



U.S. Merit Systems Protection Board

**Agency
Financial
Report
Fiscal Year 2021**

November 2021

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Message from the Acting Chief Executive and Administrative Officer



U.S. MERIT SYSTEMS PROTECTION BOARD Washington D.C. 20036

November 15, 2021

As the Acting Chief Executive and Administrative Officer* at the U.S. Merit Systems Protection Board (MSPB), I have the privilege to present our fiscal year (FY) 2021 Agency Financial Report (AFR). Our AFR presents MSPB's priorities, challenges, and accomplishments as we navigated the fiscal year without a Board through the pandemic.

MSPB's mission is to protect the merit system principles and promote an effective Federal workforce free of prohibited personnel practices. We are committed to fulfilling this mission with accountability, transparency, and effective stewardship of taxpayers' dollars. The financial information contained in this AFR demonstrates our conscientious management of those resources.

The agency's FY 2021 financial statements were audited by independent auditors. I am pleased to report that MSPB has attained an unmodified (clean) opinion on its consolidated financial statements, providing reasonable assurance that the financial statements are in accordance with the U.S. Generally Accepted Accounting Principles (GAAP).

It is an honor to work with the talented men and women of MSPB who devote their careers to upholding the merit system principles that govern our federal workforce.

Respectfully,

A handwritten signature in blue ink, appearing to read "Tristan Leavitt".

Tristan Leavitt
General Counsel and
Acting Chief Executive and Administrative Officer

* Because there are currently no Presidentially-appointed, Senate-confirmed Board members, pursuant to the MSPB's November 16, 2018 Continuity of Operations Plan, the functions of the MSPB's chief executive and administrative officer are vested in the General Counsel.

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 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, 2020 through September 30, 2021.

MSPB has chosen to produce an AFR and an Annual Performance Report (APR). MSPB will submit its FY 2021 APR with its Congressional Budget Justification and post it on the agency's website at <http://www.mspb.gov> at the time the President's FY 2023 Budget is submitted to Congress in 2022.

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 FY 2021 Performance results. It also includes relevant performance information related to the MSPB's strategic and management objectives.

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;
- 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 assets is maintained.

Financial Section

This section contains details of MSPB's financial position in FY 2021 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 Section

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

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, 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 (NFC) 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 (APHIS) for human resources management services.

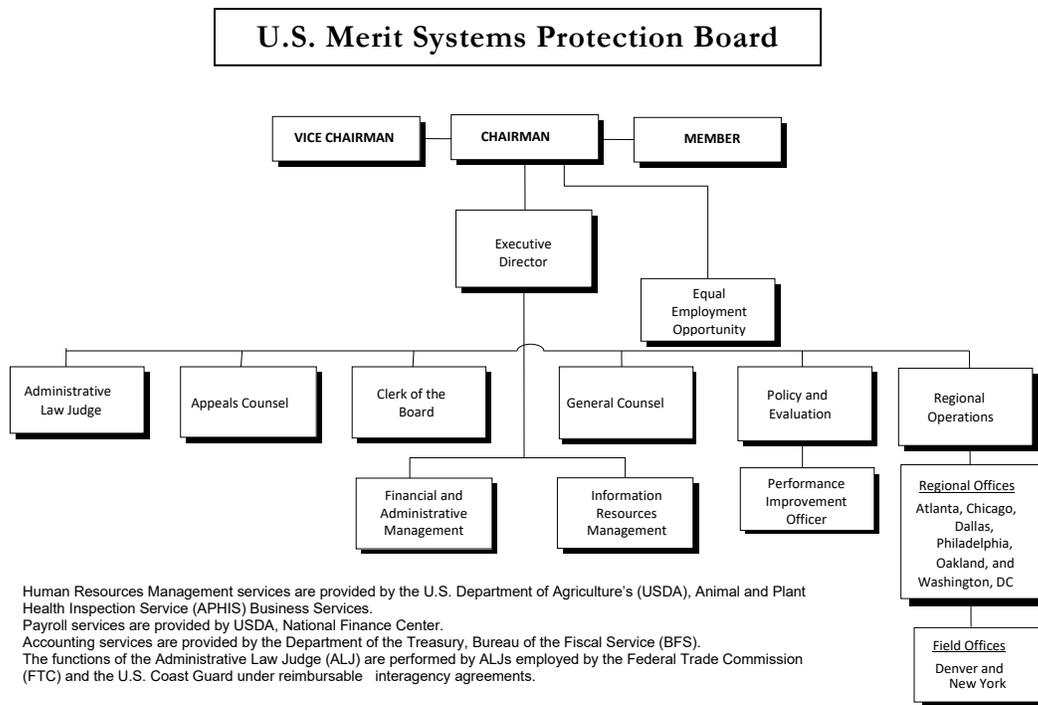
The **Office of the General Counsel**, as legal counsel to MSPB, advises the Board and MSPB offices on a wide range of legal matters arising from day-to-day operations. The office represents MSPB in litigation; prepares proposed decisions for the Board to enforce a final MSPB decision or order, in response to requests to review OPM regulations, and for other assigned cases; conducts the agency's 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 2021 Program Performance

This performance summary contains interim FY 2021 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 2021. MSPB is continuing to verify and validate FY 2021 performance results for FY 2021, and final performance results will be published in the FY 2021 Annual Performance Report (APR) released in February 2022.

Strategic Objective 1A: Provide understandable, high-quality resolution of appeals, supported by fair and efficient adjudication and alternative dispute resolution (ADR) processes. Interim results indicate that this objective was **Partially Met**. MSPB exceeded its targets for average processing time for initial appeals and achieved the targets for cases left unchanged by the court and for conducting surveys of adjudication and ADR customers. MSPB lacked a quorum for all of FY 2021 so did not set targets for nor rate the results for quality of initial appeals (which is based on petition for review (PFR) decisions), or for average PFR processing time. MSPB continued to process cases at headquarters (HQ) and prepare draft decisions in PFR and original jurisdiction cases for review by new Board members when they arrive. As of the end of FY 2021, 3,465 cases were pending at HQ.

Strategic Objective 1B: Enforce timely compliance with MSPB decisions. This objective was **Not Rated (No Quorum)**. MSPB lacked a quorum for all of FY 2021, so was unable to set a target for nor release decisions in compliance/enforcement cases at HQ. Therefore, this objective and accompanying performance goal were not rated.

Strategic Objective 1C: Conduct objective, timely studies of the Federal merit systems and Federal human capital management issues. Interim results indicate this objective was **Exceeded**. MSPB achieved its targets for newsletters and other articles by publishing three *Issues of Merit* newsletter editions. MSPB exceeded its target for studies reports or research briefs publishing 5 research briefs on: the importance of job fit for agencies and employees; direct hire authority; determining acceptable level of competence; agency leader responsibilities for PPPs, and employee confidence in ability to perform. MSPB exceeded its target for conducting surveys by successfully completing the 2021 Merit Principles Survey (MPS) that was administered to more agencies and took less than half the time from final content to launch.

Strategic Objective 1D: Review and act upon the rules, regulations, and significant actions of OPM, as appropriate. Interim results indicate that this objective was **Partially Met**. MSPB lacked a quorum for all of FY 2021, so it did not set a target for nor rate the performance goal involving review of OPM regulations. MSPB achieved its target for reviewing OPM significant actions by publishing the Annual Report for FY 2020, which included a review of OPM significant actions such as the COVID-19 pandemic, improving applicant assessment, human capital (HC) reviews, and guidance on the appointment of political appointees to the career service during the election period.

Strategic Objective 2A: MSPB's work is referenced by a variety of policy-related, educational, professional, or media resources. Interim results indicate that this objective was **Not Met**. MSPB's work was referenced in 92 sources, which was less than 90 percent of the number of sources reported in FY 2020. Notable references included OPM's final [regulations](#) on Probation, Performance-Based Reduction in Grade, and Removal Actions; NAPA's [report](#) on the review of OPM; GAO reports on sexual harassment, employee engagement, and gender pay differences; and in a [letter](#) from the House Committee of Oversight and Reform to President Biden calling for nominations of MSPB board members.

Strategic Objective 2B: Support and improve the practice of merit, adherence to the Merit System Principles (MSP), and prevention of Prohibited Personnel Practices (PPPs) in the workplace through successful outreach. Interim results indicate this objective was **Exceeded**. MSPB conducted over 135 outreach events which was more than double the target number of 60 events. The COVID-19 pandemic negatively affected the number of outreach events in FY 2020 resulting in a very conservative target for FY 2021. The number of events in FY 2021 was similar to the average number of outreach events conducted in FY 2015-2019. Notably, MSPB was invited to speak with OMB officials about hiring assessments using subject matter experts (SMEs) and structured interviews.

Strategic Objective 2C: Advance the understanding of the concept of merit, MSPs, and PPPs by developing and sharing informational and educational materials and guidance. Interim results indicate this objective was **Exceeded**. MSPB exceeded the target for the number of educational and informational materials made available on the website with over 25 documents posted or updated in each of 12 categories. These documents included: 5 research briefs; 3 *IoM* editions, 5 agency documents; 2020 AES/FEVS results; 2 Federal Register notices, 8 press releases, 3 Privacy Impact Assessments, 2 No FEAR Act updates, and many updates to pending cases at HQ and MSPB case reports.

Management Objective M1: Lead, manage and develop employees to ensure a diverse, inclusive, and engaged workforce with the competencies to perform MSPB's mission and support functions successfully. Interim results are **Exceeded**. Results from the 2021 Internal Survey (IS) indicated that the target for competencies was met, and the targets for diversity/inclusion and engagement were exceeded.

Management Objective M2: Develop budgets and manage financial resources to ensure necessary resources now and in the future. This objective was **Not Rated** because it was discontinued in mid-2021 as not needed.

Management Objective M3: Improve and maintain information technology (IT) and information services programs to support agency mission and administrative functions. Interim results indicate that this objective was **Exceeded**. Results from the 2021 IS indicated that the employee ratings of availability and reliability of the IT infrastructure and satisfaction with IRM support exceeded their respective targets. The target for cybersecurity was met.

Management Objective M4: Modernize core business applications to achieve electronic adjudication and provide a web-based survey capability. Interim results for this measure indicate this objective was **Met**. Wireframes for new adjudication applications and pilot release 1 were completed; 84 percent of initial appeals and 94 percent of pleadings were filed electronically, the highest percentages since we started measuring them in FY 2012. The MPS was successfully completed in April 2021; an authority to operate (ATO) was issued for the survey platform; and a System of Records Notice (SORN) was published for MSPB studies.

Systems, Controls, and Legal Compliances

Federal Managers' Financial Integrity Act (FMFLA) of 1982

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) 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 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 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 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 is 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 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 2021.

Financial Section

Message from the Chief Financial Officer

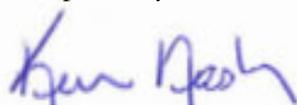
It is my honor to join Tristan Leavitt, General Counsel and Acting Chief Executive and Administrative Officer, in presenting the U.S. Merit Systems Protection Board's (MSPB) financial statements for Fiscal Year (FY) 2021 in our Agency Financial Report (AFR). MSPB is dedicated to financial accountability, responsible stewardship of taxpayer dollars, and transparency. The AFR represents MSPB's statement of accountability to the President of the United States, Congress, and to the American people.

MSPB has attained an unmodified (clean) opinion on its FY 2021 consolidated financial statements. This accomplishment marks 15 years of MSPB receiving a clean audit opinion on its financial statements. As in previous fiscal years, no material weaknesses were identified in the auditor's report on internal controls; nor were there any material instances of noncompliance with laws and regulations.

Since 1992, MSPB has partnered with the Department of the Treasury, Bureau of the Fiscal Service (BFS) in Parkersburg, West Virginia to facilitate the Agency's compliance with all external reporting requirements. Through its financial operations, BFS has provided us with timely and complete reports allowing us to operate more efficiently and to identify and resolve potential concerns quickly. I sincerely thank all MSPB and BFS financial personnel for their dedication, diligence, and excellence work throughout the fiscal year as we continue to act as good stewards of public funds.

This achievement is a culmination of the dedicated and meticulous efforts of our MSPB employees and BFS partners who collaborate to accomplish the mission of MSPB – to protect the Federal merit systems and the rights of individuals within those systems. I sincerely thank MSPB and BFS personnel for their dedication to excellence and accuracy.

Respectfully,



Kevin J. Nash
Chief Financial Officer
November 15, 2021

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 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 2020 and FY 2021.

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 2021. Table 1 relates to the Agency’s FY 2021 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 at Transaction Level	No lack of compliance noted			No lack of compliance noted		

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 (November 2, 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 had adjusted for inflation to CMP. MSPB published its latest adjustments for inflation to CMPs (86 FR 7797-7798, Civil Monetary Penalty Inflation Adjustment) in the Federal Register on February 2, 2021, pages 7797-7798, and 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 February 2, 2021.

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 (CSRA)	Disciplinary Action	1989	2021	\$1,125	Federal Register 86 (Feb. 2021): 7797-7798 www.mspb.gov
5 U.S.C § 7326, Hatch Act Modernization Act of 2012	Penalties	2012	2021	\$1,125	Federal Register 86 (Feb. 2021): 7797-7798 www.mspb.gov

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MERIT SYSTEMS PROTECTION BOARD

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

**FOR THE YEARS ENDED
SEPTEMBER 30, 2021 AND 2020**



**Prepared By
Brown & Company CPAs and Management Consultants, PLLC
November 12, 2021**



MERIT SYSTEMS PROTECTION BOARD

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2021 AND 2020**

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INDEPENDENT AUDITOR’S REPORT

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

In our audits of the fiscal years 2021 and 2020 financial statements of U.S. Merit Systems Protection Board (MSPB), we found

- MSPB’s financial statements as of and for the fiscal years ended September 30, 2021, and 2020, are presented fairly, in all material respects, in accordance with 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 for fiscal year 2021 with provisions of applicable laws, regulations, contracts, and grant agreements we tested

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

Report on the Financial Statements

In accordance with the provisions of 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, 2021, and 2020; 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.

We conducted our audits in accordance with U.S. generally accepted government auditing standards and the provisions of OMB Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management’s Responsibility

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 documents containing the audited financial statements and auditor’s report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including 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 audits. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements 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 auditor's 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 of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, MSPB's financial statements present fairly, in all material respects, MSPB's financial position as of September 30, 2021, and 2020, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

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. Although the RSI is not a part of the financial statements, FASAB considers this information 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. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on MSPB's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audits of the MSPB's financial statements, we considered the MSPB's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to the MSPB's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

MSPB management is responsible for maintaining effective internal control over financial reporting, including 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

In planning and performing our audit of MSPB's financial statements as of and for the year ended September 30, 2020, in accordance with U.S. generally accepted government auditing standards, we considered the MSPB's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MSPB's internal control over financial reporting. Accordingly, we do not express an opinion on the 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.

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.

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.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of the MSPB's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the MSPB's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the 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 responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

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

Auditor's Responsibility

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 perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to MSPB.

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 2020 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.

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.

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


Greenbelt, Maryland
November 12, 2021

MERIT SYSTEMS PROTECTION BOARD
BALANCE SHEET
AS OF SEPTEMBER 30, 2021 AND 2020
(In Dollars)

	2021	2020
Assets:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 16,160,702	\$ 15,558,737
Advances and Prepayments	11,772	11,772
Total Intragovernmental	16,172,474	15,570,509
With the Public:		
Accounts Receivable, Net (Note 3)	1,416	1,278
General Property, Plant, and Equipment, Net (Note 4)	2,240,629	1,574,263
Total With the Public	2,242,045	1,575,541
Total Assets	\$ 18,414,519	\$ 17,146,050
Liabilities (Note 5):		
Intragovernmental:		
Accounts Payable	\$ 286,134	\$ 534,421
Other Liabilities (Note 7)	503,779	528,133
Total Intragovernmental	789,913	1,062,554
With the Public:		
Accounts Payable	579,355	1,007,785
Federal Employee [and Veteran] Benefits Payable	4,020,785	4,182,446
Other Liabilities (Note 7)	1,500,374	1,368,636
Total With the Public	6,100,514	6,558,867
Total Liabilities	\$ 6,890,427	\$ 7,621,421
Net Position:		
Total Unexpended Appropriations	\$ 8,512,317	\$ 9,721,413
Total Cumulative Results of Operations	3,011,775	(196,784)
Total Net Position	11,524,092	9,524,629
Total Liabilities and Net Position	\$ 18,414,519	\$ 17,146,050

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, 2021 AND 2020
(In Dollars)

	2021	2020
Gross Program Costs:		
Program Adjudication:		
Gross Costs	\$ 38,716,185	\$ 40,103,974
Less: Earned Revenue	(75,737)	(246,659)
Net Program Costs	\$ 38,640,448	\$ 39,857,315
Program Management Support:		
Gross Costs	\$ 5,087,313	\$ 5,483,999
Net Program Costs	\$ 5,087,313	\$ 5,483,999
Program Merit Systems Studies:		
Gross Costs	\$ 2,322,815	\$ 2,363,507
Net Program Costs	\$ 2,322,815	\$ 2,363,507
Net Cost of Operations	\$ 46,050,576	\$ 47,704,821

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, 2021 AND 2020
(In Dollars)

	2021	2020
Unexpended Appropriations:		
Beginning Balances	\$ 9,721,413	\$ 11,759,629
Appropriations Received	44,490,000	44,490,000
Other Adjustments	(798,886)	(1,065,661)
Appropriations Used	(44,900,210)	(45,462,555)
Net Change in Unexpended Appropriations	(1,209,096)	(2,038,216)
Total Unexpended Appropriations - Ending	\$ 8,512,317	\$ 9,721,413
Cumulative Results of Operations:		
Beginning Balances	\$ (196,782)	\$ (2,220,156)
Appropriations Used	44,900,210	45,462,555
Transfers In/Out Without Reimbursement	2,345,000	2,345,000
Imputed Financing (Note 9)	2,013,923	1,920,638
Net Cost of Operations	(46,050,576)	(47,704,821)
Net Change in Cumulative Results of Operations	3,208,557	2,023,372
Cumulative Results of Operations - Ending	\$ 3,011,775	\$ (196,784)
Net Position	\$ 11,524,092	\$ 9,524,629

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, 2021 AND 2020
(In Dollars)

	2021	2020
Budgetary Resources:		
Unobligated balance from prior year budget authority, net (Note 10)	\$ 7,350,454	\$ 6,912,204
Appropriations	44,490,000	44,490,000
Spending authority from offsetting collections	2,420,737	2,591,440
Total Budgetary Resources	\$ 54,261,191	\$ 53,993,644
Status of Budgetary Resources:		
New obligations and upward adjustments (total)	\$ 46,818,543	\$ 46,383,252
Unobligated balance, end of year:		
Apportioned, unexpired accounts	6,215,154	6,093,617
Unexpired unobligated balance, end of year	6,215,154	6,093,617
Expired unobligated balance, end of year	1,227,494	1,516,775
Unobligated balance, end of year (total)	7,442,648	7,610,392
Total Budgetary Resources	\$ 54,261,191	\$ 53,993,644
Outlays, Net and Disbursements, Net:		
Outlays, net (total)	\$ 43,089,148	\$ 42,393,656
Distributed Offsetting Receipts	-	(1,200)
Agency outlays, net	\$ 43,089,148	\$ 42,392,456

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 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 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 compliance with legal requirements on the use of federal funds.

D. Fund Balance with Treasury

FBWT 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, 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. 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 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:

<u>Description</u>	<u>Useful Life (years)</u>
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.

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, actuarial FECA, and the amounts due to Treasury for collection and accounts receivable of civil penalties and FOIA request fees.

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 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 the 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 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 statement's 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. Reclassification

Certain fiscal year 2020 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

N. 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, 2021 and 2020, were as follows:

	2021	2020
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	\$ 6,215,154	\$ 6,093,617
Unavailable	1,227,494	1,516,775
Obligated Balance Not Yet Disbursed	8,718,054	7,948,345
Total	\$ 16,160,702	\$ 15,558,737

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 11).

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2021 and 2020, were as follows:

	2021	2020
With the Public		
Accounts Receivable	\$ 1,416	\$ 1,278
Total Accounts Receivable	\$ 1,416	\$ 1,278

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, 2021 and 2020.

NOTE 4. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

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

Schedule of General Property, Plant and Equipment, Net as of September 30, 2020:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 2,083,762	\$ 1,976,578	\$ 107,184
Furniture & Equipment	960,763	603,658	357,105
Software	9,606,765	9,413,983	192,782
Software-in-Development	917,192	-	917,192
Total	\$ 13,568,482	\$ 11,994,219	\$ 1,574,263

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the MSPB as of September 30, 2021 and 2020, 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.

	2021	2020
Intragovernmental – FECA	\$ 43,698	\$ 87,261
Unfunded Leave	3,475,862	3,456,201
Actuarial FECA	400,929	573,882
Other Employee Liabilities	-	200
Total Liabilities Not Covered by Budgetary Resources	\$ 3,920,489	\$ 4,117,544
Total Liabilities Covered by Budgetary Resources	2,969,938	3,503,877
Total Liabilities	\$ 6,890,427	\$ 7,621,421

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, 2021 and 2020, was \$400,929 and \$573,882, respectively.

NOTE 7. OTHER LIABILITIES

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
With the Public		
Accrued Funded Payroll and Leave	\$ 1,496,502	\$ 1,496,502
Other Liabilities w/Related Budgetary Obligations	3,872	3,872
Total Public Other Liabilities	\$ 1,500,374	\$ 1,500,374
Total Other Liabilities	\$ 2,004,153	\$ 2,004,153

Other liabilities account balances as of September 30, 2020 were as follows:

	Current	Total
Intragovernmental		
Employer Contributions and Payroll Taxes Payable (without reciprocals)	\$ 93,095	\$ 93,095
Employer Contributions and Payroll Taxes Payable	298,283	298,283
Other Post Employment Benefits Due and Payable	49,494	49,494
Unfunded FECA Liability	87,261	87,261
Total Intragovernmental Other Liabilities	\$ 528,133	\$ 528,133
With the Public		
Accrued Funded Payroll and Leave	\$ 1,362,178	\$ 1,362,178
Other Employee Liabilities w/o Related Budgetary Obligations	200	200
Other Liabilities w/Related Budgetary Obligations	6,258	6,258
Total Public Other Liabilities	\$ 1,368,636	\$ 1,368,636
Total Other Liabilities	\$ 1,896,769	\$ 1,896,769

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. This lease agreement covers all locations that the MSPB occupies. 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 2021 and 2020 were \$1,638,443 and \$3,155,490, respectively. Below is a schedule of future payments for the term of the lease.

Fiscal Year	Asset Category	Totals
	Building	Federal
2022	\$ 3,738,235	\$ 3,738,235
2023	3,800,486	3,800,486
2024	3,586,757	3,586,757
2025	3,661,558	3,661,558
2026	3,734,789	3,734,789
Thereafter	25,837,119	25,837,119
Total Future Lease Payments	\$ 44,358,944	\$ 44,358,944

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

NOTE 9. 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 and claims to be settled by the Treasury Judgement Fund. 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, 2021 and 2020, respectively, inter-entity costs were as follows:

	2021	2020
Office of Personnel Management	\$ 2,013,923	\$ 1,920,638
Total Imputed Financing Sources	\$ 2,013,923	\$ 1,920,638

NOTE 10. 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, 2021, and 2020, consisted of the following:

	2021	2020
Unobligated Balance Brought Forward From Prior Year, October 1	\$ 7,610,392	\$ 6,858,280
Recoveries of Prior Year Obligations	538,948	1,119,585
Other Changes in Unobligated Balances	(798,886)	(1,065,661)
Unobligated Balance From Prior Year Budget Authority, Net (Discretionary and Mandatory)	\$ 7,350,454	\$ 6,912,204

NOTE 11. UNDELIVERED ORDERS AT THE END OF THE PERIOD

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

As of September 30, 2020, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Paid Undelivered Orders	\$ 11,772	\$ -	\$ 11,772
Unpaid Undelivered Orders	1,972,657	2,471,811	4,444,468
Total Undelivered Orders	\$ 1,984,429	\$ 2,471,811	\$ 4,456,240

NOTE 12. EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE U.S. GOVERNMENT

The President’s Budget that will include fiscal year 2021 actual budgetary execution information has not yet been published. The President’s Budget is scheduled for publication in February 2022 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2022 Budget of the United States Government, with the “Actual” column completed for 2020, 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	\$ 46	\$ 42
Unobligated Balance Not Available	(2)	-	-
Budget of the U.S. Government	\$ 52	\$ 46	\$ 42

NOTE 13. CUSTODIAL ACTIVITY

The MSPB’s custodial collection primarily consists of penalties and fines collected. 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 \$0 and \$1,200 for the years ended September 30, 2021, and 2020, respectively.

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, 2021:

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

	Intragovernmental	With the Public	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

Reconciliation of Net Cost to Net Outlays as of September 30, 2020:

**RECONCILIATION OF NET COST TO NET OUTLAYS
BUDGET AND ACCRUAL RECONCILIATION
FOR THE YEARS ENDED SEPTEMBER 30, 2020
(In Dollars)**

	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	\$ 14,838,096	\$ 32,866,725	\$ 47,704,821
Components of Net Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(117,737)	(117,737)
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	-	(11,776)	(11,776)
Other Assets	6,586	-	6,586
(Increase)/Decrease in Liabilities:			
Accounts Payable	272,215	(535,568)	(263,353)
Federal Employee and Veteran Benefits Payable	-	(498,909)	(498,909)
Other Liabilities	(123,897)	(227,630)	(351,527)
Financing Sources:			
Imputed Cost	(1,920,638)	-	(1,920,638)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	\$ (1,765,734)	\$ (1,391,620)	\$ (3,157,354)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	-	191,189	191,189
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)	\$ 191,189	\$ (2,153,811)
Misc Items			
Custodial/Non-Exchange Revenue	1,179	(1,179)	-
Total Other Reconciling Items	\$ 1,179	\$ (1,179)	\$ (1,200)
Total Net Outlays (Calculated Total)	\$ 10,728,541	\$ 31,665,115	\$ 42,392,456
Budgetary Agency Outlays, Net (SBR 4210)			
Budgetary Agency Outlays, Net			\$ 42,392,456