



U.S. Merit Systems Protection Board

**Agency
Financial
Report
FY 2015**

November 2015

United States
Merit Systems Protection Board



AGENCY FINANCIAL REPORT
For Fiscal Year 2015

NOVEMBER 2015

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**U.S. Merit Systems Protection Board
Fiscal Year 2015
Agency Financial Report**

Message from the Chairman

It is my honor to submit the Fiscal Year 2015 Agency Financial Report for the U.S. Merit Systems Protection Board (MSPB). I am pleased to report that as of September 30, 2015, MSPB has received an unqualified opinion on its financial statements.

In accordance with our legal requirements and Office of Management and Budget (OMB) guidance, I have determined that the financial data included in this report are complete and reliable. There are no material inadequacies or non-conformances in either the completeness or reliability of the financial data. MSPB has existing systems to guarantee the completeness and reliability of the financial data used in this report and is using OMB guidance to review and continually improve these systems. In addition, following an assessment of MSPB's comprehensive management control program, I certify, with reasonable assurance, that MSPB's systems of accounting and internal control comply with the provisions of the Federal Managers' Financial Integrity Act.

Respectfully,



Susan Tsui Grundmann
Chairman

November 16, 2015

U.S. Merit Systems Protection Board

FY 2015 Agency Financial Report

About MSPB

MSPB has its origin in the Pendleton Act of 1883, 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 MSPs (Merit System Principles) and defined the PPPs (Prohibited Personnel Practices).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 decision, conducting objective, merit systems studies, and reviewing the rules, regulations and significant actions of the Office of Personnel Management 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 is authorized 226 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

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.

agency actions against ALJs, MSPB employee appeals, and other cases assigned by MSPB. The functions of this office are currently performed by ALJs at the United States Coast Guard, the Federal Trade Commission, and the Environmental Protection Agency 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, rules on certain procedural matters, and issues MSPB decisions and orders. The office serves as MSPB's public information center, coordinates media relations, produces public information publications, 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 for payroll services, U.S. Department of the Treasury, Bureau of Fiscal Service (BFS) for accounting services, and U.S. Department of Agriculture, Animal and Plant Health Inspection Service for human resources management 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 petition for review 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.

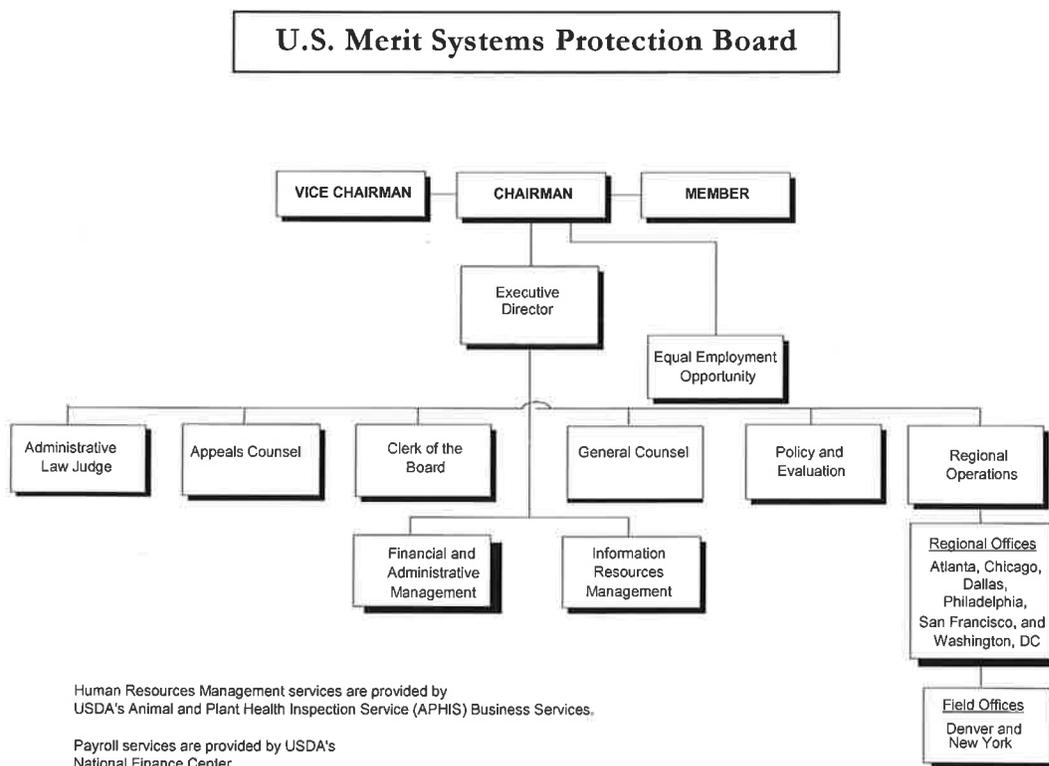
The **Office of Information Resources Management** develops, implements, and maintains MSPB's automated information systems to help the agency manage its caseload efficiently and carry out its administrative and research responsibilities.

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.

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



Human Resources Management services are provided by USDA's Animal and Plant Health Inspection Service (APHIS) Business Services.

Payroll services are provided by USDA's National Finance Center.

Accounting services are provided by the Department of the Treasury's Bureau of Fiscal Services

Management Discussion and Analysis

MSPB has chosen to produce an Agency Financial Report (AFR) and an Annual Performance Report (APR). MSPB will submit its FY 2015 APR with its Congressional Budget Justification and post it on the MSPB web site at www.mspb.gov at the time the President's 2017 budget is submitted to Congress in February 2016.

External Trends Affecting MSPB's Mission and Performance

A number of significant external trends and issues are likely to affect MSPB's mission to protect the Federal merit systems through FY 2016 and FY 2017.

External Trends

There are several external matters that have occurred and may occur which have and could have an impact MSPB's operations in the next couple of years, which would require additional resources.

In 2014, the Veterans Access, Choice and Accountability Act was enacted. Among other things, this law required MSPB to adjudicate certain appeals from senior executives who are fired from the Department of Veterans Affairs (VA) within 21 days. Our experience with the VA SES appeals we have received thus far is that adjudicating these appeals within 21 days requires that processing of other appeals are delayed because more resources are required to adjudicate the VA SES appeals in order to meet the 21 day requirement. We have not yet had two or more VA SES appeals pending in an office at a time. However, should this happen, the delay in processing other appeals would become even greater.

Additionally, we continue to experience an increase in work related to appeals and claims filed under the Whistleblower Protection Enhancement Act (WPEA). Our information indicates that because the WPEA eliminated the so-called *Huffman* jurisdictional exclusions, many more cases are proceeding all the way to a hearing whereas before the WPEA those same whistleblower appeals would have been dismissed pursuant to *Huffman*.

As to events and plans that may affect regional adjudications, we note that a Committee of the House passed a bill following up on the Veterans Act referenced above, which would place all employees of the VA under a system that would provide impose upon MSPB a 45-day deadline to issue on appeals filed under the proposed legislation. Because this is pending, and alternatives are being debated, we will not go into detail about its effects beyond noting these two facts. First, while the Veterans Access, Choice and Accountability Act applies only to the Senior Executive Service (SES), the second applies to all VA employees. This means that rather than covering a few hundred employees, the proposed law would sweep in hundreds of thousands (in the FY 2016 Budget in Brief, it is estimated the agency will have 353,941 employees). The most significant fact about that is that of those employees, health care professionals currently do not have MSPB appeal rights. There are approximately 190,000 health care professionals in the VA. Thus, MSPB would gain jurisdiction over a significant number of employees who currently cannot appeal adverse actions to MSPB. Second, the law requires MSPB to decide appeals within 45 days. If only a small portion of the approximately 300,000 VA employees that would be covered under this new legislation filed appeals requiring adjudication within 45 days, that alone could cause a significant backlog in adjudicating other MSPB appeals.

There has also been a longer-term impact from the massive influx of furlough appeals. In short, the processing and adjudicating the 32,000 furlough appeals has meant that other appeals to MSPB have been

delayed in being adjudicated. As we have noted in our FY 2016 budget request, the flood of these furlough appeals strained our IT infrastructure and case processing systems.

Interim Summary of MSPB's FY 2015 Program Performance

This performance summary contains interim FY 2015 performance results compared to the Annual Performance Plan for FY 2015, which was developed under MSPB's Strategic Plan for FY 2014-2018. MSPB is continuing to verify and validate its performance results for FY 2015. Final results will be published in the FY 2015 Annual Performance Report (APR) in February 2016.

Strategic Objective 1A: Provide high-quality resolution of appeals through adjudication and alternative dispute resolution.

Interim FY 2015 results indicate that this objective was **MET**. MSPB exceeded its adjudication performance goal targets related to decision quality for initial appeals and cases left unchanged by the U.S. Court of Appeals for the Federal Circuit. Due to the arrival of 32,400 furlough cases in FY 2013, MSPB set no target for average processing time for initial appeals for FY 2015. Even without a timeliness target, MSPB regional and field offices issued over 25,000 decisions, including approximately 93% of the furlough cases (cumulative from 2013), and about 70% of its non-furlough initial appeals workload. MSPB Headquarters issued over 3,000 decisions, and the average processing time for petitions for review (PFRs) was substantially less than the target. The number of pending PFRs at HQ was within 10% of the target, however, the number of PFRs pending for more than 300 days was well below the target. MSPB collected PFR and ADR customer feedback and issued a request for information to obtain submissions from vendors who have interest in providing a secure, web-based survey platform to support more efficient administration of customer surveys. In accordance with the Whistleblower Protection Enhancement Act of 2012, FY 2015 whistleblowing information will be reported in February 2016 in the FY 2015 APR.

Strategic Objective 1B: Enforce timely compliance with MSPB decisions.

Interim results indicate that this objective was **NOT MET**. The weighted average processing time for compliance enforcement cases closed at HQ and in the regional and field offices was more than 10% higher than the target level. Although MSPB did not meet this objective, we significantly improved by 54 days or 25% from the weighted average processing time at the end of FY 2014.

Strategic Objective 1C: Conduct objective, timely studies of the Federal of Federal merit systems and human capital management issues.

Interim results indicate this objective was **MET**. MSPB exceeded the performance targets for publication of *Issues of Merit* newsletter editions and flash content articles including an informative and educational article on the rules and reality of adverse actions. Newsletter and flash content articles covered almost all the Merit System Principles (MSPs) and several Prohibited Personnel Practices (PPPs). Four new merit system study reports were approved and published in FY 2015 including reports on Veteran's Employment Redress Laws, the Impact of Recruitment Strategy on Fair and Open Competition, Due Process in the Federal Civil Service, and a summary of the final Research Agenda for FY 2015-2018. MSPB secured contractor support to administer its the merit principles survey (MPS) which is scheduled for January-February 2016.

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 this objective was **MET**. The Board received 8 requests to review OPM regulations (most in the 4th quarter) and issued 1 decision. MSPB published its Annual Report for FY 2014, which contained review of OPM 2014 significant actions, including updates of significant actions initiated in earlier years. The OPM significant actions reviewed covered a broad range of MSPs and PPPs.

Strategic Objective 2A: Inform, promote, and/or encourage actions by policy-makers, as appropriate, that strengthen Federal merit systems laws and regulations.

Interim data indicate this objective was **EXCEEDED**. MSPB cases, studies, reports, newsletter articles and other products were cited hundreds of times in the print and electronic media, trade publications (on Federal management and legal issues), wire services, major city daily newspapers, Congressional sources, and a variety of websites and blogs. The Chairman issued two Statements for the Hearing Record to the Senate Committee on Veterans' Affairs regarding Pending Health Care and Benefits Legislation. The Government Accountability Office referenced to MSPB merit system study reports in a report on use of probationary periods in managing substandard performance, and two reports on strengthening employee engagement. An MSPB merit system study report was also referenced in the Dissenting Views section of House Report 114-225 on the VA Accountability Act of 2015 (H.R. 1994). In addition, MSPB posted research highlights for all of the merit systems study reports issued in 2015.

Strategic Objective 2B: Support and improve the practice of merit, adherence to MSPs, and prevention of PPPs in the workplace through outreach.

Interim results indicate this objective was **EXCEEDED**. MSPB exceeded the target for the number of outreach events conducted in FY 2015. Outreach events covered topics related to adjudication processes, Federal employment law, merit systems studies, and general merit issues. In addition, MSPB conducted several radio interviews on legal and merit systems studies topics.

Strategic Objective 2C: Advance the understanding of the concept of merit, MSPs, and PPPs through the use of educational standards, materials, and guidance established by MSPB.

Interim results indicate this objective was **MET**. The number of visits to pages on the MSPB website related to improving the understanding and practice of merit were within the targeted range. New educational and informational materials related to pro bono representation, appellant Q&A on Court cases, and MSPB's final regulations related to MSPB's jurisdiction were posted on the website. An educational course on adverse actions was developed for OPM's online Human Resource University (HRU.gov) and went live in March 2015. Collecting customer feedback from current web users was postponed until FY 2016 as we continue our effort to obtain a survey platform and because of a serious disruption of MSPB's IT infrastructure in late June 2015, that caused an outage of our entire virtual environment.

Management Objective M1: Lead and manage employees to ensure an engaged workforce with competencies to perform the mission.

Interim results for this objective indicate the objective will likely be **EXCEEDED**. Employee competency, diversity, and employee engagement results from OPMM's 2015 Federal Employee Viewpoint Survey (EVS) were more than 10% above the targets. Results for inclusion are not yet available and will be reported in the

final APR-APP published in February, 2016.

Management Objective M2: Manage Budget and financial resources and improve efficiency to ensure current and future resources. Interim results indicate this objective was **MET**. MSPB exceeded the target for percent of funded positions left vacant for six months or more. An RFI on e-Adjudication was issued, and a project timeline for expanding e-Case files and mandatory e-filing for agencies and appellant representatives was developed as well as guidance for archiving e-Case files. However, the timeline was suspended due to the IT incident and system outages beginning in June 2015. The timeline is under review for FY 2016. Approximately 53 percent of initial appeals and 80 percent of pleadings were filed electronically in FY 2015.

Management Objective M3: Manage information technology and information services programs to support our mission.

MSPB has not yet rated this objective. We are assessing results for this objective in terms of our identified measures. However, given the significant disruption to our IT infrastructure, we believe it will be important to consider factors and impacts beyond those involving the specific measures for this objective. MSPB will determine and publish results for this objective in its final APR-APP in February 2016.

Management Objective M4: Ensure individual and workplace safety and security.

Interim results for this measure are not yet available and will be published in February, 2016.

Management Assurances

Federal Managers' Financial Integrity Act (FMFLA)

In accordance with the FMFLA, 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)

The purpose of the Federal Financial Management Improvement Act of 1996 (FFMIA) is to advance Federal financial management by ensuring that Federal financial management systems provide accurate, reliable, and timely financial management information to the government's 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; and,
- Accountability over the assets is maintained.

The evaluation of management controls extends to every MSPB 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 is 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 is a matter of good stewardship. Accurate payments lower program costs. This is particularly important, as budgets have become increasingly tight.

OMB originally provided Section 57 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 Chief Financial Officer works with 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 2015.

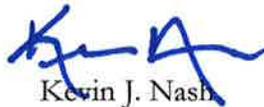
Message from the Chief Financial Officer

I am pleased to present the U.S. Merit Systems Protection Board (MSPB) financial statements for FY 2015 and to report that MSPB has earned an unqualified opinion on its FY 2015 consolidated financial statements. I am also particularly pleased to report that, once again, under the leadership of our Chairman, Susan Tsui Grundmann, no material weaknesses were identified in the auditor's report on internal controls. As in previous years, we are proud of our accomplishments in receiving this unqualified opinion as it validates our efforts in preserving the integrity of our financial reporting.

MSPB has partnered with the Department of the Treasury, BFS in Parkersburg, West Virginia, since 1992. BFS, designated by the Office of Management and Budget as a Center of Excellence, is responsible for handling our administrative payments and preparing our financial statements. Through its franchise operation, BFS has provided us with timely and complete reports to satisfy our day-to-day operating needs as well as the reporting requirements for Congress, our auditors, and other external reviewing organizations.

This working relationship between MSPB and BFS has facilitated the Agency's compliance with all external reporting requirements. The timeliness and completeness of the reports allow us to operate more efficiently and to identify and correct any potential problems quickly. Reports and communications between MSPB and BFS are virtually all electronic in compliance with efforts to increase the use of e-Government applications.

We take our financial accountability seriously and are committed to strengthening our financial performance. While we are proud of our accomplishment of receiving unqualified opinions for the past ten years, 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.



Kevin J. Nash
Chief Financial Officer
November 16, 2015

Notes on the Financial Statements`

Improving financial management continues to be a high priority of 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 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 the 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 2014 and FY 2015.

MERIT SYSTEMS PROTECTION BOARD

**AGENCY FINANCIAL REPORT,
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
SEPTEMBER 30, 2015 AND 2014**



**Prepared By
Brown & Company CPAs Management Consultants, PLLC
November 12, 2015**



MERIT SYSTEMS PROTECTION BOARD

**AGENCY FINANCIAL REPORT,
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2015 AND 2014**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets of the U.S. Merit Systems Protection Board (MSPB) as of September 30, 2015 and 2014, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (collectively referred to as the financial statements), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted government auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 15-2, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-2, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes test of compliance with provisions of applicable laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosure in the financial statements. The purpose was not to provide an opinion on compliance with provisions of applicable laws, regulations, contracts and grant agreements and, therefore, we do not express such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MSPB as of September 30, 2015 and 2014, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. *The Message From The Chairman, Message From the CFO* and the Other Information sections are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subject to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MSPB's internal control over financial reporting (internal control) to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of providing an opinion on internal control. Accordingly, we do not express such an opinion.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. During the audit of the financial statements no deficiencies in internal control were identified that were considered to be a material weakness. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MSPB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations and contracts applicable to the MSPB. The objective was not to provide an opinion on compliance with provisions of laws, regulations, contracts and grant agreements and therefore, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02.

Management's Responsibility for Internal Control and Compliance

MSPB's management is responsible for (1) evaluating effectiveness of internal control over financial reporting based on criteria established under the Federal Managers Financial Integrity Act (FMFIA), (2) providing a statement of assurance on the overall effectiveness of internal control over financial reporting, and (3) ensuring compliance with other applicable laws and regulations.

Auditor's Responsibilities

We are responsible for (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit, (2) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin No. 15-02 requires testing, and (3) applying certain limited procedures with respect to the MD&A and other RSI.

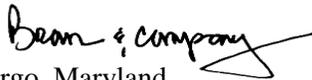
We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing internal control over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to MSPB. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin No. 15-02 that we deemed applicable to MSPB's financial statements for the fiscal year ended September 30, 2015. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of MSPB's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSBP's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

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



Largo, Maryland
November 12, 2015

MERIT SYSTEMS PROTECTION BOARD
BALANCE SHEET
AS OF SEPTEMBER 30, 2015 AND 2014
(In Dollars)

	2015	2014
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 12,179,668	\$ 12,429,481
Accounts Receivable (Note 3)	3,954	3,954
Other (Note 5)	57,720	74,109
Total Intragovernmental	12,241,342	12,507,544
Accounts Receivable, Net (Note 3)	3,597	4,170
Property, Equipment, and Software, Net (Note 4)	965,391	470,428
Total Assets	\$ 13,210,330	\$ 12,982,142
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 395,715	\$ 7,016
Other (Note 8)	302,759	263,614
Total Intragovernmental	698,474	270,630
Accounts Payable	211,063	108,197
Federal Employee and Veterans' Benefits (Note 7)	491,954	517,337
Other (Note 8)	3,545,728	3,415,628
Total Liabilities (Note 6)	\$ 4,947,219	\$ 4,311,792
Net Position:		
Unexpended Appropriations - Other Funds	\$ 10,573,440	\$ 11,494,417
Cumulative Results of Operations - Other Funds	(2,310,329)	(2,824,067)
Total Net Position	\$ 8,263,111	\$ 8,670,350
Total Liabilities and Net Position	\$ 13,210,330	\$ 12,982,142

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, 2015 AND 2014
(In Dollars)

	2015	2014
Program Costs: (Note 10)		
Adjudication		
Gross Costs	\$ 39,702,075	\$ 36,264,767
Less: Earned Revenue	1,674	-
Net Program Costs	\$ 39,703,749	\$ 36,264,767
Management Support		
Gross Costs	\$ 4,542,157	\$ 4,746,497
Net Program Costs	\$ 4,542,157	\$ 4,746,497
Merit Systems Studies		
Gross Costs	\$ 2,223,820	\$ 1,753,531
Net Program Costs	\$ 2,223,820	\$ 1,753,531
Net Cost of Operations	\$ 46,469,726	\$ 42,764,795

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, 2015 AND 2014
(In Dollars)

	2015	2014
Cumulative Results of Operations:		
Beginning Balances	\$ (2,824,067)	\$ (2,910,857)
Budgetary Financing Sources:		
Appropriations Used	42,708,650	38,321,181
Transfers In/Out Without Reimbursement	2,345,000	2,345,000
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources	1,929,814	2,185,404
Total Financing Sources	46,983,464	42,851,585
Net Cost of Operations	(46,469,726)	(42,764,795)
Net Change	513,738	86,790
Cumulative Results of Operations	\$ (2,310,329)	\$ (2,824,067)
Unexpended Appropriations:		
Beginning Balances	\$ 11,494,417	\$ 7,923,608
Budgetary Financing Sources:		
Appropriations Received	42,740,000	42,740,000
Other Adjustments	(952,327)	(848,010)
Appropriations Used	(42,708,650)	(38,321,181)
Total Budgetary Financing Sources	(920,977)	3,570,809
Total Unexpended Appropriations	\$ 10,573,440	\$ 11,494,417
Net Position	\$ 8,263,111	\$ 8,670,350

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

MERIT SYSTEMS PROTECTION BOARD
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(In Dollars)

	2015	2014
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 8,135,948	\$ 5,484,692
Recoveries of Prior Year Unpaid Obligations	400,181	60,249
Other changes in unobligated balance	(952,327)	(848,010)
Unobligated balance from prior year budget authority, net	7,583,802	4,696,931
Appropriations	42,740,000	42,740,000
Spending authority from offsetting collections	2,351,542	2,345,431
Total Budgetary Resources	\$ 52,675,344	\$ 49,782,362
Status of Budgetary Resources:		
Obligations Incurred (Note 12)	\$ 45,863,334	\$ 41,646,414
Unobligated balance, end of year:		
Apportioned (Note 2)	5,700,439	6,382,325
Unapportioned (Note 2)	1,111,571	1,753,623
Total unobligated balance, end of year	6,812,010	8,135,948
Total Budgetary Resources	\$ 52,675,344	\$ 49,782,362
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$ 4,297,487	\$ 3,182,311
Obligations Incurred (Note 12)	45,863,334	41,646,414
Outlays (gross)	(44,389,028)	(40,470,989)
Recoveries of Prior Year Unpaid Obligations	(400,181)	(60,249)
Unpaid Obligations, End of Year (Gross)	5,371,612	4,297,487
Uncollected payments:		
Uncollected Customer Payments, Federal Sources, Brought Forward, Octot	(3,954)	(3,954)
Uncollected Customer Payments, Federal Sources, End of Year	(3,954)	(3,954)
Obligated Balance, End of Year (Note 2)	\$ 5,367,658	\$ 4,293,533
Budget Authority and Outlays, Net:		
Budget authority, gross	\$ 45,091,542	\$ 45,085,431
Actual offsetting collections	(2,351,542)	(2,345,431)
Budget Authority, net, (total)	\$ 42,740,000	\$ 42,740,000
Outlays, gross	\$ 44,389,028	\$ 40,470,989
Actual offsetting collections	(2,351,542)	(2,345,431)
Agency outlays, net	\$ 42,037,486	\$ 38,125,558

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 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 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 and the Government Management Reform Act of 1994. They have been prepared from, and are fully supported by, the books and records of 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 MSPB 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 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 compliance with legal requirements on the use of federal funds.

D. Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of the MSPB's funds with Treasury in expenditure, receipt, and revolving 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. Treasury disburses funds for the agency on demand.

E. Accounts Receivable

Accounts receivable consists of amounts owed to 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. 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:

<u>Description</u>	<u>Useful Life (years)</u>
Leasehold Improvements	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 With the Public. Intragovernmental liabilities represent funds owed to another government agency. Liabilities with the Public 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, Federal Employees' Compensation Act (FECA), and the amounts due to Treasury for collection and accounts receivable of civil penalties and FOIA request fees. 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 effective at 50% for the 1st quarter of FY 2014 and 100% thereafter.

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 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 employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of MSPB 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 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 employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGSIP) 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. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The MSPB recognized imputed costs and financing sources in fiscal years 2015 and 2014 to the extent directed by accounting standards.

P. Contingencies

Liabilities are deemed contingent when the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. The MSPB recognizes contingent liabilities in the accompanying balance sheet and statement of net cost, when it is both probable and can be reasonably estimated. The MSPB discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met or when a loss from the outcome of future events is more than remote.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2015 and 2014, were as follows:

	2015	2014
Fund Balances:		
Appropriated Funds	\$ 12,179,668	\$ 12,429,481
Total	\$ 12,179,668	\$ 12,429,481

Status of Fund Balance with Treasury:

Unobligated Balance

Available	\$ 5,700,439	\$ 6,382,325
Unavailable	1,111,571	1,753,623
Obligated Balance Not Yet Disbursed	5,367,658	4,293,533
Total	\$ 12,179,668	\$ 12,429,481

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 13).

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2015 and 2014, were as follows:

	2015	2014
Intragovernmental		
Accounts Receivable	\$ 3,954	\$ 3,954
Total Intragovernmental Accounts Receivable	\$ 3,954	\$ 3,954
With the Public		
Accounts Receivable	\$ 3,597	\$ 4,170
Total Public Accounts Receivable	\$ 3,597	\$ 4,170
Total Accounts Receivable	\$ 7,551	\$ 8,124

The accounts receivable is primarily made up of Federal and Non-Federal Travel reimbursements and employee receivables.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2015 and 2014.

NOTE 4. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2015

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 1,940,054	\$ 1,730,723	\$ 209,331
Furniture & Equipment	908,997	152,937	756,060
Software	9,415,576	9,415,576	-
Total	\$ 12,264,627	\$ 11,299,236	\$ 965,391

Schedule of Property, Equipment, and Software as of September 30, 2014

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 1,785,765	\$ 1,694,979	\$ 90,786
Furniture & Equipment	483,027	103,385	379,642
Software	9,415,576	9,415,576	-
Total	\$ 11,684,368	\$ 11,213,940	\$ 470,428

NOTE 5. OTHER ASSETS

Other assets account balances as of September 30, 2015 and 2014, were as follows:

	2015	2014
Intragovernmental		
Advances and Prepayments	\$ 57,720	\$ 74,109
Total Intragovernmental Other Assets	\$ 57,720	\$ 74,109

Advance Balance consists entirely of an advance printing account with the US Government Printing Office.

NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for MSPB as of September 30, 2015 and 2014, 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.

	2015	2014
Intragovernmental – FECA	\$ 92,409	\$ 98,790
Intragovernmental – Unemployment Insurance	7,988	-
Unfunded Leave	2,686,967	2,682,539
Actuarial FECA	491,954	517,337
Total Liabilities Not Covered by Budgetary Resou	\$ 3,279,318	\$ 3,298,666
Total Liabilities Covered by Budgetary Resources	1,667,901	1,013,126
Total Liabilities	\$ 4,947,219	\$ 4,311,792

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 7. 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, 2015 and 2014, was \$491,954 and \$517,337, respectively.

NOTE 8. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2015 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 11,007	\$ 81,402	\$ 92,409
Unemployment Insurance Liability	7,988	-	7,988
Payroll Taxes Payable	202,362	-	202,362
Total Intragovernmental Other Liabilities	\$ 221,357	\$ 81,402	\$ 302,759
With the Public			
Payroll Taxes Payable	\$ 32,312	\$ -	\$ 32,312
Accrued Funded Payroll and Leave	825,307	-	825,307
Unfunded Leave	2,686,967	-	2,686,967
Employee Indebtedness	1,142	-	1,142
Total Public Other Liabilities	\$ 3,545,728	\$ -	\$ 3,545,728

Other liabilities account balances as of September 30, 2014 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 11,269	\$ 87,521	\$ 98,790
Payroll Taxes Payable	164,824	-	164,824
Total Intragovernmental Other Liabilities	\$ 176,093	\$ 87,521	\$ 263,614
With the Public			
Payroll Taxes Payable	\$ 27,145	\$ -	\$ 27,145
Accrued Funded Payroll and Leave	705,944	-	705,944
Unfunded Leave	2,682,539	-	2,682,539
Total Public Other Liabilities	\$ 3,415,628	\$ -	\$ 3,415,628

NOTE 9. LEASES

Operating Leases

The MSPB occupies office space at various locations nationwide (Atlanta, Chicago, Dallas, Denver, New York, Philadelphia, San Francisco, and in Washington DC at two locations). The lease agreement is with the General Services Administration (GSA) and is accounted for as an operating lease. This lease agreement covers all locations that the MSPB occupies. The lease term began on May 1, 2013 and expires on April 30, 2023. Below is a schedule of future payments for the term of the lease.

The MSPB occupies a warehouse space at one location with a lease agreement accounted for as an operating lease. The (Washington, DC warehouse) lease began on April 1, 2003 and expired on March 31, 2013. The MSPB continues to lease the space on a month to month basis until a new lease can be negotiated. The agency currently pays annual rent of \$34,000.

Fiscal Year	Office Space
2016	\$ 3,581,926
2017	3,739,221
2018	3,832,702
2019	3,928,520
2020	4,026,732
Thereafter	9,291,907
Total Future Payments	\$ 28,401,008

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

NOTE 10. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and revenue represent exchange transactions between the MSPB and other federal government entities, and are in contrast to those with non-federal entities (the public). Such costs and revenue are summarized as follows:

	2015	2014
Adjudication		
Intragovernmental Costs	\$ 12,783,999	\$ 11,738,448
Public Costs	26,918,076	24,526,319
Total Program Costs	39,702,075	36,264,767
Intragovernmental Earned Revenue	(1,087)	-
Public Earned Revenue	2,761	-
Net Program Costs	39,703,749	36,264,767
Management Support		
Intragovernmental Costs	\$ 1,316,904	\$ 1,297,425
Public Costs	3,225,253	3,449,072
Net Program Costs	4,542,157	4,746,497
Merit Systems Studies		
Intragovernmental Costs	\$ 386,489	\$ 313,656
Public Costs	1,837,332	1,439,875
Net Program Costs	2,223,820	1,753,531
Total Intragovernmental Costs	\$ 14,487,392	\$ 13,349,529
Total Public Costs	31,980,660	29,415,266
Total Costs	46,468,052	42,764,795
Total Intragovernmental Earned Revenue	(1,087)	-
Total Public Earned Revenue	2,761	-
Total Net Cost	\$ 46,469,726	\$ 42,764,795

NOTE 11. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include fiscal year 2015 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2016 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2016 Budget of the United States Government, with the "Actual" column completed for 2014, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 12. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2015 and 2014 consisted of the following:

	2015	2014
Direct Obligations, Category A	\$ 43,517,247	\$ 39,300,983
Reimbursable Obligations, Category A	2,346,087	2,345,431
Total Obligations Incurred	\$ 45,863,334	\$ 41,646,414

Category A apportionments distribute budgetary resources by fiscal quarters.

NOTE 13. UNDELIVERED ORDERS AT THE END OF THE PERIOD

As of September 30, 2015 and 2014, budgetary resources obligated for undelivered orders amounted to \$3,761,430 and \$3,358,469, respectively.

NOTE 14. CUSTODIAL ACTIVITY

The MSPB's custodial collection primarily consists of Freedom of Information Act requests. While these collections are considered custodial, they are neither primary to the mission of the MSPB nor material to the overall financial statements. The MSPB's total custodial collections are \$164 and \$0 for the years ended September 30, 2015, and 2014, respectively.

NOTE 15. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The MSPB has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

	2015	2014
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$45,863,334	\$41,646,414
Spending Authority From Offsetting Collections and Recoveries	(2,751,723)	(2,405,680)
Net Obligations	43,111,611	39,240,734
Other Resources		
Imputed Financing From Costs Absorbed By Others	1,929,814	2,185,404
Net Other Resources Used to Finance Activities	1,929,814	2,185,404
Total Resources Used to Finance Activities	45,041,425	41,426,138
Resources Used to Finance Items Not Part of the Net Cost of Operations	1,330,015	1,106,391
Total Resources Used to Finance the Net Cost of Operations	46,371,440	42,532,529
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
	98,286	232,266
Net Cost of Operations	\$46,469,726	\$42,764,795