Office of Personnel Management (OPM) to serve as the President's agent for Federal workforce management policy and procedure; and the Federal Labor Relations Authority (FLRA) to oversee Federal labor-management relations. The CSRA also codified for the first time the values of the merit systems as the Merit System Principles (MSPs) and defined the Prohibited Personnel Practices (PPPs).[2]

The MSPB Mission

The mission of the MSPB is to *protect the Federal merit systems and the rights of individuals within those systems*. MSPB carries out its statutory responsibilities and authorities primarily by adjudicating individual employee appeals, enforcing its decisions, conducting objective, merit systems studies, and reviewing the rules, regulations, and significant actions of OPM to assess the degree to which those actions support adherence to the merit principles and do not lead to the commission of PPP's.

Board Organization

The agency has three appointed Board members and was authorized 235 Full-time Equivalents (FTE) with offices in Washington, D.C. (headquarters) and six regional and two field offices that are located throughout the United States.

MSPB Program Offices and Their Functions

The three **Board members** adjudicate the cases brought to MSPB. The bipartisan Board consists of the Chairman, Vice Chairman, and Member, with no more than two of its three members from the same political party. Board members are nominated by the President, confirmed by the Senate, and serve overlapping, non-renewable 7-year terms. The **Chairman**, by statute, is the chief executive and administrative officer of MSPB. The Office Directors report to the Chairman through the **Executive Director**.

The **Office of the Administrative Law Judge** (ALJ) adjudicates and issues initial decisions in corrective and disciplinary action complaints (including Hatch Act complaints) brought by the Special Counsel, proposed agency actions against ALJs, MSPB employee appeals, and other cases assigned by MSPB. The functions of

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[1] Bogdanow, M., and Lanphear, T., History of the Merit Systems Protection Board, Journal of the Federal Circuit Historical Society, Volume 4, 2010.

[2] Title 5 U.S.C. § 2301 and Title 5 U.S.C. § 2302, respectively.

this office are currently performed by ALJs at the U. S. Coast Guard and Federal Trade Commission under reimbursable interagency agreements.

The **Office of Appeals Counsel** conducts legal research and prepares proposed decisions for the Board in cases where a party petitions for review (PFR) of an administrative judge's (AJ) initial decision and in most other cases decided by the Board. The office prepares proposed decisions on interlocutory appeals of rulings made by judges, makes recommendations on reopening cases on the Board's own motion, and provides research, policy memoranda, and advice to the Board on legal issues.

The **Office of the Clerk of the Board** receives, and processes cases filed at MSPB headquarters (HQ), rules on certain procedural matters, and issues MSPB decisions and orders. The office serves as MSPB's public information center, coordinates media relations, operates MSPB's library and on-line information services, and administers the Freedom of Information Act and Privacy Act programs. The office also certifies official records to the courts and Federal administrative agencies and manages MSPB's records systems, legal research systems, and the Government in the Sunshine Act program.

The **Office of Equal Employment Opportunity** plans, implements, and evaluates MSPB's equal employment opportunity programs. It processes complaints of alleged discrimination brought by agency employees and provides advice and assistance on affirmative employment initiatives to MSPB's managers and supervisors.

The **Office of Financial and Administrative Management** administers the budget, accounting, travel, time and attendance, human resources, procurement, property management, physical security, and general services functions of MSPB. It develops and coordinates internal management programs, including review of agency internal controls. It also administers the agency's cross-servicing agreements with the U.S. Department of Agriculture, National Finance Center (NFC) for payroll services, U.S. Department of the Treasury, Bureau of the Fiscal Service (BFS) for accounting services, and U.S. Department of Agriculture, Animal and Plant Health Inspection Service (APHIS) for human resource services.

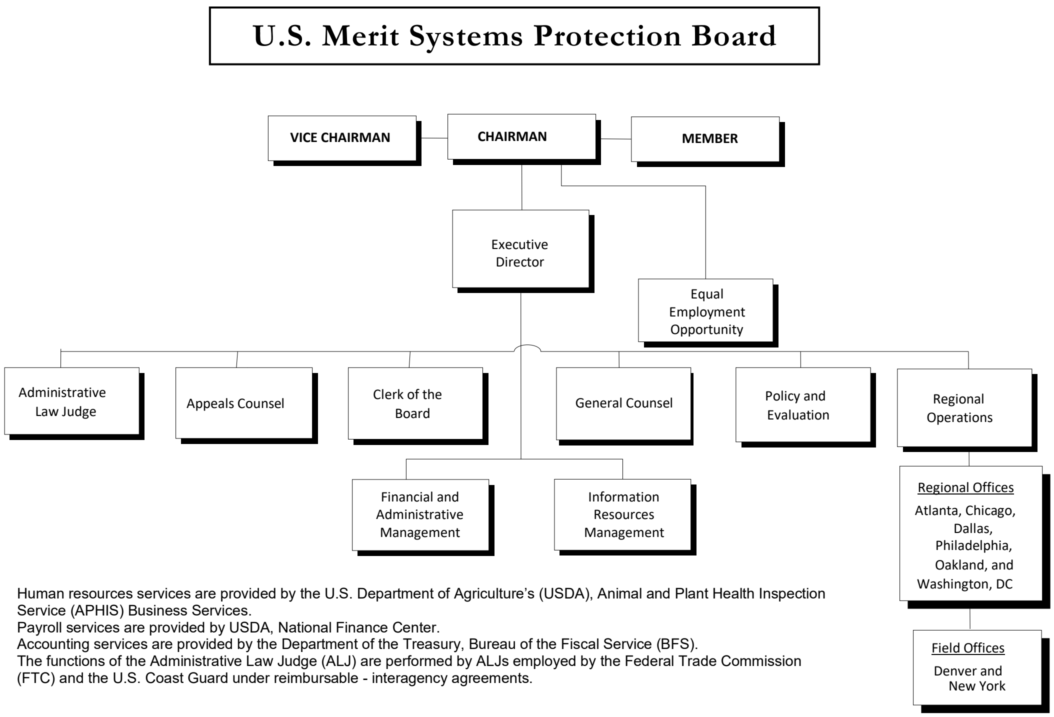
The **Office of the General Counsel**, as legal counsel to MSPB, advises the Board and MSPB offices on a wide range of legal matters arising from day-to-day operations. The office represents MSPB in litigation; prepares proposed decisions for the Board to enforce a final MSPB decision or order, in response to requests to review OPM regulations, and for other assigned cases; conducts the agency's PFR settlement program; and coordinates the agency's legislative policy and congressional relations functions. The office drafts regulations, conducts MSPB's ethics program, and plans and directs audits and investigations.

The **Office of Information Resources Management** develops, implements, and maintains MSPB's automated information systems to help the agency manage its caseload efficiently and carry out its administrative and research responsibilities.

The **Office of Policy and Evaluation** carries out MSPB's statutory responsibility to conduct special studies of the civil service and other Federal merit systems. Reports of these studies are sent to the President and the Congress and are distributed to a national audience. The office provides information and advice to Federal agencies on issues that have been the subject of MSPB studies. The office reviews and reports on the significant actions of OPM. The office also conducts program evaluations for the agency and has responsibility for preparing MSPB's strategic and performance plans and performance reports required by the Government Performance and Results Modernization Act of 2010.

The **Office of Regional Operations** oversees the agency's six regional and two field offices, which receive, and process appeals and related cases. It also manages MSPB's Mediation Appeals Program (MAP). AJs in the regional and field offices are responsible for adjudicating assigned cases and for issuing fair, well-reasoned, and timely initial decisions.

Organization Chart



Interim Summary of MSPB's FY 2022 Program Performance

This performance summary contains interim FY 2022 performance results and initial judgements related to the achievement of our strategic and management objectives. This information is organized to align with the Annual Performance Plan for FY 2022. The Merit Systems Protection Board (MSPB) is continuing to verify and validate FY 2022 performance and finalizing the definitions of new Performance Goal (PG) statements and measures to be effective in FY 2023. Once final results and new measures are reviewed and approved by the Board members, they will be published in the FY 2022 Annual Performance Report (APR) scheduled for release in February 2023.

Strategic Objective 1A-RO: Provide understandable, high-quality resolution of initial appeals in the regional and field offices (RO/FOs), supported by fair and efficient adjudication and alternative dispute resolution (ADR) processes. Interim results indicate this objective was **Met**. MSPB exceeded the target for timeliness of initial appeals processing with an average of 96 days, more than 10% fewer days than the target. The new measure for quality of initial decisions is the percentage of reviewed initial decisions that meet Quality Review Team (QRT) standards. This measure focuses on all initial decisions not only those on which a PFR is filed. The PG statement for ADR is to ensure use of ADR processes and the measure is the percentage of appeals referred to the Mediation Appeals Program (MAP).

Strategic Objective 1A-HQ: Provide understandable, high-quality resolution of appeals at headquarters (HQ), supported by fair and efficient adjudication and alternative dispute resolution (ADR) processes. Interim results indicate that this objective was **Met**. Under the current calculation for quality of Board decisions, 85% of cases were left unchanged by the Court of Appeals for the Federal Circuit (CAFC) which is within 10% of the target of 92% or greater. MSPB did not set a numeric target for cases decided at HQ because we began the year without a quorum. However, since the quorum was restored in early March 2022, MSPB has decided nearly 500 cases at HQ. A new measure for quality of Board decisions was defined to be implemented in FY 2023 as the percentage of cases *affirmed* of the cases decided by CAFC on the merits of the Board's decision. MSPB will eliminate the timeliness measure for HQ cases for at least FY 2023 and FY 2024. Given the unique circumstances of the 5-year loss of quorum, average processing time will not be meaningful in the short term and will not be a useful indicator for managing the process of reducing the unprecedented inventory of pending cases the new Board inherited. Rather, MSPB will adopt two new PGs and measures to track reduction of the inventory of cases at HQ. These two new measures are the total number of HQ cases decided during the year, and percentage of oldest cases decided as defined at the start of the FY. These two PGs, in combination, serve to reduce the overall inventory with a focus on closing older cases.

Strategic Objective 1B: Enforce timely compliance with MSPB decisions. Interim results indicate this objective was **Partially Met**. MSPB Exceeded the average processing time for compliance case addenda in the RO/FOs with an average processing time of 89 days, more than 10% fewer days than the target of 120 days. MSPB began the assessment of HQ compliance case processing at HQ and determined that this assessment must be continued through FY 2023 to consider the nuances and details of the process, the resources needed to perform this function, and to coordinate with new agency leaders.

Strategic Objective 1C: Conduct objective, timely studies of the Federal merit systems and Federal human capital management issues. Interim results indicate this objective was **Partially Met**. MSPB achieved the newsletter target by publishing 3 *Issues of Merit* editions covering eight of nine merit system principles (MSPs) and three prohibited personnel practices (PPPs). Newsletter topics included workplace aggression, reforming Federal hiring, hiring students and recent graduates, transitioning back to the office, using retirement to retain talent, the effect of competencies on agency culture, what has changed in the human resources (HR) field, stay interviews, using subject matter experts to prevent perceptions of favoritism, recruitment apps, post-survey action planning, creating an ethical work environment, identifying why Federal employees want to quit, rehiring retired employees, and college recruitment. MSPB published one of the targeted two studies reports or documents with publication of the MSPB 2022-2026 Research Agenda. An additional report on sexual harassment was drafted and submitted to the Board for review and approval. MSPB achieved the survey target by preparing a survey on the Federal HR workforce and posting the 2021 Merit Principles Survey data on data.gov and on the MSPB website.

Strategic Objective 1D: Review and act upon the rules, regulations, and significant actions of the Office of Personnel Management (OPM), as appropriate. Interim results indicate that this objective was **Met**. MSPB determined that there are too few cases requesting review of OPM regulations to use a numeric measure for this PG. Beginning in FY 2023, the measure is defined as including relevant information about requests to review OPM regulations in the MSPB Annual Report (AR). This will support recognition of this important statutory function in the Annual Performance Report -Annual Performance Plan (APR-APP) and ensures that information about review of OPM regulations and significant actions are located in the same document thus simplifying stakeholder access to this information. In FY 2022, MSPB published the review of OPM actions in FY 2021 in the MSPB 2021 AR and decided to retain the measure for review of OPM significant actions.

Strategic Objective 2A: Support and improve the practice of merit, adherence to MSPs, and prevention of PPPs in the workplace through successful, targeted outreach and engagement. Interim results indicate that this objective was **Exceeded**. MSPB conducted 112 outreach events or over 10% more than the targeted value of 90 events or more. Outreach events were conducted on topics such as merit systems and merit-based management; Federal disciplinary policies; MSPB regulations, procedures, results, and legal precedent; and results of merit systems studies. Events were conducted with Federal executive branch departments or agencies, congressional organizations, Federal court organizations, Federal Executive Boards, good government and affinity groups, a variety of legal groups (Bar and other attorney associations, national institutes, law schools), and major legal and research conferences. In trying to improve the balance of outreach events, MSPB identified outreach process issues that must be resolved in order to effectively balance events and targets specific groups. MSPB will retain the measure of total number of outreach events.

Strategic Objective 2B: Advance the understanding of merit, MSPs, and PPPs for stakeholders and the public by developing and sharing information and educational materials and guidance. Interim results indicate this objective was **Exceeded**. MSPB exceeded the target for providing educational and information documents by publishing at least 25 documents (more than triple the targeted number of 8 or more new or updated documents). Documents included eight Federal Register notices, three press releases, more than nine documents related to arrival of Board members and relevant changes or updates to adjudication information, five studies documents, more than seven agency annual reports, plans, or employee survey data. MSPB clarified the informational and educational documents appropriate for this PG in the statement of the measure. MSPB work was cited in 113 different sources, exceeding the scope of sources reported in the previous year by more than 10%. Notable citations include MSPB studies work cited in Government Accountability Office (GAO) reports on direct hiring in future emergencies and on sexual harassment in the Department of Veterans Affairs; four academic articles in public policy journals citing use of 2016 Merit Principles Survey data or published merit systems study reports or managing the federal workforce; and the Partnership for Public Service's *Trustworthy: Increasing Civil Servants' Trust at Work*, citing four separate study reports. MSPB decided to retain the measure for tracking the scope of external references to our work.

Management Objective M1: Lead, manage, and develop employees to ensure a highly qualified, diverse, inclusive, and engaged workforce with the competencies to perform MSPB's mission and support functions successfully. Interim results indicate this objective was **Met**. The result for inclusion was exceeded with an average of 81% or more than 10% above the target of 70% or higher. The results for competencies, diversity, and engagement were 73%, 68%, and 74% respectively, all within 10% of the target of 70% or higher.

Management Objective M2: Modernize information technology (IT) to support agency mission and administrative functions. Interim results indicate this objective was **Met.** MSPB achieved its results for IT reliability and internal customer service with averages of 74% and 68%, respectively, both within 10% of the target of 70% or higher. MSPB exceeded its cybersecurity target with 94% of assets scanned, more than 10% above the target of 75%. MSPB met the target for improving the efficiency of adjudication processing. Results for percent of initial appeals and percent of pleadings filed electronically were 85% and 95%, respectively, slightly higher than the 2021 results, and the highest results since we began tracking in 2012. MSPB also completed 4 separate test sprints, each including user acceptance testing, and 2 production data test migrations. MSPB completed the training and communication plans, acquired external development, technical writing, and communications resources and designated internal training and communication resources to support "go live" in late FY 2023. MSPB met the cloud-based services target by defining a new measure for the PG as the percentage of new IT investments that replace legacy on-premises technologies with Government-approved cloud service providers.

Analysis of Financial Statements and Stewardship Information

Summary of Financial Position

There were no significant financial changes from FY 2021 to FY 2022. MSPB receives an annual appropriation to support is statutory mission to fairly adjudicate Federal employee appeals, prepare and issue studies concerning the civil service, as well as review significant actions of OPM. MSPB did not receive a supplemental appropriation or funding specific to or as a result of COVID-19.

The financial statements are prepared to report the financial position, financial condition, and results of operations, consistent with the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of Federal entities in accordance with Federal generally accepted accounting principles (GAAP) and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

Analysis of Systems, Controls, and Legal Compliances

Federal Managers' Financial Integrity Act (FMFIA) of 1982

In accordance with the FMFIA, MSPB has established an internal management control system to ensure that: (1) obligations and costs comply with applicable law; (2) assets are safeguarded against waste, loss, unauthorized use, or misappropriation; (3) revenues and expenditures are properly recorded and accounted for; and (4) expenditures are being made in accordance with the agency's mission and they are achieving their intended results.

Federal Financial Management Improvement Act (FFMIA) of 1996

The purpose of the FFMIA is to advance Federal financial management by ensuring that Federal financial management systems provide accurate, reliable, and timely financial management information to managers. The intent and the requirements of this Act go well beyond the directives of the CFO Act and the Government Management Reform Act of 1994 (GMRA) to publish audited financial reports.

MSPB's management review of the system of internal accounting and administrative control was evaluated in accordance with the applicable Federal guidance.

The objectives of the system are to provide reasonable assurance that:

- Obligations and costs are in compliance with applicable laws.
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation.
- Revenues and expenditures applicable to operations are properly recorded and accounted for to permit the preparation of reliable accounting, financial, and statistical reports.
- Accountability over assets is maintained.

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

Improper Payments Act

Improved financial performance through the reduction of improper payments continues to be a key financial management focus of the Federal Government. At MSPB, developing strategies and the means to reduce improper payments are a matter of good stewardship. Accurate payments lower program costs.

OMB originally provided Section 31 of Circular A-11 as guidance for Federal agencies to identify and reduce improper payments for selected programs. The Improper Payments Information Act of 2002 (IPIA) broadened the original erroneous payment reporting requirements to programs and activities beyond those originally listed in Circular A-11. In August 2006, OMB issued Circular A-123, Appendix C - Requirements for Effective Measurement and Remediation of Improper Payments.

The IPIA defines improper payments as those payments made to the wrong recipient, in the wrong amount, or used in an improper manner by the recipient. The IPIA requires a Federal agency to identify its programs that are of high risk for improper payments. It also requires the agency to implement a corrective action plan that includes improper payment reduction and recovery targets and to report annually on the extent of its improper payments for high-risk programs and the actions taken to increase the accuracy of payments.

To coordinate and facilitate MSPB's efforts under the IPIA, the CFO works with the office directors to develop a coordinated strategy to perform annual reviews for all programs and activities susceptible to improper payments. This cooperative effort includes developing actions to reduce improper payments, identifying and conducting ongoing monitoring techniques and establishing appropriate corrective action initiatives. MSPB has determined that there is no significant risk of improper payments based on the review of its programs in FY 2022.

Forward Looking Information

Fiscal Year 2022 was a pivotal year for MSPB. On January 8, 2017, MSPB lost its quorum of Board members, and the quorum was restored after 5 years on March 4, 2022. Historically, MSPB has been able to continue operations at a flat funding level with approximately 200 employees, even as an inventory of PFR cases accumulated that now require Board adjudication. Now with the Board in place, operational requirements have tremendously increased and the need for staffing and funding to support MSPB's FTE authorization level at 235 and slightly higher is now more critical than ever.

There is an enormous amount of pressure on MSPB to quickly adjudicate the 5-year inherited inventory of petitions for review. Eighty percent of MSPB's funding supports employees' salaries and benefits. The MSPB budget request anticipated the need for a full complement of staffing in FY 2023, however, it remains to be seen if the request will be fully supported and sustained through-out future budget cycles. Nevertheless, MSPB is committed to our mission to serve by adjudicating Federal employee appeals, issuing studies concerning the civil service, and reviewing significant actions of OPM.

Financial Section

Message from the Chief Financial Officer

I am pleased to present the U.S. Merit Systems Protection Board (MSPB) financial statements for fiscal year 2022 and to report that MSPB has earned an unmodified opinion on its FY 2022 consolidated financial statements. No material weaknesses were identified in the auditor's report on internal controls.

MSPB has partnered with the Department of the Treasury, Bureau of Fiscal Services (BFS) in Parkersburg, West Virginia. BFS is responsible for handling the preparation of our financial statements. Additionally, this working relationship between MSPB and BFS has provided us with timely and complete reports to satisfy our day-to-day operating needs as well as reporting requirements.

We take our financial accountability seriously and are committed to strengthening our financial performance. While we are proud of our accomplishment of receiving an unqualified opinion; we are committed to continue our work on improving our financial management performance during the coming years while efficiently accomplishing the mission of MSPB – to protect the Federal merit systems and the rights of individuals within those systems.

Respectfully,

Kevin J. Nash
Chief Financial Officer
November 15, 2022

Notes on the Financial Statements

Financial management is a high priority for MSPB. It is an essential element in demonstrating accountability and enhancing services provided to the public. Financial improvements initiated by MSPB have been driven by recent legislation and external initiatives; as well as by a strict organizational belief that adherence to sound financial policies and procedures will directly enhance the efficiency and effectiveness of the agency. This is of particular importance in an era of financial uncertainty and tightening budgets. Pivotal to driving better performance results through enhanced financial management practices has been MSPB's ongoing efforts to provide day-to-day decision-makers with reliable budgetary and cost information.

Limitations of the Principal Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of this entity, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with generally accepted accounting principles (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. The statements should be read with the realization that MSPB is a component of the U.S. Government, a sovereign entity.

The principal financial statements summarize MSPB's financial position, net cost of operations, and changes in net position, provide information on budgetary resources and financing, and present the sources and disposition of custodial revenues for FY 2021 and FY 2022.

The Balance Sheet summarizes the assets, liabilities, and net position by category as of the reporting date. Intragovernmental assets and liabilities resulting from transactions between Federal agencies are presented separately from assets and liabilities from transactions with the public.

The Statement of Net Cost shows, by programs, the net cost of operations for the reporting period. Net cost of operations consists of full program costs incurred by the agency less exchange revenues earned by those programs.

The Statement of Changes in Net Position presents the agency's beginning and ending net position by two components—Cumulative Results of Operations and Unexpended Appropriations. It summarizes the change in net position by major transaction category. The ending balances of both components of the net position are also reported on the Consolidated Balance Sheet.

The Statement of Budgetary Resources presents the budgetary resources available to the agency, the status of these resources, and the outlays of budgetary resources.

The Notes to the Financial Statements provides information to explain the basis of the accounting and presentation used to prepare the statements and to explain specific items in the statements. They also provide information to support how particular accounts have been valued and computed.

Other Information

Summary of Financial Statement Audit and Management Assurances

Presented below is a summary of financial statement audit and management assurances for FY 2022. Table 1 relates to the Agency's FY 2022 financial statement audit, which resulted in an unmodified opinion with no material weakness. Table 2 presents the number of material weaknesses reported by the Agency under Section 2 of the FMFIA—either with regard to internal controls over operations or financial reporting, and Section 4, which relates to internal controls over financial management systems; as well as the Agency's compliance with the FFMIA.

Table 1. Summary of Financial Statement Audit

• Audit Opinion	• Unmodified				
• Restatement	• No				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Table 2. Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance:	Unmodified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance:	Unmodified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Compliance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance:	Systems conform with financial management system requirements					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
1. System Requirements	No lack of compliance noted	No lack of compliance noted
2. Accounting Standards	No lack of compliance noted	No lack of compliance noted
3. USSGL[3] at Transaction Level	No lack of compliance noted	No lack of compliance noted

[3] U.S. Government Standard General Ledger (USSGL) provides a chart of accounts for Federal agency accounting.

Civil Monetary Penalties' Adjustments for Inflation

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Debt Collection Improvement Act of 1996, required agencies to adjust their civil monetary penalties (CMP) for inflation at least every four years to maintain their deterrent effect. A CMP is defined as "any penalty, fine, or other sanction" that: (1) "is for a specific amount" or "has a maximum amount" under Federal law; and (2) that a Federal agency assesses or enforces "pursuant to an administrative proceeding or a civil action in the Federal courts." MSPB had no CMP in accordance with the Federal Civil Penalties Inflation Adjustment Act of 1990.

On November 2, 2015, the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 further amended the Federal Civil Penalties Inflation Adjustment Act of 1990 to improve the effectiveness of CMPs and to maintain their deterrent effect. This amendment required agencies to adjust the CMP levels in effect as of November 2, 2015, with initial catch-up adjustments for inflation through an interim final rulemaking published by July 1, 2016, and to take effect no later than August 1, 2016. The maximum amount for an initial catch-up adjustment for inflation could not exceed 150 percent of the amount of that CMP on the date of enactment of the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015.

The 2015 amendments also provide for agencies to adjust for inflation to their CMP amounts by January 15, 2017, and not later than January 15 of each year thereafter. Accordingly, MSPB adjusted for inflation its CMPs for inflation. MSPB published its latest adjustments to CMPs for inflation in the Federal Register on January 21, 2022 (87 FR 3175-3176, Civil Monetary Penalty Inflation Adjustment), which is also available on the agency website at www.mspb.gov.

The following table provides detailed information on each of the agency's CMPs as of January 21, 2022.

Statutory Authority	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level	Location for Penalty Update Details
5 U.S.C § 1215(a)(3), Civil Service Reform Act of 1978	Disciplinary Action	1989	2022	$1,195	87 FR 3175-3176 (Jan. 21, 2022) www.mspb.gov
5 U.S.C § 7326, Hatch Act Modernization Act of 2012	Penalties	2012	2022	$1,195	87 FR 3175-3176 (Jan. 21, 2022) www.mspb.gov

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U.S. MERIT SYSTEMS PROTECTION BOARD

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2022 AND 2021

Prepared By
Brown & Company CPAs and Management Consultants, PLLC
November 10, 2022

U.S. MERIT SYSTEMS PROTECTION BOARD

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2022 AND 2021**

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INDEPENDENT AUDITOR'S REPORT

U.S. Merit Systems Protection Board
Washington, D.C.

In our audits of the fiscal years 2022 and 2021 financial statements of the U.S. Merit Systems Protection Board (MSPB), we found:

- MSPB's financial statements as of and for the fiscal years ended September 30, 2022, and 2021, are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles;

- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and

- no reportable noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements for fiscal year 2022.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI)[1] and other information included with the financial statements[2]; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements.

Report on the Financial Statements

Opinion

In accordance with the provisions of the Accountability of Tax Dollars Act of 2002 (ATDA) (Pub. L. No. 107-289), we have audited MSPB's financial statements. MSPB's financial statements comprise the balance sheets as of September 30, 2022, and 2021; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements. In our opinion, MSPB's financial statements present fairly, in all material respects, MSPB's financial position as of September 30, 2022, and 2021, and its net costs of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit

[1] The RSI consists of "Management's Discussion and Analysis" and the "Statement of Budgetary Resources", which are included with the financial statements.
[2] Other information consists of information included with the financial statements, other than the RSI, Financial section, and the auditor's report.

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of the Financial Statements section of our report. We are required to be independent of MSPB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

MSPB management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in MSPB's Agency Financial Report (AFR), and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) designing, implementing, and maintaining effective 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 for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to our audit 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 MSPB's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the financial statement audit.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

MSPB's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in MSPB's AFR. The other information comprises a detailed statement of management assurances and other information as applicable but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

In connection with our audits of MSPB's financial statements, we considered MSPB's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies[3]; or to express an opinion on the effectiveness of MSPB's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial

[3] 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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to MSPB's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Internal Control over Financial Reporting

MSPB management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of MSPB's financial statements as of and for the fiscal year ended September 30, 2022, in accordance with U.S. generally accepted government auditing standards, we considered MSPB's internal control relevant to the financial statement audit 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 MSPB's internal control over financial reporting. Accordingly, we do not express an opinion on MSPB's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of MSPB's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of MSPB's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of MSPB's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2022 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to MSPB. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for Tests of Compliance section below.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

MSPB management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to MSPB.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to MSPB that have a direct effect on the determination of material amounts and disclosures in MSPB's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to MSPB. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Brown & Company

Greenbelt, Maryland
November 10, 2022

MERIT SYSTEMS PROTECTION BOARD
BALANCE SHEET
AS OF SEPTEMBER 30, 2022 AND 2021
(In Dollars)

		2022		2021
Assets:				
Intragovernmental:				
Fund Balance with Treasury (Note 2)	$	15,684,815	$	16,160,702
Advances and Prepayments		28,285		11,772
Total Intragovernmental		15,713,100		16,172,474
Other than Intragovernmental:				
Accounts Receivable, Net (Note 3)		2,477		1,416
General Property, Plant, and Equipment, Net (Note 4)		1,988,574		2,240,629
Total Other than Intragovernmental		1,991,051		2,242,045
Total Assets	$	17,704,151	$	18,414,519
Liabilities: (Note 5)				
Intragovernmental:				
Accounts Payable	$	106,104	$	286,134
Other Liabilities (Note 7)		517,189		503,779
Total Intragovernmental		623,293		789,913
Other than Intragovernmental:				
Accounts Payable		243,900		579,355
Federal Employee [and Veteran] Benefits Payable		3,704,153		4,020,785
Other Liabilities (Notes 7)		1,660,708		1,500,374
Total Other than Intragovernmental		5,608,761		6,100,514
Total Liabilities	$	6,232,054	$	6,890,427
Net Position:				
Unexpended Appropriations - Funds from Other than Dedicated Collections	$	6,080,925	$	8,512,317
Cumulative Results of Operations - Funds from Other than Dedicated Collections		5,391,172		3,011,775
Total Net Position		11,472,097		11,524,092
Total Liabilities and Net Position	$	17,704,151	$	18,414,519

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

MERIT SYSTEMS PROTECTION BOARD
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(In Dollars)

		2022		2021
Gross Program Costs:				
Adjudication				
Gross Costs	$	42,136,530	$	38,716,185
Less: Earned Revenue		(194,647)		(75,737)
Net Program Costs	$	41,941,883	$	38,640,448
Management Support				
Gross Costs	$	5,491,996	$	5,087,313
Net Program Costs	$	5,491,996	$	5,087,313
Merit System Studies				
Gross Costs	$	1,933,733	$	2,322,815
Net Program Costs	$	1,933,733	$	2,322,815
Net Cost of Operations	$	49,367,612	$	46,050,576

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

MERIT SYSTEMS PROTECTION BOARD
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(In Dollars)

	2022	2021
Unexpended Appropriations:		
Beginning Balance	$ 8,512,317	$ 9,721,413
Appropriations Received	45,825,000	44,490,000
Other Adjustments	(866,253)	(798,886)
Appropriations Used	(47,390,139)	(44,900,210)
Net Change in Unexpended Appropriations	(2,431,392)	(1,209,096)
Total Unexpended Appropriations	$ 6,080,925	$ 8,512,317
Cumulative Results of Operations:		
Beginning Balance	$ 3,011,775	$ (196,782)
Appropriations Used	47,390,139	44,900,210
Transfers In/Out Without Reimbursement	2,345,000	2,345,000
Imputed Financing (Note 10)	2,011,870	2,013,923
Net Cost of Operations	(49,367,612)	(46,050,576)
Net Change in Cumulative Results of Operations	2,379,397	3,208,557
Total Cumulative Results of Operations	$ 5,391,172	$ 3,011,775
Net Position	$ 11,472,097	$ 11,524,092

MERIT SYSTEMS PROTECTION BOARD
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(In Dollars)

		2022		2021
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net (Note 11)	$	7,541,668	$	7,350,454
Appropriations		45,825,000		44,490,000
Spending Authority from Offsetting Collections		2,539,647		2,420,737
Total Budgetary Resources	$	55,906,315	$	54,261,191
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (total)	$	50,230,933	$	46,818,543
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts		4,347,944		6,215,154
Unexpired Unobligated Balance, End of Year		4,347,944		6,215,154
Expired Unobligated Balance, End of Year		1,327,438		1,227,494
Unobligated Balance, End of Year (total)		5,675,382		7,442,648
Total Budgetary Resources	$	55,906,315	$	54,261,191
Outlays, Net and Disbursements, Net:				
Outlays, Net (total)	$	45,434,635	$	43,089,148
Agency Outlays, Net	$	45,434,635	$	43,089,148

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

MERIT SYSTEMS PROTECTION BOARD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The U.S. Merit Systems Protection Board (MSPB) is an independent quasi-judicial agency in the Executive branch that serves as the guardian of federal merit systems. The Board was established by the Civil Service Reform Act of 1978 (CSRA) with a mission of ensuring that employees are protected against abuses by agency management, that Executive branch agencies make employment decisions in accordance with the merit systems principles, and that federal merit systems are kept free of prohibited personnel practices. The MSPB reporting entity is comprised of General Funds and General Miscellaneous Receipts.

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. MSPB manages Operations and Facilities, Engineering and Development General Fund accounts.

General Fund Miscellaneous Receipts are accounts established for receipts of non-recurring activity, such as fines, penalties, fees and other miscellaneous receipts for services and benefits.

The MSPB has rights and ownership of all assets reported in these financial statements. The reporting entity is a component of the U.S Government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. The MSPB does not possess any nonentity assets of the U.S. Government, a sovereign entity. The MSPB does not possess any non-entity assets.

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations of the MSPB. The Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency's operating results; the Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency's resources and follows the rules for the Budget of the United States Government.

The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of the MSPB in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended, and the MSPB's accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control the MSPB's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Basis of Accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates the control and monitoring of federal funds as well as the compliance with legal requirements on the use of those funds.

D. Fund Balance with Treasury

Fund Balance with Treasury is an asset of a reporting entity and a liability of the General Fund. It is the aggregate amount of the MSPB's funds with Treasury in expenditure, and receipt fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

The MSPB does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. When the reporting entity seeks to use FBWT or investments in Government securities to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, which is to borrow from the public if there is a budget deficit (and to use current receipts if there is a budget surplus). Funds are disbursed for the agency on demand.

E. Accounts Receivable

Accounts receivable consists of amounts owed to the MSPB by other federal agencies and the general public. Amounts due from federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

F. Property, Equipment, and Software

Property, equipment, and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred. The MSPB's capitalization threshold is $50,000 for individual purchases and $500,000 for bulk purchases. Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

Description	Useful Life (years)
Building	10
Office Equipment	10
Software	5

G. Advances and Prepaid Charges

Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable agreements, subscriptions and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

H. Liabilities

Liabilities represent the amount of funds likely to be paid by the MSPB as a result of transactions or events that have already occurred.

The MSPB reports its liabilities under two categories, Intragovernmental and Other than Intragovernmental. Intragovernmental liabilities represent funds owed to another government agency. Liabilities other than intragovernmental represent funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year.

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave, and actuarial FECA. Liabilities not covered by budgetary resources on the Balance Sheet are equivalent to amounts reported as components requiring or generating resources on the Reconciliation of Net Cost to Budget.

I. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees.

J. Accrued and Actuarial Workers' Compensation

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses all claims brought by the MSPB's employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that the MSPB terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

K. Retirement Plans

The MSPB's employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of the MSPB's matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund.

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. Both CSRS and FERS employees may participate in the federal Thrift Savings Plan (TSP). FERS employees receive an automatic agency contribution equal to one percent of pay and the MSPB matches any employee contribution up to an additional four percent of pay. For FERS participants, the MSPB also contributes the employer's matching share of Social Security.

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

The MSPB recognizes the imputed cost of pension and other retirement benefits during the 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 communicate these factors to the MSPB for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. The MSPB recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

The MSPB does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM, as the administrator.

L. Other Post-Employment Benefits

The MSPB's employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGLIP) may continue to participate in these programs after their retirement. The OPM has provided the MSPB with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The MSPB recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by the MSPB through the recognition of an imputed financing source.

M. Use of Estimates

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

N. Reclassification

Certain fiscal year 2021 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

O. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2022 and 2021, were as follows:

	2022	2021
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 4,347,944	$ 6,215,154
Unavailable	1,327,438	1,227,494
Obligated Balance Not Yet Disbursed	10,009,433	8,718,054
Total	$ 15,684,815	$ 16,160,702

No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts.

The available unobligated fund balances represent the current period amount available for obligation or commitment. At the start of the next fiscal year, this amount will become part of the unavailable balance as described in the following paragraph.

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations.

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand (see also Note 12).

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2022 and 2021, were as follows:

	2022	2021
Other than Intergovernmental		
Accounts Receivable	$ 2,477	$ 1,416
Total Accounts Receivable	$ 2,477	$ 1,416

The accounts receivable is primarily made up of Employee Receivables.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2022 and 2021.

NOTE 4. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

Schedule of General Property, Plant and Equipment, Net as of September 30, 2022:

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Leasehold Improvements	$ 2,083,762	$ 2,028,625	$ 55,137
Furniture & Equipment	1,712,093	900,016	812,077
Software	9,749,616	9,545,448	204,168
Software-in-Development	917,192	-	917,192
Total	$ 14,462,663	$ 12,474,089	$ 1,988,574

Schedule of General Property, Plant and Equipment, Net as of September 30, 2021:

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Leasehold Improvements	$ 2,083,762	$ 2,007,210	$ 76,552
Furniture & Equipment	1,712,093	736,184	975,909
Software	9,749,616	9,478,640	270,976
Software-in-Development	917,192	-	917,192
Total	$ 14,462,663	$ 12,222,034	$ 2,240,629

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the MSPB as of September 30, 2022 and 2021, include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2022	2021
Intragovernmental – FECA	$ 5,018	$ 43,698
Unfunded Leave	3,250,643	3,475,862
Actuarial FECA	379,437	400,929
Total Liabilities Not Covered by Budgetary Resources	$ 3,635,098	$ 3,920,489
Total Liabilities Covered by Budgetary Resources	2,596,956	2,969,938
Total Liabilities	$ 6,232,054	$ 6,890,427

FECA and the Unemployment Insurance liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on the MSPB's behalf and payable to the DOL. The MSPB also records an actuarial liability for future workers compensation claims based on the liability to benefits paid (LBP) ratio provided by DOL and multiplied by the average of benefits paid over three years.

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

NOTE 6. ACTUARIAL FECA LIABILITY

FECA provides income and medical cost protection to covered federal civilian employees harmed on the job or who have contracted an occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits under FECA for the MSPB's employees are administered by the DOL and ultimately paid by the MSPB when funding becomes available.

The MSPB bases its estimate for FECA actuarial liability on the DOL's FECA model. The DOL method of determining the liability uses historical benefits payment patterns for a specific incurred period to predict the ultimate payments for the period. Based on the information provided by the DOL, the MSPB's liability as of September 30, 2022 and 2021, was S379,437 and $400,929, respectively.

NOTE 7. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2022 were as follows:

		Current		Total
Intragovernmental				
Employer Contributions and Payroll Taxes Payable (without reciprocals)	$	115,047	$	115,047
Employer Contributions and Payroll Taxes Payable		397,124		397,124
Unfunded FECA Liability		5,018		5,018
Total Intragovernmental Other Liabilities	$	517,189	$	517,189
Other than Intragovernmental				
Accrued Funded Payroll and Leave	$	1,654,754	$	1,654,754
Other Liabilities w/Related Budgetary Obligations		5,954		5,954
Total Other than Intragovernmental Other Liabilities	$	1,660,708	$	1,660,708
Total Other Liabilities	$	2,177,897	$	2,177,897

Other liabilities account balances as of September 30, 2021 were as follows:

		Current		Total
Intragovernmental				
Employer Contributions and Payroll Taxes Payable (without reciprocals)	$	107,128	$	107,128
Employer Contributions and Payroll Taxes Payable		351,843		351,843
Other Post Employment Benefits Due and Payable		1,110		1,110
Unfunded FECA Liability		43,698		43,698
Total Intragovernmental Other Liabilities	$	503,779	$	503,779
Other than Intragovernmental				
Accrued Funded Payroll and Leave	$	1,496,502	$	1,496,502
Other Liabilities w/Related Budgetary Obligations		3,872		3,872
Total Other than Intragovernmental Other Liabilities	$	1,500,374	$	1,500,374
Total Other Liabilities	$	2,004,153	$	2,004,153

NOTE 8. LEASES

Operating Leases

The MSPB occupies office space at various locations nationwide. (Atlanta, Chicago, Dallas, Denver, New York, Philadelphia, Oakland, Arlington, VA and in Washington DC.) The lease agreement is with the General Service Administration (GSA) and is accounted for as an operating lease. The lease term began on January 1, 2012 and expires on August 31, 2031. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. The total operating lease expense for fiscal years 2022 and 2021 were $3,102,112 and $1,638,443, respectively. Below is a schedule of future payments for the term of the lease.

Fiscal Year	Asset Category Building	Totals Federal
2023	$ 3,860,046	$ 3,860,046
2024	3,688,643	3,688,643
2025	3,725,530	3,725,530
2026	3,762,785	3,762,755
2027	3,672,115	3,672,115
Thereafter	21,460,509	21,460,509
Total Future Lease Payments	$ 40,169,628	$ 40,169,598

The operating lease amount does not include estimated payments for leases with annual renewal options.

NOTE 9. COMMITMENTS AND CONTINGENCIES

The MSPB did not have any material contingent liabilities that met disclosure requirements as of September 30, 2022 and 2021.

NOTE 10. INTER-ENTITY COSTS

The MSPB recognizes certain inter-entity costs for goods and services that are received from other federal entities at no cost or at a cost less than the full cost. Certain costs of the providing entity that are not fully reimbursed are recognized as imputed cost and are offset by imputed revenue. Such imputed costs and revenues relate to employee benefits. The MSPB recognizes as inter-entity costs the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the periods ended September 30, 2022 and 2021, respectively, inter-entity costs were as follows:

	2022	2021
Office of Personnel Management	$ 2,011,870	$ 2,013,923
Total Imputed Financing Sources	$ 2,011,870	$ 2,013,923

NOTE 11. NET ADJUSTMENTS TO UNOBLIGATED BALANCE, BROUGHT FORWARD, OCTOBER 1

The Unobligated Balance Brought Forward from the prior fiscal year has been adjusted for recoveries of prior year paid and unpaid obligations and other changes such as canceled authority. The Adjustments to Unobligated Balance Brought Forward, October 1, as of September 30, 2022, and 2021, consisted of the following:

	2022	2021
Unobligated Balance Brought Forward From Prior Year, October 1	$ 7,442,648	$ 7,610,392
Recoveries of Prior Year Obligations	965,273	538,948
Other Changes in Unobligated Balances	(866,253)	(798,886)
Unobligated Balance From Prior Year Budget Authority, Net (Discretionary and Mandatory)	$ 7,541,668	$ 7,350,454

NOTE 12. UNDELIVERED ORDERS AT THE END OF THE PERIOD

As of September 30, 2022, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Paid Undelivered Orders	$ 28,284	$ -	$ 28,284
Unpaid Undelivered Orders	3,498,009	3,914,468	7,412,477
Total Undelivered Orders	$ 3,526,293	$ 3,914,468	$ 7,440,761

As of September 30, 2021, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Paid Undelivered Orders	$ 11,772	$ -	$ 11,772
Unpaid Undelivered Orders	2,641,743	3,106,374	5,748,117
Total Undelivered Orders	$ 2,653,515	$ 3,106,374	$ 5,759,889

NOTE 13. EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE U.S. GOVERNMENT

The President's Budget that will include fiscal year 2022 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2023 and can be found at the OMB Web site: *http://www.whitehouse.gov/omb/.* The 2023 Budget of the United States Government, with the "Actual" column completed for 2021, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

In Millions

	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Net Outlays
Combined Statement of Budgetary Resources	$ 54	$ 47	$ 43
Unobligated Balance Not Available	(1)	-	-
Difference - Due to Rounding	(1)	(1)	1
Budget of the U.S. Government	$ 52	$ 46	$ 44

NOTE 14. RECONCILIATION OF NET COST TO NET OUTLAYS

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

Reconciliation of Net Cost to Net Outlays as of September 30, 2022:

RECONCILIATION OF NET COST TO NET OUTLAYS
BUDGET AND ACCRUAL RECONCILIATION
FOR THE YEARS ENDED SEPTEMBER 30, 2022
(In Dollars)

	Intragovernmenta	Other than Intragovernmental	Total
Net Operating Cost (SNC)	$ 15,423,987	$ 33,943,625	$ 49,367,612
Components of Net Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(252,054)	(252,054)
Accounts Receivable, Net	-	1,061	1,061
Other Assets	16,513	-	16,513
(Increase)/Decrease in Liabilities:			
Accounts Payable	180,030	335,456	515,486
Federal Employee [and Veteran] Benefits Payable	-	316,631	316,631
Other Liabilities	(13,410)	(160,334)	(173,744)
Financing Sources:			
Imputed Cost	(2,011,870)	-	(2,011,870)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	$ (1,828,737)	$ 240,760	$ (1,587,977)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Financing Sources:			
Transfers Out (In) Without Reimbursements	(2,345,000)	-	(2,345,000)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	$ (2,345,000)	$ -	$ (2,345,000)
Total Net Outlays (Calculated Total)	$ 11,250,250	$ 34,184,385	$ 45,434,635
Budgetary Agency Outlays, Net (SBR 4210)			
Budgetary Agency Outlays, Net			$ 45,434,635

Reconciliation of Net Cost to Net Outlays as of September 30, 2021:

RECONCILIATION OF NET COST TO NET OUTLAYS
BUDGET AND ACCRUAL RECONCILIATION
FOR THE YEARS ENDED SEPTEMBER 30, 2021
(In Dollars)

	Intragovernmenta	Other than Intragovernmental	Total
Net Operating Cost (SNC)	$ 13,792,675	$ 32,257,901	$ 46,050,576
Components of Net Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(227,816)	(227,816)
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	-	139	139
(Increase)/Decrease in Liabilities:			
Accounts Payable	248,286	428,429	676,715
Federal Employee [and Veteran] Benefits Payable	-	161,658	161,658
Other Liabilities	24,354	(131,738)	(107,384)
Financing Sources:			
Imputed Cost	(2,013,923)	-	(2,013,923)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	$ (1,741,283)	$ 230,672	$ (1,510,611)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	-	894,183	894,183
Financing Sources:			
Transfers Out (In) Without Reimbursements	(2,345,000)	-	(2,345,000)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	$ (2,345,000)	$ 894,183	$ (1,450,817)
Total Net Outlays (Calculated Total)	$ 9,706,392	$ 33,382,756	$ 43,089,148
Budgetary Agency Outlays, Net (SBR 4210)			
Budgetary Agency Outlays, Net			$ 43,089,148