



U.S. Merit Systems Protection Board

**Agency
Financial
Report
Fiscal Year 2018**

November 2018

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Message from the Vice Chairman



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

Office of the Vice Chairman

I am pleased to present the U.S. Merit Systems Protection Board's (MSPB) Agency Financial Report (AFR) for fiscal year (FY) 2018 and to report that as of September 30, 2018, MSPB has received an unmodified (clean) opinion on its financial statements. This is the final AFR that will be published and released under my direction and leadership, as we remain committed to protecting the civil service merit systems. The AFR is an opportunity for us to highlight the Agency's accomplishments and challenges in FY 2018. This report provides an assessment of the Agency's financial status along with information on our financial management and performance; it also provides a window of transparency for our key stakeholders and the American public to assess our financial information and performance.

Following an assessment of MSPB's comprehensive management control program, I certify, with reasonable assurance that our financial management systems have been found to be in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996. In accordance with Office of Management and Budget (OMB) Circulars A-136 and A-11, the financial and performance data published in this report are substantially complete and reliable.

In summary, MSPB remains committed to the important work of ensuring that we meet the mission of the organization – "Protect the Merit System Principles and promote an effective Federal workforce free of Prohibited Personnel Practices." We will continue to dedicate our resources to primarily processing appeals for Federal employees involving, among others, adverse actions, whistleblower claims and veterans issues; in addition to ensuring that we are effective stewards of taxpayers' dollars.

Respectfully,

Mark A. Robbins*
Vice Chairman
November 15, 2018

* Because the office of Chairman currently is vacant, the functions of the chief executive and administrative officer of the Merit Systems Protection Board are vested in the Vice Chairman pursuant to 5 U.S.C. § 1203(b).

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, 2017 through September 30, 2018.

MSPB has chosen to produce an AFR and an Annual Performance Report (APR). MSPB will submit its FY 2018 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 2020 Budget is submitted to Congress in 2019.

This report is organized into the following major components:

The Merit Systems Protection Board

This section provides an overview of the MSPB. It discusses the agency's mission, board organization, program offices and their functions, and organization chart.

Management Discussion and Analysis (MD&A)

This section provides an overview of the performance information contained in the Interim FY 2018 Performance results compared to the Annual Performance Plan for FY 2018, which was developed under MSPB's Strategic Plan for FY 2018-2022. It also includes relevant performance information related to the MSPB's strategic and management objectives.

Management Assurances

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 2018 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.

The Merit Systems Protection Board

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 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 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 PPPs.

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, Federal Trade Commission, and 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 (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 the Fiscal Service (BFS) for accounting services, and U.S. Department of Agriculture, Animal and Plant Health Inspection Service (APHIS) for human resources management services.

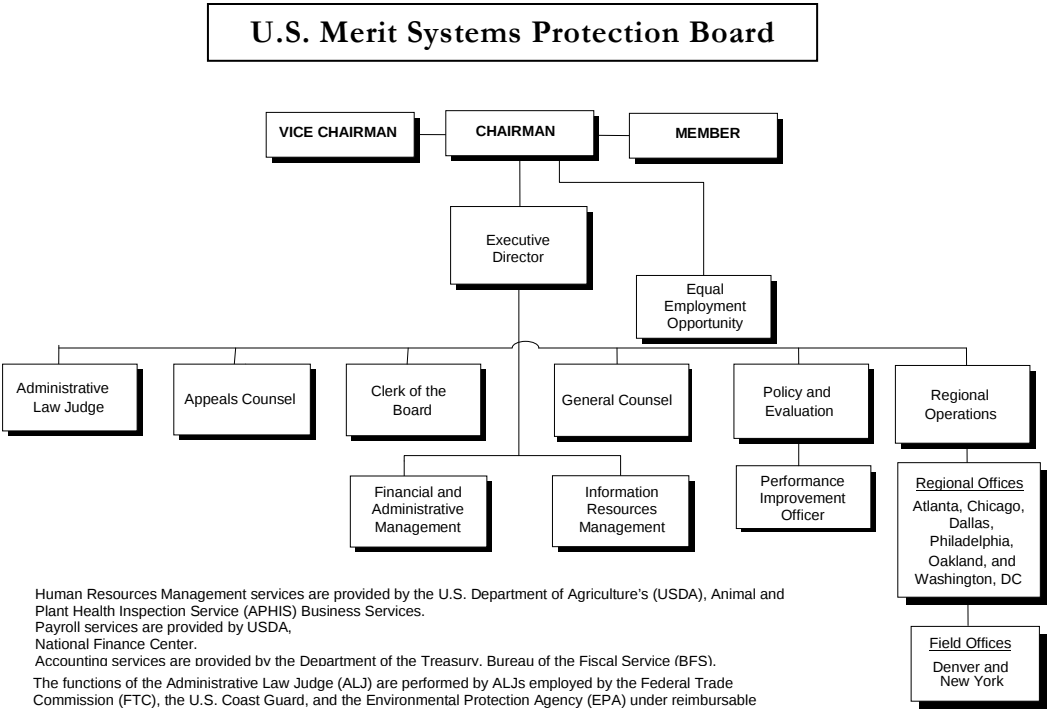
The **Office of the General Counsel**, as legal counsel to MSPB, advises the Board and MSPB offices on a wide range of legal matters arising from day-to-day operations. The office represents MSPB in litigation; prepares proposed decisions for the Board to enforce a final MSPB decision or order, in response 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



Management Discussion and Analysis

MSPB has chosen to produce an Agency Financial Report (AFR) and an Annual Performance Report (APR). MSPB will submit its final FY 2018 APR with its Congressional Budget Justification and post it on the MSPB web site at www.mspb.gov at the time the President's FY 2020 Budget is submitted to Congress in 2019.

Interim Summary of MSPB's FY 2018 Program Performance

This performance summary contains interim FY 2018 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 2018. MSPB is continuing to verify and validate its performance results for FY 2018. Final performance results and final judgements on the achievement of objectives will be published in the FY 2018 Annual Performance Report (APR) released in February 2019.

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 target for average processing time for initial appeals, and met its targets for cases left unchanged by the U.S. Court of Appeals for the Federal Circuit, and for conducting surveys of adjudication and ADR customers. Because we began FY 2018 without a quorum of Board members, we did not set targets for quality of initial appeals (which is based on Petition for Review (PFR) decisions), and for average PFR processing time. These performance goals were not rated in FY 2018. Even though we did not have a quorum for the entirety of FY 2018, we continued to process cases at headquarters (HQ) and prepare draft decision for Board review, and the Vice Chairman voted on hundreds of PFR cases. As of the end of FY 2018, approximately 1,800 PFR cases were pending at HQ, and over 1,500 PFR decisions had been drafted and are awaiting consideration by new Board members when they arrive. Additionally, our HQ offices prepared several draft decisions in original jurisdiction cases for consideration by new Board members when they arrive.

Strategic Objective 1B: Enforce timely compliance with MSPB decisions. Interim results indicate that this objective was **Not Rated (No Quorum)**. No target was set for this performance goals because we began the year without a quorum of Board members. While we continued to process compliance cases at HQ and in the regional and field offices, the lack of quorum of Board members meant that we were unable to release decisions in compliance/enforcement cases at HQ. Thus, we could not rate this objective and performance goal.

Strategic Objective 1C: Conduct objective, timely studies of the Federal merit systems and Federal human capital management issues. Interim results indicate this objective was **Partially Met**. MSPB exceeded its target for newsletters and other articles by publishing three Issues of Merit newsletter editions covering all nine of the merit system principles (MSPs) and four additional articles. Newsletter articles include topics such as barriers to using the supervisory probationary period, aligning employee engagement with results, a shared understanding of sexual harassment, temporary and term appointments, and an entire edition on the 40th anniversary of the Civil Service Reform Act of 1978 (CSRA). We published additional articles on: The roles of feedback, autonomy, and meaningfulness in employee performance behaviors; an

update on sexual harassment; improving hiring through better assessment; and building blocks for effective performance management. Due to the lack of a quorum, we did not set a target for publication of merit system study reports. Therefore, the performance goal on publication of study reports was not rated. However, we have at least two merit system study reports awaiting review by new Board members. Our survey target was met by negotiating a Memorandum of Understanding (MOU) with the Office of Personnel Management (OPM) for our use of OPM's personnel data, and to begin to develop requirements for a new survey capability to ensure secure, effective, and efficient surveys of Federal employees and others to support our studies function.

Strategic Objective 1D: Review and act upon the rules, regulations, and significant actions of the Office of Personnel Management (OPM), as appropriate. Interim results indicate that this objective was **Partially Met**. MSPB published the Annual Report for FY 2017, which contained the review of OPM's 2017 significant actions. There were three regulation cases pending at HQ at the end of FY 2018. However, due to the lack of quorum, we could not issue decisions in the cases. Thus, we did not rate the performance goal involving review of OPM regulations.

Strategic Objective 2A: Inform, promote, and /or encourage actions by policy-makers, as appropriate, that strengthen Federal merit systems laws and regulations. Interim results indicate that this objective was **Met**. MSPB's performance goal for scope of citations was achieved. Our cases, studies, reports, newsletter articles, and other products were cited hundreds of times in over 135 different print and electronic sources. Sources included trade publications on Federal management and legal issues, wire services, major city daily newspapers, Congressional sources, and a variety of websites and blogs. Citation sources of particular import include two Government Accountability Office (GAO) reports; OPM's unlocktalent.gov website; posts and letters by selected Senators and Representatives; the National Academies of Sciences, Engineering, and Medicine; the National Academy of Public Administration; and a book on Health Care Management. We exceeded our target for articles published with policymakers as a primary audience including an update on sexual harassment; improving hiring through better assessment; and building blocks for effective performance management.

Strategic Objective 2B: Support and improve the practice of merit, adherence to MSPs, and prevention of Prohibited Personnel Practices (PPPs) in the workplace through successful outreach. Interim results indicate this objective was **Met**. The number of MSPB outreach events was within 5 percent or the number of outreach events in 2017. Outreach event topics included MSPB adjudication processes and legal precedent, Federal employment law, merit systems studies research, and general merit systems issues. Audiences varied from Federal labor law attorneys, human resource and equal employment opportunity professionals, academic and Federal researchers, legal organizations, Federal executive branch departments and agencies, employee and affinity groups, academic institutions, and television and radio audiences, among others. MSPB staff presented at the Federal Dispute Resolution conference, the American Society for Public Administration annual conference, Federal Circuit Bar Association Bench and Bar conference, and the Society for Industrial and Organizational Psychology annual conference.

Strategic Objective 2C: Advance the understanding of the concepts of merit, MSPs, and PPPs through the use of educational standards, materials, and guidance established by MSPB. Interim results indicate this objective was **Exceeded**. The number of visits to pages on the MSPB website increased

from FY 2017 by 16 percent. Over five new or updated educational and informational materials or documents were made available on the website. These documents included the information about: The All Circuit Review Act; MSPB's new procedure to Dismiss PFRs with Prejudice through order of the Clerk of the Board; information about the President's nominees for MSPB Chairman and Board members; updates on the Frequently Asked Questions (FAQs) on the impact of the lack of quorum on Board operations and appeals; monthly information on the number of PFRs pending at headquarters and PFRs pending before the Board; new prohibited personnel practice (PPP) number 14; and a radio and a television interview.

Management Objective M1: Lead and manage employees to ensure an engaged workforce with competencies to perform the mission. Interim results indicate this objective was **Met**. The 2018 Federal Employee Viewpoint Survey (FEVS) results for employee perceptions of competencies, diversity, and engagement, and the 2018 Internal Survey (IS) results for inclusion, were within plus or minus 5 percent from the previous year.

Management Objective M2: Develop budgets and manage financial resources to ensure necessary resources now and in the future, and ensure individual and workplace safety and security. Interim results indicate this objective was **Met**. Monthly results averaged over the year indicated that 8.0 percent of funded positions were left vacant, which is at the target value. The average of the percent positive responses from the 2018 Internal Survey questions on workforce and workplace safety and security was also within the targeted range.

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 **Met**. Results from the 2018 IS indicated that the average positive responses on employee ratings of availability and reliability of the IT infrastructure exceeded the target of plus or minus 5 percent from the average in FY 2017. The IS ratings for employee satisfaction with IT support also exceeded the target of plus or minus 5 percent from the average in 2017. We continued to use cSupport help-desk ticket system emphasizing that tickets not be closed unless the customer agrees, and made significant progress in planning for the implementation of iSupport, the successor ticket system. We also identified several MSPB employees who had used e-Appeal in previous positions. These employees provided input to requirements for a successor e-Appeal application as part of the modernization of MSPB's core business applications. Therefore, a survey of e-Appeal users was not necessary in FY 2018.

Management Objective M4: Modernize core business applications to achieve electronic adjudication, migrate the data center to the cloud, and provide a web-based survey platform. Interim results for this measure indicate this objective was **Met**. MSPB completed requirements development for its new core business applications and issued a Request for Proposal (RFP) in FY 2018. This effort was an organized effort supported by external consultants, a core team of MSPB advisors, which included representatives from offices beyond those that conduct adjudication functions, and several internal surveys to clarify requirements. As work on IT modernization efforts accelerated, it was clear that separately migrating our data center would not be cost effective since the new core business applications would be cloud-based. Therefore, we are devoting the migration resources to improving disaster recovery for the existing data center and supporting collateral projects necessary for comprehensive IT modernization to achieve 100 percent e-Adjudication.

Management Assurances

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 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.

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 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 2018.

Other Information

Summary of Financial Statement Audit and Management Assurances

Presented below is a summary of financial statement audit and management assurances for FY 2018. Table 1 relates to the Agency's FY 2018 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 Penalty 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 CPM 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 (83 FR 1173, Civil Monetary Penalty Adjustments for Inflation) in the Federal Register on January 10, 2018, pages 1173-1174), 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 January 10, 2018.

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	2018	\$1,066	Federal Register 83 (January 2018): 1173-1174 www.mspb.gov
5 U.S.C § 7326, Hatch Act Modernization Act of 2012	Penalties	2012	2018	\$1,066	Federal Register 83 (January 2018): 1173-1174 www.mspb.gov

Financial Section

Message from the Chief Financial Officer

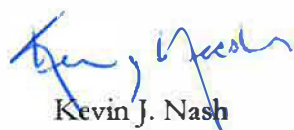
It is with pleasure that I present to you the U.S. Merit Systems Protection Board's (MSPB) financial statements for fiscal year (FY) 2018. In presenting the Annual Financial Report (AFR) I am particularly pleased to report that under the leadership of Vice Chairman Mark A. Robbins, MSPB has earned an unmodified (clean) opinion on its FY 2018 consolidated financial statements.

The AFR is our Agency's primary statement of accountability to the President of the United States, the United States Congress and to the American people. In achieving this opinion, many important aspects to financial operations had to be met. This would not have occurred without the dedication of many individuals within our Agency. As a result of the work of many professionals within our organization, it is also rewarding to report that as in previous years that 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 excellent work throughout the fiscal year as we continue to act as good stewards of public funds.

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

Respectfully,



Kevin J. Nash
Chief Financial Officer
November 15, 2018

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 2017 and FY 2018.

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.

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MERIT SYSTEMS PROTECTION BOARD

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

**FOR THE YEARS ENDED
SEPTEMBER 30, 2018 AND 2017**



**Prepared By
Brown & Company CPAs and Management Consultants, PLLC
November 13, 2018**



MERIT SYSTEMS PROTECTION BOARD

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2018 AND 2017**

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INDEPENDENT AUDITOR'S REPORT

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

In our audits of the fiscal years 2018 and 2017 financial statements of the U.S. Merit Systems Protection Board (MSPB), we found

- MSPB's financial statements as of and for the fiscal years ended September 30, 2018, and 2017, 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 2018 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, 2018, and 2017; 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. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility

MSPB's 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, 2018, and 2017, 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 MSPB's financial statements, we considered MSPB's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to MSPB's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

MSPB's 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, 2018, 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 MSPB's internal control over financial reporting. Accordingly, we do not express an opinion on MSPB's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

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

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

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

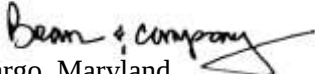
Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2018 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.


Largo, Maryland
November 13, 2018

MERIT SYSTEMS PROTECTION BOARD
BALANCE SHEET
AS OF SEPTEMBER 30, 2018 AND 2017
(In Dollars)

	2018	2017
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 14,249,666	\$ 13,272,030
Other (Note 5)	36,032	25,682
Total Intragovernmental	14,285,698	13,297,712
Accounts Receivable, Net (Note 3)	133	1,513
Property, Equipment, and Software, Net (Note 4)	702,046	701,086
Total Assets	\$ 14,987,877	\$ 14,000,311
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 518,754	\$ 909,749
Other (Note 8)	416,376	367,789
Total Intragovernmental	935,130	1,277,538
Accounts Payable	162,376	146,050
Federal Employee and Veterans' Benefits (Note 7)	506,922	493,723
Other (Note 8)	4,224,502	4,025,854
Total Liabilities (Note 6)	\$ 5,828,930	\$ 5,943,165
Net Position:		
Unexpended Appropriations - Other Funds	\$ 12,104,558	\$ 10,856,375
Cumulative Results of Operations - Other Funds	(2,945,611)	(2,799,229)
Total Net Position	\$ 9,158,947	\$ 8,057,146
Total Liabilities and Net Position	\$ 14,987,877	\$ 14,000,311

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, 2018 AND 2017
(In Dollars)

	2018	2017
Program Costs:		
Adjudication		
Gross Costs	\$ 40,226,350	\$ 41,654,789
Less: Earned Revenue	-	2,348
Net Program Costs	\$ 40,226,350	\$ 41,657,137
Management Support		
Gross Costs	\$ 5,352,998	\$ 5,266,888
Net Program Costs	\$ 5,352,998	\$ 5,266,888
Merit Systems Studies		
Gross Costs	\$ 2,361,157	\$ 2,267,534
Net Program Costs	\$ 2,361,157	\$ 2,267,534
Net Cost of Operations	\$ 47,940,505	\$ 49,191,559

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, 2018 AND 2017
(In Dollars)

	2018	2017
Unexpended Appropriations:		
Beginning Balances	\$ 10,856,375	\$ 11,096,891
Budgetary Financing Sources:		
Appropriations Received	44,490,000	44,786,000
Other Adjustments	(196,181)	(160,692)
Appropriations Used	(43,045,636)	(44,865,824)
Total Budgetary Financing Sources	1,248,183	(240,516)
Total Unexpended Appropriations	\$ 12,104,558	\$ 10,856,375
Cumulative Results of Operations:		
Beginning Balances	\$ (2,799,229)	\$ (2,522,629)
Budgetary Financing Sources:		
Appropriations Used	43,045,636	44,865,824
Transfers In/Out Without Reimbursement	2,345,000	2,345,000
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 12)	2,403,487	1,704,135
Total Financing Sources	47,794,123	48,914,959
Net Cost of Operations	(47,940,505)	(49,191,559)
Net Change	(146,382)	(276,600)
Cumulative Results of Operations	\$ (2,945,611)	\$ (2,799,229)
Net Position	\$ 9,158,947	\$ 8,057,146

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, 2018 AND 2017
(In Dollars)

	2018	2017
Budgetary Resources:		
Unobligated balance from prior year budget authority, net	\$ 7,476,127	\$ 7,815,110
Appropriations	44,490,000	44,786,000
Spending authority from offsetting collections	2,345,000	2,342,652
Total Budgetary Resources	\$ 54,311,127	\$ 54,943,762
Memorandum (non-add) Entries:		
Net adjustments to unobligated balance brought forward, Oct. 1	\$ (5,307,157)	\$ (5,569,599)
Status of Budgetary Resources:		
New obligations and upward adjustments (total) (Note 13)	\$ 46,320,572	\$ 47,452,239
Unobligated balance, end of year:		
Apportioned, unexpired account (Note 2)	6,693,643	6,280,778
Expired unobligated balance, end of year (Note 2)	1,296,912	1,210,745
Unobligated balance, end of year (total)	7,990,555	7,491,523
Total Budgetary Resources	\$ 54,311,127	\$ 54,943,762
Outlays, net:		
Agency outlays, net	\$ 43,316,183	\$ 44,399,210

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

C. Basis of Accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary

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

F. Property, Equipment, and Software

Property, equipment, and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred. 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, 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 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, 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, 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 2018 and 2017 to the extent directed by accounting standards.

O. Reclassification

Certain fiscal year 2017 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2018 and 2017, were as follows:

	2018	2017
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	\$ 6,693,643	\$ 6,280,778
Unavailable	1,296,912	1,210,745
Obligated Balance Not Yet Disbursed	6,259,111	5,780,507
Total	\$ 14,249,666	\$ 13,272,030

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 14).

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2018 and 2017, were as follows:

	2018	2017
With the Public		
Accounts Receivable	\$ 133	\$ 1,513
Total Accounts Receivable	\$ 133	\$ 1,513

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, 2018 and 2017.

NOTE 4. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2018

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 2,082,859	\$ 1,915,316	\$ 167,543
Furniture & Equipment	960,763	426,260	534,503
Software	9,415,576	9,415,576	-
Total	\$ 12,459,198	\$ 11,757,152	\$ 702,046

Schedule of Property, Equipment, and Software as of September 30, 2017

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 1,963,761	\$ 1,885,876	\$ 77,885
Furniture & Equipment	960,763	337,562	623,201
Software	9,415,576	9,415,576	-
Total	\$ 12,340,100	\$ 11,639,014	\$ 701,086

NOTE 5. OTHER ASSETS

Other assets account balances as of September 30, 2018 and 2017, were as follows:

	2018	2017
Intragovernmental		
Advances and Prepayments	\$ 36,032	\$ 25,682
Total Intragovernmental Other Assets	\$ 36,032	\$ 25,682

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 the MSPB as of September 30, 2018 and 2017, 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.

	2018	2017
Intragovernmental – FECA	\$ 99,752	\$ 91,574
Intragovernmental – Unemployment Insurance	29,479	-
Unfunded Leave	3,011,622	2,916,531
Actuarial FECA	506,922	493,723
Total Liabilities Not Covered by Budgetary Resources	\$ 3,647,775	\$ 3,501,828
Total Liabilities Covered by Budgetary Resources	2,181,142	2,441,337
Total Liabilities Not Requiring Budgetary Resources	13	-
Total Liabilities	\$ 5,828,930	\$ 5,943,165

FECA and the Unemployment Insurance liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on 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 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, MSPB's liability as of September 30, 2018 and 2017, was \$506,922 and \$493,723, respectively.

NOTE 8. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2018 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 14,164	\$ 85,588	\$ 99,752
Unemployment Insurance Liability	29,479	-	29,479
Payroll Taxes Payable	287,132	-	287,132
Custodial Liability	13	-	13
Total Intragovernmental Other Liabilities	\$ 330,788	\$ 85,588	\$ 416,376

With the Public			
Payroll Taxes Payable	\$ 44,706	\$ -	\$ 44,706
Accrued Funded Payroll and Leave	1,162,668	-	1,162,668
Unfunded Leave	3,011,622	-	3,011,622
Other Liability	5,506	-	5,506
Total Public Other Liabilities	\$ 4,224,502	\$ -	\$ 4,224,502

Other liabilities account balances as of September 30, 2017 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 11,201	\$ 80,373	\$ 91,574
Payroll Taxes Payable	276,215	-	276,215
Total Intragovernmental Other Liabilities	\$ 287,416	\$ 80,373	\$ 367,789

With the Public			
Payroll Taxes Payable	\$ 44,926	\$ -	\$ 44,926
Accrued Funded Payroll and Leave	1,061,455	-	1,061,455
Unfunded Leave	2,916,531	-	2,916,531
Other Liability	2,942	-	2,942
Total Public Other Liabilities	\$ 4,025,854	\$ -	\$ 4,025,854

NOTE 9. LEASES

Operating Leases

The MSPB occupies office space at various locations nationwide (Atlanta, Chicago, Dallas, Denver, New York, Philadelphia, Oakland, and in Washington DC at two locations.) 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 May 1, 2013 and expires on January 13, 2028. The total operating lease expense for fiscal years 2018 and 2017 were \$3,663,601 and \$3,595,097, respectively. 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 October 1, 2014 and will expire on September 30, 2019. The agency currently pays annual rent of \$37,956.

Fiscal Year	Office Space
2019	\$ 2,851,130
2020	1,323,606
2021	1,097,990
2022	993,984
2023	970,171
Thereafter	63,983
Total Future Payments	\$ 7,300,864

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

NOTE 10. COMMITMENTS AND CONTINGENCIES

The MSPB did not have any material contingent liabilities that met disclosure requirements as of September 30, 2018 and 2017.

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

The President's Budget that will include fiscal year 2018 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2019 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2019 Budget of the United States Government, with the "Actual" column completed for 2017, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

FY2017	Budgetary Resources	Obligations Incurred	Net Outlays
Statement of Budgetary Resources	\$55,000,000	\$47,000,000	\$44,000,000
Spending Authority from Offsetting Collections	(2,000,000)		
Unobligated Balance Not Available	(1,000,000)		
Difference - Due to Rounding	1,000,000	-	1,000,000
Budget of the U.S. Government	\$53,000,000	\$47,000,000	\$45,000,000

NOTE 12. IMPUTED FINANCING SOURCES

The MSPB recognizes as imputed financing 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 years ended September 30, 2018 and 2017, imputed financing was as follows:

	2018		2017	
Office of Personnel Management	\$	2,403,487	\$	1,704,135
Total Imputed Financing Sources	\$	2,403,487	\$	1,704,135

NOTE 13. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2018 and 2017 consisted of the following:

	2018		2017	
Direct Obligations, Category A	\$	43,975,572	\$	45,107,239
Reimbursable Obligations, Category A		2,345,000		2,345,000
Total Obligations Incurred	\$	46,320,572	\$	47,452,239

Category A apportionments distribute budgetary resources by fiscal quarters.

NOTE 14. UNDELIVERED ORDERS AT THE END OF THE PERIOD

As of September 30, 2018, budgetary resources obligated for undelivered orders were as follows:

	Federal		Non-Federal		Total
Paid Undelivered Orders	\$	36,032	\$	-	\$ 36,032
Unpaid Undelivered Orders		1,791,936		2,286,036	4,077,972
Total Undelivered Orders	\$	1,827,968	\$	2,286,036	\$ 4,114,004

As of September 30, 2017, budgetary resources obligated for undelivered orders were as follows:

	Federal		Non-Federal		Total
Paid Undelivered Orders	\$	25,682	\$	-	\$ 25,682
Unpaid Undelivered Orders		939,643		2,399,527	3,339,170
Total Undelivered Orders	\$	965,325	\$	2,399,527	\$ 3,364,852

NOTE 15. CUSTODIAL ACTIVITY

The MSPB's custodial collection primarily consists of late fees and penalties. While these collections are considered custodial, they are neither primary to the mission of MSPB nor material to the overall financial statements. The MSPB's total custodial collections are \$0 and \$248 for the years ended September 30, 2018, and 2017, respectively.

NOTE 16. 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.

	2018	2017
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 46,320,572	\$ 47,452,239
Spending Authority From Offsetting Collections and Recoveries	(2,525,785)	(2,455,969)
Net Obligations	43,794,787	44,996,270
Other Resources		
Imputed Financing From Costs Absorbed By Others	2,403,487	1,704,135
Net Other Resources Used to Finance Activities	2,403,487	1,704,135
Total Resources Used to Finance Activities	46,198,274	46,700,405
Resources Used to Finance Items Not Part of the Net Cost of Operations	1,478,144	2,214,555
Total Resources Used to Finance the Net Cost of Operations	47,676,418	48,914,960
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:	264,087	276,599
Net Cost of Operations	\$ 47,940,505	\$ 49,191,559